

# The power of silent voices: Employee satisfaction and acquirer stock performance<sup>a</sup>

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## Abstract

Employees are a firm's most valuable asset. To test whether this statement is more than just rhetoric, we assemble a novel social media dataset that captures the level of employee satisfaction in S&P 500 firms and explore its relationship with stock returns in the aftermath of mergers and acquisitions. Our results show that employee satisfaction has a strong long-term positive effect on acquirer stock performance, even though its short-term effect on cumulative abnormal returns is largely insignificant. This is in contrast with previous studies wherein the external evaluations of corporate social responsibility have had significant short-term but weaker long-term effects on equity prices. Our results suggest the stock market is unable to fully incorporate the value of employee satisfaction.

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## 1. Introduction

“Mergers, like marriages, fail without a meeting of minds”

- Financial Times, May 14, 2007

Employees are often referred to as a firm’s most valuable asset. Yet, fostering employee satisfaction has traditionally been seen as irrelevant or even counter-productive (Taylor, 1911). Several recent studies have countered this to explore the potential impact of employee satisfaction on shareholder wealth. For example, Edmans (2011) reports a four-factor monthly alpha on a value-weighted portfolio of firms listed in Fortune magazine’s “Annual 100 Best Companies to Work For” (the BC list) to be around 0.29%, equivalent to an annualized alpha of 3.5%. In a similar vein, other studies identify employees, and human capital in a broader sense, as a key asset for increasing firm value (e.g., Rajan and Zingales, 1998; Carlin and Gervais, 2009; Berk, Stanton and Zechner, 2010; Moniz, 2016). In this study, we use novel social media data to capture employee satisfaction in U.S. S&P 500 firms between 2009 and 2015 in the context of mergers and acquisitions (M&As) in order to examine whether employee satisfaction has a positive or negative effect on post-M&A acquirer stock performance. To the best of our knowledge, this is the first empirical study to explore the effect of employee satisfaction on acquirer stock performance using actual satisfaction scores posted voluntarily by employees. This allows us to examine if and how employees’ perceptions of their own firms affect the effectiveness of strategies pursued by the latter and the resulting firm value, as evaluated by the stock market.

We focus on M&As in this paper because their inherently risky nature provides an ideal setting in which to observe the long-term effects of employee satisfaction on firm value. After all, almost 70% of mergers fail to achieve the initially intended synergies (Christofferson, McNish and Sias, 2004). Although there are some ill-conceived M&A deals that lack strategic rationale, others fail due to poor post-merger integration (Haspeslagh and Jemison, 1991). For example, Daimler-Benz’s disastrous acquisition of Chrysler for \$36 billion in 1998 has been attributed to the ensuing clash over culture and management style. As M&As disrupt daily routines, incentive structures, and employees’ career prospects at every level, whether a firm manages to achieve successful post-merger integration has a huge effect on future productivity.

In this respect, employee satisfaction has every potential to affect the post-M&A performance of acquiring firms. Specifically, employee satisfaction can have a fundamental effect on post-merger integration and realization of intended synergies. Begrudged employees of acquiring firms may make the integration process difficult, which in turn can delay the sharing of resources and capabilities between acquirers and targets, leading to the eventual departure of key employees on both sides. In

contrast, if the current employees of acquiring firms are satisfied with said acquiring firms, they are more likely to help ease the integration process. By doing so, these employees can harness the productivity of both acquiring and acquired firms (Buono and Bowditch, 2003). Likewise, employees' perceptions of procedural and distributive justice affect their willingness to cooperate in mergers (Melkonian, Monin and Noorderhaven 2011). Thus, if such cooperation is not achieved by either the acquirer or target, the firm's long-term performance is likely to suffer.

While M&As are known to disrupt existing favorable employee relationships within the acquired firms, the fact that M&As can also disrupt employee relationships in acquiring firms has attracted little research attention. According to Haspelaugh and Jemison (1991), combining two organizations can destroy psychic value and create uncertainties and fears, which may in turn create resentment and resistance among employees, particularly if career opportunities, personal ambitions, and benefit packages are compromised as a result. To reduce redundancies and overlaps, M&As are commonly followed by significant layoffs. This potential disruption to the careers of employees of acquiring firms can create "resistance" that can be detrimental to potential synergy while increasing firm value in the long run. Furthermore, given that the financing of M&As often results in significant changes to the acquiring firm's capital structure (e.g., Hartford, Klasa and Walcott, 2009), the resulting increased leverage may "affect the incentive for the firm to honor its implicit contracts and in other ways maintain a favorable reputation (Maksimovic and Titman, 1991, p. 176). Further still, a firm's ability to maintain favorable employee relations can be jeopardized by a possible debt overhang problem (Myers, 1977; Berk, Stanton and Zechner, 2010).

The aforementioned studies implicitly acknowledge a possible link between acquiring firm's employee satisfaction prior to M&A deal and its subsequent performance. If anything, given the risky "make or break" nature of post-merger transitions, the effect of employee satisfaction of acquiring firms on firm value should be more pronounced during M&A deals. However, the existing literature does not examine employee satisfaction as a critical element in determining a firm's long-term, post-M&A performance. Instead, previous studies have a broader focus on acquirers' efforts to maintain their relationships with various stakeholders—both internal and external—within the specific context of corporate social responsibility (CSR). For example, Wang and Xie (2009) examine the acquiring firm's corporate governance, and Aktas, Bodt and Cousin (2011) and Deng, Kang and Low (2013) address acquirers' handling of overall stakeholder relationships in enhancing post-merger performance. We complement these studies by offering a more focused perspective on the single most important, yet largely neglected, internal stakeholders: firm employees.

It is also important to examine the value implications of employee satisfaction in the context of M&As because the existing literature views employee satisfaction as an intangible asset (e.g., Edmans, 2011) without fully considering the means by which it generates tangible shareholder value. Can all firms benefit from fostering higher satisfaction among employees even when they operate in stable, day-to-day business environments? Or does the impact of employee satisfaction become more pronounced when a firm faces a structural break or disruptive corporate investment like an M&A? Given the influential findings of previous studies, a closer examination of the context or process under which employee satisfaction becomes more relevant for the shareholder wealth is warranted.

For this purpose, we consider 284 M&A deals completed by S&P 500 firms between July 2009 and October 2015, for which employee review data from the career community website, Glassdoor, are available. In total, we collect 571,896 reviews, 343,980 (60.1%) of which are written by those identifying themselves as current employees. Although a handful of works in corporate finance (e.g., Huang, Li, Meschke and Guthrie, 2015; Moniz, 2016) and management (e.g., O'Reilly, Caldwell, Chatman and Doerr, 2014) just began to use this dataset, our foremost contribution lies in our identification and isolation of the impact of employees' candid assessment of their own firms in affecting shareholder values, both immediately and over time.

This is a clear departure from previous studies in this area that have to date used the KLD STATS database (KLD) or BC list, which assess employee satisfaction mainly from an external perspective, while ignoring the silent voices of employees or making it difficult for them to speak out freely. In contrast, the Glassdoor data represent these internal stakeholders' views in their own words, which is important because the enacted corporate values and those perceived by their employees have differential effects on the firm's financial performance, as in Guiso, Sapienza and Zingales (2015).<sup>1</sup> Moreover, because the Glassdoor reviews are posted in real time, it is possible to engage in a higher frequency study of employee sentiment, compared to the annually updated KLD and BC lists.

The key advantage of the Glassdoor dataset is the candid and voluntary assessment by employees behind a veil of anonymity, thus more likely to capture employees' honest perceptions of their own firms. There are numerous aspects of this dataset that allow us to place sufficient confidence in the accuracy of its content and assessments. Each employee can post only a single review of their firm, minimizing the possibility of systematic distortion. Glassdoor then screens and maintains the integrity of the posted reviews. Given that many employees are constantly looking for better work opportunities,

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<sup>1</sup> Popadak (2013) similarly uses employee reviews collected by career intelligence firms, highlighting the importance of "perceived" vs. proclaimed values.

those who register on the website to access employee satisfaction data are not only those actively seeking career changes or register polarized sentiment, but also those who are genuinely curious about how other employees view their own firms, growing the user base in turn.

This study focuses on both short- and long-term M&A stock effects. We focus on stock returns because they are relatively free from reverse causality issues. For example, studies using Tobin's Q as the main valuation measure (e.g., Huang, Li, Meschke and Guthrie, 2015; Moniz, 2016) may be biased by expected future firm value or accounting performance, as they may induce employees to report a higher degree of satisfaction. On the other hand, any expected future performance should be incorporated immediately into stock price, avoiding the reverse causality, which has been the main reason for its prevalent use in a large majority of studies on the financial implications of stakeholder relationships.<sup>2</sup>

Yet, there is a possibility that the stock market may not immediately incorporate employee satisfaction immediately upon M&A announcement, as the level of employee satisfaction, i.e., internal stakeholders' "silent voices," may be less noticeable than external-stakeholder-driven activities like CSR. As Edmans (2011) argues, this does not necessarily imply that the market reacts in an inefficient manner; it merely represents the inherent difficulties associated with pinpointing the value implications of an intangible asset like employee satisfaction until it surfaces as tangible wealth.

As expected, we find that the statistical significance of employee satisfaction is rather weak in explaining the acquirers' cumulative abnormal returns (CARs) around the time of announcement. We also find strong evidence of a positive long-term drift in stock returns when acquiring firms with higher levels of employee satisfaction engage in M&A deals. Over the 24-month horizon beginning at the end of the deal's announcement month, a value-weighted zero-cost portfolio with a long position on acquirers with above-median current employee satisfaction scores and an offsetting short position on below-median acquirers yields Fama-French (2015) five-factor monthly alphas of around 0.55% over the risk-free rate and 0.45% over the industry-matched benchmark, implying annualized alphas of 6.7% and 5.5% respectively. The statistical significance is robust to various methodologies, including portfolio weighting, portfolio return winsorization, and other tests based on the deal- and acquirer-level characteristics. A similarly significant long-term drift can be found for the event-time buy-and-

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<sup>2</sup> Some examples include but are not limited to Hamilton, Jo and Statman (1993), Guerard (1997), Bauer, Koedijk and Otten (2005), Derwall, Guenster, Bauer and Koedijk (2005), Dimson, Karakas and Li (2015), Hong and Kacperczyk (2009), Statman and Glushkov (2009), Edmans (2011), Becchetti, Ciciretti, Hasan and Kobeissi (2012), Flammer (2013) and Krüger (2015). For a meta-analysis of this literature, please refer to Margolis, Elfenbein and Walsh (2009).

hold abnormal return (BHAR) approach at the 36 month horizon. On the other hand, conventional measures of employee relations like the KLD and BC lists are unable to generate similarly strong positive long-run effects, highlighting the importance of collecting genuine employee assessment. Most importantly, a counterfactual case of a matched non-acquirer zero-cost portfolio between high- and low-employee-satisfaction firms does not exhibit similar statistical significance or economic magnitude, thus supporting M&As as a relevant context in which the value creating potential of employee satisfaction can be realized. In this way, our study represents a significant extension of Edmans (2011), as our results suggest employee satisfaction has a stronger impact on firm value amid disruptive corporate investments like M&As, even as a mere the inclusion in the BC list may no longer do so in recent years.

A more in-depth analysis suggests that this positive long-term drift is mainly driven by acquirer employees' assessment of their own career opportunities. We find that acquirer employee satisfaction of career opportunities, among five sub-categories in the Glassdoor database, turns out to be consistently significant in both the calendar- and event-time specifications. On the other hand, their evaluation of senior management and CEOs exhibit little impact, which rules out an alternative hypothesis that the link between higher M&A performance and higher employee satisfaction may be driven by superior managerial capabilities. Rather, this study echoes the management literature that emphasizes the role of internal career prospects in enhancing the acquirer employees' organizational commitment and its subsequent beneficial impact on employee retention and turnover (Larsson, Driver, Holmqvist and Sweet, 2001; Larsson and Finkelstein, 1999; Mathieu and Zajac, 1990), which is critical to a smooth post-merger integration. Thus, we contend that employee assessments of career opportunities is critical to successful M&As.

Where Edmans (2011) examines the overall stock performance of all firms on the BC list without any specific context, this study further develops his work by identifying M&As as the context in which the value of creating potential of employee satisfaction amplifies from negligible at announcement to more pronounced as time passes. In this way, our study contrasts with Deng, Kang and Low (2013), who find that the stock market reflects the effects of CSR more immediately, resulting in a less prominent long-term drift. Given the market's seeming inability to price the effect of employee satisfaction around the announcement of an M&A deal, our work also has strong managerial implications.

## 2. Hypothesis Development

The management literature has long documented the potential negative impact of M&As (Hirsh, 1987). For example, Larsson, Driver, Holmqvist and Sweet (2001) show that M&As can severely affect the career plans of employees of both acquired and acquiring firms by forcing layoffs, relocation, and loss of individual influence. Larsson and Finkelstein (1999) further show that employee resistance to M&As has a negative impact on synergy realization. Furthermore, employee perceptions of procedural and distributive justice affect their willingness to cooperate in mergers. This willingness of employees to invest effort and time into culture and process integration is critical to the success of post-merger integration (Melkonian, Monin and Noorderhaven 2011, p. 810). While target firm employees are naturally expected to be affected by this adjustment process, the same process can also affect acquiring firm employees. In particular, advancement opportunities for acquirer employees are often negatively affected by M&As, as they have to compete with more people for fewer higher positions.

In broad terms, there are two competing hypotheses as to how an acquirer's relationship with employees is likely to affect shareholder wealth following an M&A. First, favorable acquirer employee relationships can create shareholder value in its aftermath by bringing about a smooth integration and transition to an accommodating, well-functioning entity after an M&A. For example, Cisco, a Silicon Valley firm with 175 completed acquisitions as of 2015, views employee retention as crucial to successful acquisition. Retention is key to Cisco's M&A strategy because the employees of the acquired firm possess technologies that need to be integrated in order to achieve faster product development. A comment posted by a Cisco employee on Glassdoor illustrates this:

Great community of people... so many mergers and acquisitions that there is always an influx of new talent and technology if you are looking for a place to begin a career and are looking for a stable, corporate-type job. Cisco is perfect.

This type of positive attitude on the part of acquirer employees ensures their critical support of the post-merger integration process, leaving them better able to accommodate potentially disruptive changes and enhance shareholder wealth. This finding complements extensive management literature identifying employees as firms' invisible assets. According to Itami (1991), "Employees are the most important assets of the firm, but they are important because much of the invisible assets of the firm are embedded in people; people carry and exchange information necessary for strategy fit.... People are important resources, not just as participants in the labor forces, but as accumulators and producers of invisible assets (p.14)." In addition, reputations can be built over time for firms with greater

satisfaction among internal stakeholders, further contributing to enhanced financial performance (Freeman, 1984).

Moreover, according to efficiency wage theory (e.g., Shapiro and Stiglitz, 1984; Akerlof and Yellen, 1986), the greater the acquirer employees' satisfaction, financial or otherwise, the greater the cost of job loss, meaning employees are less likely to engage in value-destroying activities. As such, in situations in which firms cannot directly force employees to maintain positive efforts and attitudes, their satisfaction acts as a powerful disciplining device against possible shirking or sabotaging in the aftermath of an M&A. In this way, an acquiring firm with a better relationship with employees is also better prepared to retain the implicit contracts that worked well prior to the M&A. This can be critical to successful continued operations; after all, an acquirer with employees holding an accommodating view of "an influx of new talent and technology" is more likely to benefit than one with negatively dispositioned employees.

However, acquirer employee satisfaction can also be an obstacle to shareholder value in the M&A context, since M&As create unnecessary disruptions in otherwise well-functioning firms with well-balanced employee relationships. This view is reflected in another Cisco employee review on Glassdoor:

Why are we bringing 100% of people on board from M&As? Find a way to do more with less when taking over a company. The people paying the price are often those most loyal to Cisco and those who've been around quite a while.

From this point of view, M&As can upset internal stakeholders, especially current employees of acquiring firms, and uproot long-term employment relationships built over years or even decades. Such resentment among acquirer employees make it more difficult to motivate them following M&A deals. More specifically, they may destroy a firm's intangible assets in the form of positive insider stakeholder relationships, in turn reducing shareholder wealth. Bekier, Bogardus and Oldham (2001) provide additional support for this argument, as they find distracted staff primarily responsible for the underperformance of target firms after merger announcements.

To summarize, neither hypothesis disputes the intricate link between stakeholder relationship and shareholder wealth. Stakeholder theory views a firm as a collation of implicit contracts between each of its key stakeholders and shareholders (e.g., Alchian and Demsetz, 1972; Jensen and Meckling, 1976; Cornell and Shapiro, 1987; Hill and Jones, 1992). Stakeholder willingness to provide key resources and support is critical to long-term survivability and profitability. Where these two hypotheses differ, however, is in their take on M&A deals. Although the "value-destroying view" views M&As as

disruptive to favorable stakeholder relationships, the “value-enhancing view” contends that favorable employee relationships create synergies. These competing hypotheses can be summarized as follows:

(H1a) Value-enhancing view: favorable acquirer employee satisfaction before M&A enables smooth post-M&A integration, thus contributing positively to shareholder wealth.

(H1b) Value-destroying view: the M&A disrupts employee relations such that favorable satisfaction among acquirer employees before the M&A contributes negatively to shareholder wealth.

These hypotheses consider whether the implicit relationship between internal stakeholders, i.e., employees and shareholders, can change following an M&A. Given that our primary focus is on stock market implications, these hypotheses can be tested by combining announcements and long-term effects. Although several studies explore similar hypotheses related to external stakeholders (e.g., Deng, Kang and Low, 2013), no study has hitherto focused on acquiring firms’ internal stakeholder relationships separately as the main variable of interest. In this respect, this paper is a natural extension of Edmans (2011); while his study shows that firms in the BC list generate superior stock returns, a result known as “doing well by doing good,” we do not yet know the specific contexts in which acquirer employee satisfaction would increase firm value. Suppose that employee satisfaction has value-enhancing potential. Can all firms benefit from higher employee satisfaction, regardless of any context or under normal day-to-day business environment? If not, does the value of employee satisfaction only become relevant when a firm initiates a major, risky transition like an M&A? These are questions with strong managerial implications to examine whether and when employee satisfaction leads to superior firm performance. Given the highly risky nature of M&As and their potential to fundamentally alter a firm’s relationship with internal stakeholders, we posit that employee satisfaction is more likely to be critical to shareholder value when a firm engages in a structural break or disruptive corporate investment, as in M&As. More specifically, we expect that:

(H2) The impact of employee satisfaction on shareholder wealth creation will be more pronounced when the firm engages in disruptive corporate investment like M&As, compared to normal business environments.

In other words, we expect the value implications of employee satisfaction to be context-dependent. In this respect, this study should be seen as a joint test of both the power of employee satisfaction and the relevance of M&As as an appropriate context in which the value of employee satisfaction manifests more visibly. We test this hypothesis with two sets of analyses. First, we replicate Edmans’ (2011) portfolio analysis in Section 4.1, based on the BC list, both for all public firms and the subsample of

S&P 500 firms from which our M&A deal sample is drawn in order to determine whether S&P 500 firms with superior employee satisfaction, both acquirers and non-acquirers, outperform those with lower employee satisfaction. Second, we employ propensity score matching in Section 5.1 to build a counterfactual scenario for long-term portfolio analysis, assigning every acquirer a matching non-acquirer based on satisfaction scores and other firm characteristics. This approach also controls for the endogenous likelihood of an M&A deal.

Finally, this study explores whether the stock market can value employee satisfaction immediately upon announcement. The stock market is known to exhibit difficulties in valuing intangible assets. For example, firms with high R&D expenditures (Lev and Sougiannis, 1996; Chan, Lakonishok and Sougiannis, 2001) or high patent citations (Deng, Lev and Narin, 1999) exhibit strong long-term drifts in stock returns, indicating that the market may not be able to quantify the exact value implications of intangible assets.<sup>3</sup> We posit that employee satisfaction could be another of these factors. Such difficulties in evaluating intangible assets may stem from a lack of relevant information or the considerable time-consuming effort required to process this information (Lev, 2004; Edmans, 2011). However, Edmans (2011) reports that even when the information itself is highly visible and publicized, such as the widely available BC list, the market may still fail to react. This is attributed to mispricing whereby “an intangible only affects the stock price when it subsequently manifests in tangible outcomes that are valued by the market (Edmans, 2011, p. 623).” This study conducts a more direct empirical test of this mispricing prediction, as summarized by the following hypothesis:

(H3) Due to the intangible nature of employee satisfaction, the stock market takes longer to fully incorporate its effect after M&A announcements.

We explore this hypothesis by separately examining the CARs around M&A announcements and subsequent long-term returns on acquirer portfolios sorted by employee satisfaction. Assuming that employee satisfaction does affect shareholder wealth following an M&A, investors capable of valuing intangible assets should capture it immediately upon announcement. If so, there should be no long-run drift in the subsequent stock returns, as its effect will have already been incorporated. In contrast, if the stock market fails to immediately incorporate employee satisfaction, it exerts an insufficient effect on the announcement, leading to a possible long-term drift. This contrasts with the more immediate

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<sup>3</sup> Other prominent examples of the market’s inability to value intangible or partly intangible assets include Gompers, Ishii and Metrick’s (2003) findings of a superior return on corporate governance sorted portfolios and Yermack’s (2006) negative alpha result for firms with CEO corporate jets. More specific to M&As, Masulis, Wang and Xie (2007) report that acquirers with better corporate governance enjoy superior post-merger stock performance.

but somewhat weaker long-term effect of CSR on post-M&A stock performance, as demonstrated by Deng, Kang and Low (2013).

### **3. Data**

In this section, we discuss our sample construction and the characteristics of our main measure of employee satisfaction, i.e., anonymous employee review data collected from Glassdoor. We also describe the methodology employed to address potential endogeneity.

#### **3.1. Employee satisfaction measure: Glassdoor employee review data**

Until recently, most prior work on employee satisfaction—and CSR in general—have used either KLD or the BC list as their key measure (e.g., Dhrymes, 1998; Bae, Kang and Wang, 2011; Hong and Kostovetsky, 2012; Di Giuli and Kostovetsky, 2014; Deng, Kang and Low, 2013; Kang and Kim, 2016). However, it is highly debatable whether these data truly represent employees' honest perceptions.

The KLD scores are essentially extensive qualitative checklists to determine whether a firm has a particular set of strengths or concerns that can be influenced by the firm to a given degree. For example, a firm with poor workplace culture and high employee dissatisfaction can still achieve high marks for employee relations if the firm offers cash profit sharing and comprehensive health and safety programs. Obviously, these variables cannot fully capture the complex nature of employee relationships in the workplace. Moreover, KLD scores aim to provide a broad, objective picture of a firm's overall stakeholder relationships, both internally and externally. As a result, the checklist includes various factors that both the market and public perceive as important determinants of employee relations, such as union relations, cash profit sharing, and retirement benefits. Such factors are clear, tangible, and easier for investors to comprehend, but they may not necessarily correspond to factors employees actually perceive as important.

The BC list also has its own limitations. First, it relies on a workplace employee survey, but the firm must apply to the program in order to be included. Although the Great Places to Work® Institute tries to minimize firms' influence on survey outcomes, the very fact that the firm initiates the survey may limit employee willingness to reveal honest opinions. Moreover, given that the list covers only the 100 best companies in the U.S., it does not capture the dynamics of firms below this threshold.

On the other hand, Glassdoor, an independent social media website founded in 2007, provides a forum for both current and former employees to post anonymous reviews of their firms, both quantitatively (in the form of Likert scale scores) and qualitatively (through written comments). Most importantly, Glassdoor features employees' candid perceptions of their firms and CEOs, a distinct advantage of its use in our study compared to other alternative sources. However, due to its short history and limited access, this dataset has hitherto been used in just a few studies, including Huang, Li, Meschke and Guthrie (2015) and Moniz (2016).

The specifics of the Glassdoor database are as follows. For quantitative assessments, employees rate their overall satisfaction using 5-point Likert scales then similarly on the following subcategories: (1) work-life balance, (2) career opportunities, (3) compensation and benefits, (4) senior management, and (5) culture and values (available from 2012 onward). Employees are also asked to enter a binary response as to whether they would recommend their firms to their friends. Finally, there are 3-point Likert scale assessments (i.e., positive, neutral, or negative) of employees' perceptions of their firms' outlooks (available from 2012) and their opinions of their CEOs.

The employees also offer qualitative assessments of the pros and cons of working in their firms, as well as any specific recommendations or advice for senior management. Protecting employee anonymity is of paramount concern to ensure truthful responses. Additionally, employees indicate whether they are current or former employees and, if willing, describe their job description, work location, salary, full/part-time status, and length of tenure in the aforementioned firm. Panel A of Figure 1 illustrates an example for NetApp, one of the acquirers in our sample.

#### **FIGURE 1 HERE**

An additional benefit of Glassdoor is that it publishes a company's summary statistics on employee satisfaction; Panel B of Figure 1 offers an example. Although the average rating reported is an average of all reviews since Glassdoor's launch, time series variations can be inferred with even a cursory glance at rating trends. Thus, it is worth highlighting that the satisfaction scores are directly visible, comparable across firms, and available to anyone.

Although there are other competing platforms where employees can share information about their firms, Glassdoor offers the widest coverage. Quantcast reports that Glassdoor reaches over 17 million people per month, 15 million of whom reside in the United States. Glassdoor also employs web editors to ensure the integrity of reviews. Not only do reviewers have to register and verify their e-mail addresses, but any comments construed as defamatory attacks or meaningless repetition are screened and rejected. More importantly, reviewers must complete both the pros and cons sections of the

qualitative assessment, thus providing a more balanced picture. Enforcing these strict community guidelines instills greater confidence in the quality of the data for the purpose of our analysis.

Our Glassdoor sample includes employee reviews for all firms in the S&P 500 Index submitted between June 2008 and October 2015. In total, there are 571,896 reviews, of which 343,980 (60.1%) are by current employees. The number of reviews varies greatly by firm, ranging from just 2 for Wisconsin Energy to 16,070 for IBM. In order to ensure that our results are not driven by former employees who might have left long ago, we average satisfaction scores over (i) all employees and (ii) a subsample of current employees.

Quantcast also reports that users visiting Glassdoor tend to over-represent high-income earners aged 25-34 with graduate school educations.<sup>4</sup> This self-selection issue, along with the “halo effect” inherent to any voluntary survey, creates a potential bias for our OLS estimates (e.g., Thorndike, 1920). To alleviate this problem, we take a two-stage least squares (2SLS) approach, similar to Huang, Li, Meschke and Guthrie (2015), and use the ratio of the number of current employee reviews to all reviews (current-all ratio) as an instrument variable. Former employees might have left their firms due to various sources of dissatisfaction, so their reviews tend to push the satisfaction scores downward. However, current employees that visit Glassdoor are more likely to be simply curious; as such, their reviews are not, on average, as scathing as those of former employees. Thus, a significant relationship between the current-employee ratio and employee satisfaction score is likely, though it is difficult to predict how this relationship may directly affect stock performance other than through its effect on the employee satisfaction score, satisfying the criteria for a valid instrument.

Finally, to compare our results directly with those of other studies of employee relations, we also gather data from the BC list and KLD. Given our primary purpose, we focus on the employee relations component of the KLD, one of its seven dimensions.<sup>5</sup> However, as Manescu (2011) and Deng, Kang and Low (2013) point out, the different sets of strength and weakness checklist used over the years make it difficult to compare KLD scores over time. As a result, we use the adjusted measure proposed by Manescu (2011), which is also used by Deng, Kang and Low (2013), with firm  $i$ 's adjusted score in year  $j$ ,  $EMP_{i,j}$ , given by:

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<sup>4</sup> Demographic figures were taken from <https://www.quantcast.com/glassdoor.com#demographicsCard> on May 18, 2016, with results similar to Moniz (2016).

<sup>5</sup> The remaining six dimensions are community relations, corporate governance, diversity, environment, human rights, and product safety.

$$EMP_{i,j} = \frac{\text{No. of Strengths}_{i,j}}{\text{No. of Strength Criteria}_j} - \frac{\text{No. of Weaknesses}_{i,j}}{\text{No. of Weakness Criteria}_j}. \quad (1)$$

### 3.2. M&A deal sample

We obtain the sample of M&A deals for U.S. S&P 500 firms from the Securities Data Company (SDC) Platinum database by Thomson Reuters. We collect Glassdoor data for these U.S. S&P 500 firms from June 2008 to October 2015. As we need a sufficient time window before the M&A announcements to aggregate the satisfaction scores of the acquirer's employees, we focus on deals announced after June 2009.

We then apply the following criteria to finalize our M&A sample. First, the acquirer must be publicly traded, with its stock price reported in the Center for Research in Security Prices (CRSP) database. Second, the acquirer must also have financial statement data available in the Compustat database. Third, the disclosed deal value must be available in the SDC Platinum database and exceed \$1 million. Fourth, all merger or acquisition deals must be successfully completed. Fifth, the acquirer must hold less than 50% of the shares in the target before the announcement and 100% after. Finally, over the 12-month period before the announcement, the acquirer must have at least 5 reviews on Glassdoor to enable a meaningful aggregation of employee satisfaction scores.<sup>6</sup> Our final sample consists of 284 M&As made by 119 firms. For this sample, there are 54,115 reviews in the Glassdoor.com database within the 12-month window before the date of the M&A announcement, 33,767 (62.4%) of which are written by current employees.<sup>7</sup>

Studies that examine the relationship between mergers and CSR tend to exclude financial and utilities industries because the underlying relationship between the acquirer and its external shareholders is expected to differ substantially in these highly regulated industries, and because the acquirer may not have a sufficient degree of freedom in choosing its levels of investment in stakeholder relationship. We, however, do not exclude these industries from our analysis (e.g., Deng, Kang, and Low, 2013) because the focus of our study is on the firm's relationship with its own employees, which

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<sup>6</sup> Raising this threshold to a higher level, such as 10 or 20, has no qualitative effect on our results.

<sup>7</sup> Some of the target firms in our sample are small or foreign-based, and thus the employee reviews for these firms are sparse. In fact, of the 284 deals considered throughout this paper, fewer than 20 targets meet our screening criteria, namely more than 5 employee reviews posted within the 12-month window before the deal announcement. As a result, we solely focus on the employee satisfaction of acquirers throughout this paper.

are important concerns for firms regardless of industry participation.<sup>8</sup>

We similarly consider both merger and acquisition events. Although an acquired subsidiary may continue to operate as a separate entity and thus have diminished effect on external stakeholders compared to a merger, the difference between mergers and acquisitions is less obvious for internal stakeholders. This is particularly so if the acquirers' employees consider relative "distributive justice" with their peers in the acquired subsidiaries (Melkonian, Monin and Noorderhaven 2011). For example, if an acquirer honors the generous benefits packages of the acquired subsidiary, including long paid leaves or family concessions, it may create resentment among the acquirer's own employees ineligible for similar packages. As a result, the firm's implicit relationship with its employees is likely to be affected not just by mergers, but also by acquisitions.<sup>9</sup>

### **TABLE 1 HERE**

In Panel A of Table 1, we present the breakdown of our 284 M&A deals by the acquirer's broad industrial sector, based on the first two digits of its Standard Industry Classification (SIC) code and announcement year. Over 40% of our deal samples occurred in the manufacturing sector, while the services and financial sectors account for 25% and 16%, respectively. We complement the Glassdoor data with a number of firm-level financial variables from Compustat and CRSP, among other sources, along with an extensive list of deal-level characteristics. The entire list of variables is provided in Table A.1 of the Appendix, with accompanying explanations for how each variable is constructed.

In Panel B, we present the summary statistics of our deal sample, both the full sample and subsamples above and below the median employee satisfaction score. For the main part of the analysis, we split high- vs. low-satisfaction subsamples at the median employee satisfaction score in order to yield two equal sized groups. Since our sample is relatively small and covers a relatively short time period, an unequal balance of observations between the two subsamples could cause problems. However, as it induces a potential 'look ahead bias,' we conduct a sensitivity test using different portfolio sorting with an ex ante cut-off point (see Section 5.2), with no qualitative change to our main results. In addition, we distinguish between employee satisfaction scores based on both current and former employees and only current employees. As we require at least five reviews written by current

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<sup>8</sup> For the calendar- and event-time analyses performed in the later part of this paper, we ensure that all factor returns and sorting portfolios are constructed with the firms in these financial and utilities industries, eliminating any bias arising from a possible discrepancy in the asset universe.

<sup>9</sup> We perform a sensitivity analysis by removing subsidiary acquisitions in Section 5.2. Results are consistent.

employees, 17 of the 284 cases do not satisfy this criterion, leaving 267 deals for our analysis of current employee satisfaction scores.

Descriptive statistics suggest that firms with above-median overall satisfaction scores receive higher scores than those below the median across all sub-categories of employee satisfaction, with all differences significant at the 1% level. Firms treating their employees well may do so in all aspects of the employees' work life. However, it raises the possibility of a "halo effect." Thus, as noted above, we employ the 2SLS method with current-all ratio as the instrument.

Looking at firm-level characteristics, larger firms tend to garner higher employee satisfaction, significant at the 5% level. The same is true of firms with higher Tobin's Q, investment, and R&D spending. In contrast, employees in firms with higher leverage report lower satisfaction, consistent with Bae, Kang, and Wang (2011). The same is true for firms with higher market share, i.e., higher Herfindahl-Hirschman Index (HHI). For other firm characteristics, however, the differences between high and low employee satisfaction are insignificant. In particular, there is little association between a firm's employee satisfaction and free cash flow or market-adjusted return in the run up to the announcement, contrary to the casual expectation that firms with high employee satisfaction may be more profitable or carry more stock market momentum.

It is also worth noting that the high-satisfaction subsample contains relatively higher proportions of acquisition events and international deals, as well as smaller deal size relative to the acquirer's market capitalization. Finally, it appears that our measure correlates with other conventional measures of employee satisfaction, with the high vs. low subsample differences for the adjusted KLD Employee Relations score and BC list inclusion dummy significant at the 1% level for both all and just current employees.

### 3.3. Methodology

To examine the short-term effects of M&A announcements, we closely follow the CAR regression model by Masulis, Wang and Xie (2007) and Deng, Kang and Low (2013). We include several control variables. First, we include firm-level characteristic variables, including firm size, market leverage, and Tobin's Q. The inclusion of Tobin's Q is important, as it partially controls for managerial talent (e.g., Lang, Stulz and Walkling, 1989). It can be argued that employee satisfaction may capture a firm's managerial talent, as talented managers can induce greater satisfaction in their employees. To account for the possibility that employee satisfaction is driven by the acquirer's financial conditions in the run

up to the announcement, we also include free cash flow and previous market-adjusted return, namely the market-model buy-and-hold abnormal return (BHAR), measured between 200 and 11 trading days before the announcement.

Second, we include the following deal characteristic control variables: deal size relative to the market capitalization of the acquirer for the month-end preceding the announcement, industry M&A value, high tech, diversification M&A, public target, cash only, stock deal, and tender offer dummies. Unlike Deng, Kang and Low (2013), all deals in our sample are classified as either friendly or neutral, so we do not include a hostile takeover dummy. Since our sample includes both merger and acquisition events, we include an acquisition event dummy. Given the fact that the SDC database often misclassifies the target's status and does not clearly distinguish between private targets and subsidiaries, we employ a tight definition of acquisition events by assigning a value of 1 when the division or facility sold by the target is explicitly specified in the database. We also include an international deal dummy variable. Lastly, given the small sample size, we winsorize all variables at the 5% level to minimize outlier influence.

In addition, to control for the possibility that employee satisfaction merely captures a firm's ability to treat its employees well because of its strong market power, we include acquirer HHI in all CAR regression specifications. We also control for the possible effect of good corporate governance using Gompers, Ishii, and Metrick's (2003) G-Index. As their data is discontinued since 2007, we follow Guiso, Sapienza and Zingales (2015) and assign the most recent available value.

As stated earlier, we use the current-all ratio to control for possible errors-in-variable (EIV) problems in CAR regressions. Untabulated results indicate that using this as an instrument produces a first-stage F-statistic of just under 12, which is larger than Staiger and Stock's (1997) rule-of-thumb of 10 and Stock and Yogo's (2005) critical value for the weak instrument test based on the maximal TSLS size of 15% (at the 5% level). The corresponding F-statistic for current employee satisfaction is much lower, indicating a possible weak instrument problem. As a result, we consider only employee satisfaction scores averaged over all employees in the 2SLS regressions when analyzing the short-run announcement effects of employee satisfaction. All second-stage regressions pass the Sargan (1958) over-identification test.

## 4. Empirical results

We begin our analysis with a replication of Edmans' (2011) analysis. We then present our main results by engaging in (a) CAR regressions around the time of M&A announcements and (b) long-run post-M&A stock performance. In Section 5, we subsequently perform several robustness checks.

### 4.1. BC list portfolio analysis

We first present the calendar-time portfolio analysis when portfolios are formed according to the latest available BC list, using methodology identical to Edmans (2011). All firms on the BC list in calendar year  $t$  are included in the portfolio on February 1 of year  $t$  and held until January 31 of year  $t + 1$ . As in Edmans (2011), we construct both equal- and value-weighted portfolios, as anomalies can be sensitive to the method of portfolio weighting (Fama and French, 2008); specifically, anomalies prevalent in small- or medium-sized firms are less likely to be robust in value-weighted portfolios and vice versa. This amounts to a replication of Table 3 in Edmans (2011).

We use two benchmarks for the portfolio returns. In addition to the risk-free rate, we also compare portfolio return against the industry-matched portfolio using the Fama-French (1997) 49-industry classification, again as in Edmans (2011), using industry portfolio returns from Ken French's website. In the case of equal-weighted portfolios, industry portfolio is also equal-weighted; for value-weighted portfolios, we use value-weighted industry portfolios.

We analyze the cross-sectional variations in expected returns using the Fama-French (2015) five-factor model:

$$r_{i,t} = \alpha + \beta_{MKT}MKT_t + \beta_{SMB}SMB_t + \beta_{HML}HML_t + \beta_{RMW}RMW_t + \beta_{CMA}CMA_t + \varepsilon_{i,t}, \quad (2)$$

where  $r_{i,t}$  is the portfolio return in excess of the benchmark in period  $t$ , with  $MKT_t$ ,  $SMB_t$ ,  $HML_t$ ,  $RMW_t$ , and  $CMA_t$  denoting the returns on market, size, book-to-market, profitability, and investment factors, respectively. However, since Edmans (2011) opts to use the Carhart (1997) four-factor model, we also report results using this alternative multi-factor model:

$$r_{i,t} = \alpha + \beta_{MKT}MKT_t + \beta_{SMB}SMB_t + \beta_{HML}HML_t + \beta_{UMD}UMD_t + \varepsilon_{i,t}, \quad (3)$$

which drops  $RMW_t$  and  $CMA_t$  in favor of the momentum factor  $UMD_t$ . We prefer the Fama-French five-factor model, mainly because our high and low satisfaction subsamples exhibit significant differences in investment characteristics that may not be adequately captured by the book-to-market

factor (e.g., Fama and French, 2016). We consider two different samples when replicating Edmans' (2011) portfolio analysis for our sample period. First, we consider the entire universe of U.S. public firms. Second, we restrict our subsample to S&P 500 firms, from which our M&A deal database is constructed. Table 2 presents our results.<sup>10</sup>

### **TABLE 2 HERE**

Unlike Edmans (2011), we are unable to find any significant and meaningful results for the BC-listed firms, regardless of portfolio weighting method, benchmark, multi-factor model, or winsorization. Both the full sample and S&P 500 subsample yield very similar, non-significant point estimates for portfolio alphas because the BC list has a disproportionate presence of large firms among all listed firms.<sup>11</sup>

There are a number of possible reasons for the discrepancy between our portfolio results and Edmans' original findings. First, whereas Edmans (2011) studied the period between 1984 and 2009, we restrict our attention to 2009 to 2015, resulting in very little overlap. Thus, different time periods may generate different findings. Second, and relatedly, the TIME magazine brought his paper to public attention in April 2008, with the Economist making it even more prominent in February 2009. Thus, over our sample period, investors would know more about the value implications of being listed in the BC list. As a consequence, the market might have taken the impact of BC list inclusion into more immediate consideration, resulting in a diminished long-term effect. In other words, any possible discrepancy may derive from increased attention to the BC list by the investment community in recent years.

Yet the inability to replicate Edmans (2011) further substantiates the need to re-examine the role employee satisfaction plays in specific contexts, like M&As, as in Hypothesis 2. While the BC list may be less relevant for shareholder value implications in recent years, employee satisfaction may still be relevant for firms undergoing a major structural shift or disruptive corporate investment such as M&As. Furthermore, the BC list only captures the top echelon of firms in terms of employee satisfaction, while the dynamics in firms with lower levels of employee satisfaction remain unknown. Further still, and as noted above, the Great Places to Work® Institute's survey is initiated by the firm itself, which may lead to inhibited responses. By applying the data collected from Glassdoor reviews written by the employees themselves, we are able to answer these questions in the following sections.

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<sup>10</sup> In Online Appendix Table OA.1, we show results using portfolio returns winsorized at the 5% level, replicating Table 5 of Edmans (2011). Results remain qualitatively consistent.

<sup>11</sup> For example, in 2009, 28 of 39 firms listed in the BC list belong to our subsample of S&P 500 firms.

## 4.2. Announcement effect

As in existing studies, the main variable of interest for the announcement effect is the CAR around the M&A events. We calculate CAR using the market model over a period covering 200 to 11 trading days before the announcement date, using the CRSP value-weighted return to capture market return. Following Deng, Kang and Low (2013), we focus on three event windows: (-5, 5), (-2, 2) and (-1, 1) trading days around the announcement date. As noted earlier, this study focuses on acquirer employee satisfaction due to the lack of availability of employee satisfaction scores for the majority of target firms. We also collect target CARs for 58 public targets whose stock price data are available in the CRSP database. This addresses the potential concern that the short-term effect of acquirer employee satisfaction level may be captured by target's stock price and not acquirer's. We further focus on 51 out of 58 deals in which the target's financial data is available in the Compustat database and with sufficient reviews posted by the acquirer's current employees in our 12-month window. We also calculate acquirer-target combined CARs using relative deal size as the weight between acquirer and target. Unfortunately, though, we limit our attention to the satisfaction scores of the acquirer, not target, firm employees because fewer than 20 of these targets yield more than five Glassdoor reviews during our specified time frame.<sup>12</sup>

### 4.2.1. Univariate tests

Table 3 reports the results of the univariate test of average acquirer CARs for our sample during the three aforementioned event windows. We divide the sample into two subsamples, split at the median employee satisfaction score. We then construct another set of subsamples for the scores computed from current employee reviews only.

#### **TABLE 3 HERE**

For all three event windows, CARs for the full sample have positive signs but are insignificant. The differences in CARs between the two satisfaction-sorted subsamples are also insignificant, regardless of whether we include all reviews or restrict ourselves to reviews written by current employees. Their signs also lack consistency depending on the event window, a *prima facie* indication of the market's

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<sup>12</sup> Similarly, Deng, Kang and Low (2013) limit their attention to acquirer CSR scores due to the data limitations of the KLD database.

failure to incorporate acquirer level of employee satisfaction upon announcement.

#### 4.2.2. CAR regression results

Table 3 provides a rough picture of the relationship between acquirer CAR and level of employee satisfaction in the run-up to the M&A announcement. Panel A of Table 4 presents the results of OLS regressions of acquirer CAR (-1, 1) on the satisfaction scores averaged over all employee reviews and various control variables.<sup>13</sup> From column (1), it is immediately apparent that the overall satisfaction score is insignificant, both statistically and economically. The point estimate remains positive but decreases marginally when the adjusted CSR score collected from the KLD is added to the regression, as in column (2). When the G-Index is added to the regression, as in column (3), the sign of the satisfaction score turns negative, but it remains non-significant. Columns (4) to (9) report the results when the sub-category satisfaction scores replace the overall score. Either individually or jointly, none of the estimates are statistically significant.

#### **TABLE 4 HERE**

Apart from employee satisfaction, a number of control variables exert consistently significant effects on acquirer CAR. Tobin's Q is unsurprisingly positive and significant at the 10% level in most of the regressions with economically meaningful magnitudes. In contrast, the acquirer's free cash flow has a negative sign, significant at the 10% level, reflecting the market's fear of potential over-investment. The tender offer dummy is significantly negative at the 1% level in all but one specification, further supporting the market's aversion to over-investment. However, relative deal size has a positive, significant effect on acquirer CAR, which may reflect the immediate aftermath of the global financial crisis of 2007-2009. During this recession, acquirers might not have been willing to initiate a large deal unless they were confident that doing so would be viewed favorably by the market. Thus, the positive effect of relative deal size on the acquirer CAR may signal careful selection and confidence in acquiring firms initiating large deals.

Panel B of Table 4 replicates Panel A using the satisfaction scores of current employees only. The overall picture remains similar, and no satisfaction score—neither overall nor any of the subcategories—is significant in any of the regressions. A similar result is obtained in Panel C of Table

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<sup>13</sup> Online Appendix Table OA.2 shows results remain qualitatively unchanged when the CAR window changes to (-2, 2) or (-5, 5).

4, which reports the results from the 2SLS regressions, using the current-all ratio as the instrument. Although the point estimates of the employee satisfaction variables increase substantially, so do the standard errors, and their statistical significance remains weak.

#### **TABLE 5 HERE**

Table 5 displays the results for the 51 deals involving public targets for which target CARs, target financial information, and satisfaction scores of the acquirer's current employees are available. In Panel A of Table 5, we examine whether the satisfaction scores of acquirer's employees have an effect on target CAR. Since there are only 51 deals, we cannot include the long list of controls due to power issues. After an extensive set of untabulated model specification tests, we choose the following set of controls that yield the best Akaike information criterion: acquirer's adjusted CSR score, free cash flow, and market leverage, as well as the target's free cash flow and previous market-adjusted return for target- and acquirer-level variables, and relative deal size, industry M&A, cash, stock, and tender offer dummies for the deal-level variables. Given the small number of observations, broad sectoral dummies based on the first digit of acquirer SIC are used instead of the standard two-digit industry dummies.

Panel A reveals that a higher overall satisfaction score of the acquirer's current employees leads to lower target CAR, but the relationship is not statistically significant. While the point estimate itself is very large at around -15%, so are the standard errors. Interestingly, higher satisfaction scores for senior management and CEOs among acquirer's current employees substantially depress target CAR, significant at the 5% level when each sub-category score is considered in isolation. However, statistical significance disappears when all sub-categories are jointly included, so we remain cautious in interpreting this finding. Panel B of Table 5 repeats the same OLS regression analysis using the combined CAR of the acquirer and target as the dependent variable. As in Table 4, neither the overall satisfaction score nor any of the sub-category scores exhibits statistical significance, regardless of whether they are considered jointly or in isolation. The point estimate of the coefficient on the overall satisfaction score itself is also small.

Our results indicate that the effect of employee satisfaction on acquirer CAR or combined CAR of the acquirer and target is very weak. Regardless of estimation methodologies and inclusion/exclusion of former employee ratings, the short-term effect of employee satisfaction on stock price of the acquirer or combined entity is insignificant. Although this may be partially driven by the low power of the relatively small sample size, it nevertheless strongly suggests the possibility of the market's inability to value employee satisfaction, at least in the short-term.

### 4.3. Long-term post-M&A stock performance

Having observed the lack of significance for a wide range of CAR regression specifications, we now adopt a more long-term perspective of employee satisfaction. We engage in calendar-time portfolio regressions involving acquirers, as in Agrawal, Jeffrey and Mandelker (1992), Ikenberry, Lakonishok and Vermaelen (2000) and Moeller, Schlingemann and Stulz (2004). We choose the calendar-time approach over the event-time BHAR approach since the former is less susceptible to the “bad model issue” (Fama, 1998). Whereas the extreme performance of a few outliers is averaged over cross-sections in the calendar-time approach, geometric compounding of the event-time BHAR approach can amplify their effects. Moreover, with inferences from event-time, BHAR cannot often account for the cross-sectional dependence in the abnormal returns of acquirers with overlapping holding periods (e.g., Mitchell and Stafford, 2000, Brav, 2000). Although the calendar-time approach is known to exhibit low power when detecting abnormal performance because it places equal weight on each calendar time period (Loughran and Ritter, 2000), we prefer to err on the side of caution. In any case, we also perform the event-time BHAR analysis as a robustness check, with no qualitative change to our main results (see Online Appendix).

We construct a portfolio of acquirers and rebalance at the end of each month, purchasing every acquirer firm that announced an M&A deal during that month. Each acquirer then remains in the portfolio for 12, 24, or 36 months before being dropped.<sup>14</sup> Portfolios are then rebalanced at the end of each calendar month, with the month-end market capitalization of all stocks either entering anew or remaining in the portfolio as the weight for the value-weighted portfolios. We then construct two equal-sized subsample portfolios, containing acquirers with above- and below-median average employee satisfaction scores, respectively. We then construct a zero-cost portfolio with a long position on the high-satisfaction acquirers and the corresponding short position on low-satisfaction acquirers. Results reveal that both ends of the spectrum of employee satisfaction has a major advantage over the BC list, which identifies only the “best-in-class” firms for employee relations. In order to test any potential look ahead bias from *ex post* conditioning in portfolio sorting, we perform alternative methods based on *ex ante* conditioning variables in Section 5.2 to show that our results are not driven by the look ahead bias.

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<sup>14</sup> When a serial acquirer announces another deal during the holding period, we do not double its weight within the portfolio. Thus, every firm with at least one deal announcement within the previous 12-, 24-, or 36-month window is treated equally, with the portfolio weight solely determined by the number of firms or market capitalization, not the number of deals initiated by each firm. In untabulated analysis, we construct portfolios that attach more weight to serial acquirers with multiple deals during the holding period and find that results are even stronger, both statistically and economically.

As stated earlier, we opt for the Fama-French five-factor model for our main analysis, as the high- and low-satisfaction subsamples exhibit significant differences in investment ratios. Furthermore, we consider both risk free rate and industry-matched portfolio as two benchmark returns. The industry benchmark corresponds to a situation where, for every acquirer purchased, one shorts an equal dollar value of the industry portfolio. Creating a high-low zero-cost portfolio thus involves double sorting. That is, whenever a high-satisfaction acquirer is purchased, we short its industry-matched portfolio, in contrast to shorting a low-satisfaction acquirer, which involves an equal long position on its industry-matched portfolio. While the asset pricing literature does not predict industrial characteristics to be a driver of cross-sectional returns, it enables a more rigorous and conservative test of our hypotheses. Finally, given that the variation in the number of acquirers comprising the portfolio for each calendar period may induce heteroscedasticity (Loughran and Ritter, 2000), we use Newey-West (1987) standard errors robust to heteroscedasticity and autocorrelation.<sup>15</sup>

#### **TABLE 6 HERE**

Table 6 provides the core result of our long-term portfolio regression, with portfolios sorted by average satisfactions scores of current employees. We restrict our attention to current employees as their sentiments and perceptions are more germane to post-M&A integration and value generation (Guiso, Sapienza and Zingales, 2015). Panel A of Table 6 presents the returns for the value-weighted portfolios. It is clear that a zero-cost portfolio with a long position on the high-satisfaction subsamples and a short position on the low-satisfaction subsamples is able to generate a statistically significant and economically meaningful five-factor alpha. Over the 24-month holding period, this zero-cost portfolio generates a five-factor alpha of 0.55% per month over the risk-free rate and 0.45% over the industry-matched benchmark return. In both cases, the alphas are significant at the 1% level, with *t*-statistics close to 3.0. Most of this effect appears to derive from the poor performance of low-satisfaction acquirers, with negative alphas significant at the 1% level. In other words, firms with low employee satisfaction diminish shareholder value by engaging in M&As. This is a major advantage of the Glassdoor dataset over the BC list: by capturing the dynamics of low-satisfaction firms in addition to “best-in-class” firms, we obtain much richer results. Over the 36-month window, economic magnitude declines, but the portfolio still generates an alpha of 0.5% above the risk-free rate and 0.4% above the industry-matched benchmark.

Panel B demonstrates that the positive long-run drift in stock returns in value-weighted portfolios

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<sup>15</sup> In untabulated analysis, we perform weighted least squares regressions, with the number of acquirers in the calendar-time portfolio each month as the weight, which generate no major differences in the results.

mostly remains intact when we opt for equal-weighted portfolios. Over the 24- and 36-month holding periods, the equal-weighted portfolio generates a five-factor alpha in excess of 0.4% per month relative to the risk-free rate and about 0.3% above the industry-matched benchmark. Although they are no longer significant at the 1% level, alphas over the risk-free rate are significant at the 5% level and within 10% for the industry-matched benchmark. Once again, the statistical and economic significance of portfolio alphas are strongest at the 24-month horizon. These results provide support for our Hypothesis 1(a) that favorable employee satisfaction enables smooth post-M&A integration and creates shareholder value. These results also provide support for Hypothesis 2, that the impact of employee satisfaction will be more pronounced when the firm engages in disruptive ventures like M&As, compared to normal business environments.

In order to determine if our results change when former employee reviews are included in the satisfaction scores, Table 7 re-estimates Table 6, this time including the reviews of both current and former employees. Overall, Table 7 reveals weaker statistical and economic significance. Nevertheless, the overall evidence of a positive long-term drift remains intact in most specifications. For example, at the 24-month holding-period horizon, the portfolio alphas in the value-weighted portfolios are still around 0.4%, with a 10% significance level, compared to the risk-free rate, with a 5% level against the industry benchmark.

Portfolios that include all reviews yield less pronounced results than those using current employees only, which can be attributed to the fact that satisfaction scores supplied by former employees are less informative about how the acquirer's employees would behave during the post-merger integration process. Nevertheless, a consistent presence of economically meaningful and significant portfolio alphas at the 24-month horizon strongly indicates that the prevailing level of employee satisfaction before M&A announcement is capable of generating a sizeable positive post-announcement drift in stock returns.

#### **TABLE 7 HERE**

Table 8 shows the alphas of zero-cost portfolios sorted by current employee satisfaction scores, with portfolio returns (but not factor returns) winsorized at the 5% and 10% levels, respectively, in order to ensure outliers do not drive results. We find that winsorizing portfolio returns, at either the 5% or 10% level, does not lead to any qualitative changes in our results for the portfolio alphas. Although point estimates marginally decline, statistical significance actually increases in certain instances; for example, the alpha of the equal-weighted portfolio vs. industry-matched benchmark becomes significant at the 5% level with 10% winsorization.

Overall, the strong indication of positive, long-term increases in stock returns drastically contrasts with the insignificant findings from the CAR regressions. These results thus support the mispricing argument of Edmans (2011), namely the inherent difficulties faced by the investors in valuing intangible assets until they materialize as tangible performance results. Thus, our main empirical results provide support for Hypothesis 3, which expects that the market requires more time to value the true benefits of employee satisfaction.

#### **TABLE 8 HERE**

#### 4.4. Long-run portfolio analysis on sub-category satisfaction scores

The Glassdoor database allows employees to rate their satisfaction on a number of sub-categories. The scores for the following five categories are reliably available for the entirety of our sample period, i.e., 2009-2015: (i) work-life balance, (ii) career opportunities, (iii) compensation and benefits, (iv) senior management, (v) CEO approval.<sup>16</sup>

Portfolios formed on these sub-category scores allow us to highlight which dimensions of employee satisfaction are relevant for greater post-M&A synergy and shareholder wealth. This allows us to identify some potential channels through which employee satisfaction contributes to greater post-M&A shareholder wealth. In particular, this analysis helps us refute the claim that employee satisfaction may be a mere proxy for managerial ability. In other words, the strong positive alphas generated in Table 6 may be attributable to capable managers who handle employee relations more smoothly and select better M&A deals, presenting an alternative hypothesis. However, if this holds true, then it would be reasonable to expect portfolio alphas to be even stronger if portfolios are formed on the sub-category scores for senior management or CEO approval. With this in mind, we re-run the calendar-time portfolio analysis in Table 9 using the sub-category satisfaction scores. As in Table 6, we use the sample median for each sub-category as the cut-off point.<sup>17</sup>

#### **TABLE 9 HERE**

Results in Table 9 suggest that better career opportunities appear to be the primary driver of superior

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<sup>16</sup> We do not use categories added in 2012 like culture and values or firm outlook.

<sup>17</sup> In untabulated analysis, we also perform backtesting with the conditioning variable available ex ante to the investor at the time of the M&A deal announcement in the identical manner to the variable utilized in Table 13 in Section 5.2. We find that the results remain qualitatively unchanged.

post-M&A stock performance among all sub-categorical scores. In other words, how satisfied employees feel about their career opportunities, e.g., promotions and their future career credentials, prior to the deal has a strong impact on post-M&A synergy. This is not surprising given that M&As can disrupt the career prospects of the acquirers' employees, with more fierce competition for lucrative promotion posts with employees from acquired firms (Larsson, Driver, Holmqvist and Sweet, 2001). As Mathieu and Zajac (1990) argue, internal career prospects have a strong effect on the employees' level of organizational commitment as well as their job satisfaction, both of which affect turnover. Such employee resistance has a detrimental impact on the realization of intended synergy (Larsson and Finkelstein, 1999). Given the critical importance of employee retention on post-M&A integration, we contend that this is a probable channel through which otherwise intangible employee satisfaction materializes into tangible shareholder wealth. If so, an acquirer with greater internal mobility and diverse career opportunities is likely to benefit from a smoother post-M&A transition.

On the other hand, Table 9 shows that portfolios sorted on CEO approval or senior management scores fail to generate statistically significant results. In other words, employees' satisfaction with senior management or CEOs does not generate long-term post-M&A performance. While it may be argued that employee approval of senior management or CEOs does not necessarily indicate managerial ability, in untabulated analysis, we find that the zero-cost portfolios sorted on senior management satisfaction scores exhibit strong negative exposure to the book-to-market factor. In other words, when employees report higher satisfaction with senior management, it tends to be a growth firm with favorable stock market valuation relative to the book value, consistent with the predictions of the managerial ability story.<sup>18</sup> Thus, Table 9 provides indirect evidence counter to the managerial ability hypothesis.

## 5. Discussion

In this section, we conduct further analyses to determine whether the positive long-run drift in stock returns is robust against alternative explanations and specifications.

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<sup>18</sup> In fact, in untabulated analysis, we confirm that zero-cost portfolios for other sub-categories also exhibit predictable factor exposures; acquirers with good work-life balance have strong negative exposure to the profitability factor and those with high satisfaction on compensation and benefits tend to be large firms with negative exposure to the size factor.

### 5.1. Long-run portfolio performance of matching non-acquirer portfolios

The empirical findings thus far suggest that acquirer employee satisfaction increases long-term shareholder wealth, particularly in the M&A context. However, two natural questions arise. First, how relevant is the M&A context in generating these long-term stock returns? Can all firms with a high level of employee satisfaction generate superior stock market performance, even those that do not engage in acquisitions? Second, is employee satisfaction really the main driver of our results? Can firms sharing similar characteristics with our high- and low-satisfaction acquirers generate similarly positive stock performance? This is crucial for both our first and second hypotheses regarding the value implications of employee satisfaction in an M&A context.

To address these concerns, we perform matching-firm portfolio analyses (Heckman, Chimeras and Todd, 1997; 1998). We engage in two matching procedures. First, we pair each acquirer in our sample with a non-acquirer with similar firm characteristics while disregarding any information on employee satisfaction. Specifically, we perform propensity score matching with the nearest neighbor methods (without caliper length restriction) for each firm-year observation among our acquirers using firm size, book leverage, book-to-market, and industry dummies using the first two digits of the SIC code. We impose exact matching on calendar year by running propensity score matching separately for each year. Then, whenever an acquirer announces an M&A, we construct a counterfactual portfolio that purchases the matched non-acquirer at the end of the announcement month and retain it within the portfolio for a specified holding period of 12, 24, or 36 months.

Second, we again perform the same matching procedure, this time using current employees' average satisfaction scores as an additional first-stage variable when calculating the propensity score. There are several possibilities. First, if employee satisfaction is altogether irrelevant for long-term asset pricing, and if the positive long-term drift found in Section 4 is merely an artifact of firm-level characteristics, then a similar pattern should emerge in both matched portfolios. This would contradict our first hypothesis regarding the value implications of employee satisfaction. Second, if employee satisfaction results in superior long-term stock performance, but its effect is similar for acquirers and non-acquirers alike, then the matched non-acquirer portfolio that utilizes employee satisfaction during the matching procedure should yield positive alphas, but not when employee satisfaction is disregarded during the matching process, generating a divergent result. If so, this would run counter to our second hypothesis, namely that the effect of employee satisfaction would be stronger during major structural shifts, i.e., M&As. Third, if the effect of employee satisfaction is particularly strong around M&As, as

hypothesized, then the economically and statistically significant portfolio alphas found in Section 4 would not be replicated with matched portfolios. Table 10 presents our results.

### TABLE 10 HERE

In general, Table 10 supports our two hypotheses. None of the matched non-acquirer portfolios generates significantly positive results. In fact, for the zero-cost non-acquirer portfolio matched only in terms of firm-level financial characteristics, we find that the point estimates are almost always negative.<sup>19</sup> Moreover, the zero-cost non-acquirer portfolios that use employee satisfaction in the matching process do not perform better either. For value-weighted portfolios, the point estimates and statistical significance of two matched non-acquirer portfolios are similar. For equal-weighted portfolios, the matched non-acquirer portfolios that use employee satisfaction perform marginally better. In any case, the positive long-run drift result cannot be replicated using either of these matched portfolios, highlighting the joint importance of both employee satisfaction and M&A context. The results show that M&As are indeed an important context whereby the effect of employee satisfaction on firm value is unveiled by creating value during the post-M&A integration.

#### 5.2. Other alternative explanations

We perform an extensive list of other robustness tests to rule out potential alternative explanations. First, inherent differences in deal characteristics between the high- and low-satisfaction subsamples may be driving this positive long-term drift in stock returns. Although acquirer-level characteristics should be captured mostly through the five-factor model and matching portfolio analysis, high- and low-satisfaction subsamples may still exhibit differences in their deal characteristics. Most importantly, a small number of acquirers in our sample, referred to as “serial acquirers,” engage in a large number of acquisitions. To demonstrate that the presence of serial acquirers does not drive our results, we exclude any deal made by an acquirer with more than 5 acquisitions during the sample period and re-estimate the portfolios.<sup>20</sup> Moreover, a cursory re-examination of Panel B in Table 1 reveals that the

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<sup>19</sup> For a small number of public targets for which we have sufficient information about operating performance, we also determine whether or not the high- and low-satisfaction merged entities exhibit different operating performance relative to their matched non-acquirers in Online Appendix Table OA.3, using the standard methodology of Healy, Palepu, and Ruback (1992). Specifically, we regress the post-merger operating performance differential between the acquirer and matched non-acquirer on the pre-merger operating performance differential, with the pre- and post-merger periods defined as two years before and after the announcement year, respectively. We find that the results are broadly in line with the portfolio analysis.

<sup>20</sup> In untabulated analysis, we change the cut-off point for the serial acquirer to 10 acquisitions. The results remain

high- and low-satisfaction subsamples differ on other deal characteristics. More specifically, the high-satisfaction subsample contains a significantly higher proportion of smaller deals, acquisition of subsidiaries, and international deals. As a small-sized deal or subsidiary purchase is a generally less disruptive activity, it is possible that the positive long-term drift in stock returns may be driven by these deals. A similar argument may be made for international deals, as they are less likely to be visible within the context of day-to-day environments. Thus, in Table 11, we replicate the long-term performance of zero-cost portfolios presented in Table 6, while excluding all observations that we classify as either (i) made by a serial acquirer with more than 5 acquisitions, (ii) small deals of less than 1% of the acquirer's market capitalization, (iii) acquisition events, or (iv) international deals.

#### **TABLE 11 HERE**

Table 11 suggests that our results are not entirely driven by the presence of serial acquirers. When deals made by serial acquirers are excluded, the results remain broadly consistent, with portfolio alphas of the value-weighted zero-cost portfolios similar to the point estimates in Table 6, again statistically significant at the 5% level over the 24-month horizon in all but one instance. The results become even stronger at the 36-month horizon, particularly in terms of statistical significance. Our results also remain reasonably robust when we exclude small deals less than 1% of the acquirer's equity value. In fact, for value-weighted portfolios, we find that both statistical and economic significance increase at the 24- and 36-month horizons, although statistical significance is lost when portfolios are weighted equally. Moreover, the exclusion of acquisition events likewise generates significant results. Over the 24-month horizon, the alpha is around 0.6% above the risk-free rate for the value-weighted case, with the statistical significance at the 5% level. However, the portfolio alphas become insignificant vis-à-vis the industry-matched benchmark. Lastly, excluding international deals do not change our results. Over the 24-month horizon, the point estimates for portfolio alphas increase substantially when the portfolios are value-weighted, with statistical significance at the 5% level against the risk free rate and 10% level against the industry benchmark. To sum up, although the inherent differences in deal characteristics may partially contribute to the long-term drift in stock returns, their variations are insufficient to completely rule out the long-term effect of employee satisfaction.

Second, it is unlikely that our results are driven by the over-investment problems arising from excess free cash flow. Suppose that a firm with higher-than-usual free cash flow is able to foster higher employee satisfaction through generous benefit packages and an optimistic atmosphere. Employee

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consistent.

satisfaction would be a mere proxy for excess free cash flow. However, an M&A initiated by a high-satisfaction-score firm should be more susceptible to the over-investment problem and should therefore be subject to a negative, as opposed to positive, long-run drift in stock returns.

Third, while we cannot rule out the possibility that high employee satisfaction scores are a proxy for better corporate governance, we are skeptical of this line of reasoning. There is little univariate difference in the G-Index scores between the high- and low-satisfaction subsamples, indicating that corporate governance between these subsamples may not be that different on average. Moreover, in untabulated analysis, we find that portfolios sorted by G-Index scores do not generate significant five-factor alphas. G-Index is also largely insignificant in the 36-month BHAR regressions (see Online Appendix), with statistical and economic significance of the current employees' overall satisfaction mostly intact.

Fourth, the positive long-term drift in stock returns may arise from an increase in demand by the SRI funds experiencing inflows, as their mandates are often restricted to firms with a satisfactory track record of employee relations. However, when considering whether to include stock in an SRI fund, managers often resort to conventional measures of employee relations and CSR. In this case, the results should become stronger when we sort acquirers by conventional measures of employee relations. However, Table 12 indicates that this is far from the case. Zero-cost portfolios sorted on either KLD Employee Relations score or the BC list are insignificant, with a sizeable majority of point estimates taking a negative sign.

#### **TABLE 12 HERE**

Finally, although we utilize both the risk free rate and industry-matched portfolio as benchmarks for the portfolio analysis, there may still be concerns over the discrepancies in the industrial composition of high- and low-satisfaction subsamples. In particular, high tech firms, including internet firms, may be more conscious of how employees feel about their firms; given that Glassdoor users skew toward young workers, there may be an over-representation of these firms in the high-satisfaction acquirer subsample. Thus, in the Online Appendix, we perform two further analyses.<sup>21</sup> First, in Table OA.5, we form high- and low-satisfaction acquirer portfolios separately for three broadly defined industrial

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<sup>21</sup> In a further untabulated analysis, we re-estimate Tables 6 and 8 excluding the financial and utilities industries, as in Deng, Kang and Low (2013). Regardless of portfolio weighting method or benchmark used, five-factor alphas are significant at 10% level over a 24-month horizon. In addition, portfolio alphas increase in both statistical and economic magnitude over a 36-month horizon, suggesting that these industries are unlikely to be the key driver of the baseline model's long-term drift.

sectors, as any narrowly-defined sectoral classification results in too few deals in each portfolio subsample. Second, in Table OA.6, we further form portfolios separately for high tech and non-high tech industries. While there are some variations in the alpha estimates, we do not find any evidence that high tech firms are the primary drivers of the superior stock performance of high-satisfaction acquirers.

### 5.3. Alternative methods

We also test whether the long-term drift in stock returns is robust to different estimation methods. First, given the possible look ahead bias in calendar-time portfolio analysis in Table 6 due to our use of the sample median as the cut-off point, we re-organize the acquirers into high- and low-satisfaction subsamples based on an ex ante cut-off point. However, since our acquirer sample is small, any ex ante conditioning variable utilizing only acquirer satisfaction scores induces substantial noise. Thus, we proceed as follows. For each firm, we calculate the average satisfaction score, either over all reviews or current employee reviews, for each quarter using a two-year moving average window.<sup>22</sup> In other words, we average the scores from all reviews posted within the two year window ending at the current quarter-end. For each quarter, we then calculate the median of these firm-level moving average scores for S&P 500 firms. We classify an acquirer announcing in quarter  $q$  as a high-satisfaction acquirer if its 12-month average satisfaction score is above this S&P 500 median score in quarter  $q - 1$ . We form zero-cost portfolios based on this method and re-run our estimations in Tables 6 and 8. Table 13 presents our estimation results.

#### **TABLE 13 HERE**

Table 13 shows that our results remain mostly intact even when we form portfolios with an ex ante conditioning variable. Zero-cost portfolios sorted by average satisfaction scores of the current employees continue to yield alphas of meaningful magnitudes over the 24-month horizon. Moreover, similar patterns emerge with returns winsorized at the 5% level. The main reason for this is that classifying acquirers based on ex ante or ex post conditioning variables does not lead to a major change in portfolio composition, with over 85% of the observations remaining in the same subsample portfolios regardless of sorting method.

Second, given the popularity of the Carhart (1997) four-factor model in the existing literature, our

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<sup>22</sup> The results remain qualitatively unchanged if we change the moving average window to one or three years.

decision to use the Fama-French five-factor model may raise questions. We re-estimate Tables 6 and 8 using the four-factor model in Online Appendix Table OA.4. Both the economic and statistical significance of portfolio alphas remain intact. Interestingly, from equal-weighted portfolios, it appears that low-satisfaction acquirers have more exposure to the momentum factor, with the coefficient on *UMD* significantly negative at the 10% level. In the untabulated analysis, we find that a six-factor model that adds the momentum factor to the Fama-French five-factor model also yields similar results.

Third, although we focus on calendar-time portfolio analysis as the preferred methodology with the ability to remedy the “bad model problem” and cross-sectional dependence issues, we also check whether or not the analysis of event-time BHARs qualitatively changes our results. For each acquirer  $i$ , the  $T$ -month holding-period BHAR is its geometrically-compounded return in excess of the compounded return of a benchmark  $bi$  over the same period:

$$BHAR_{i,T} = \prod_{t=1}^T (1 + r_{i,t}) - \prod_{t=1}^T (1 + r_{bi,t}). \quad (4)$$

In BHAR analysis, the choice of benchmark is critical because of geometric compounding. While Barber and Lyon (1997) advocate matching control firms in the presence of new listing and rebalancing biases, Savor and Lu (2009) argue that the use of a well-diversified reference portfolio is better for a small sample due to the disproportionate impact of extreme returns or bad matches. Thus, we match each acquirer to one of the 32 Fama-French reference portfolios based on size, book-to-market, and investment ( $2 \times 4 \times 4$ ). In Table OA.7 of the Online Appendix, we conduct two-sample difference-in-mean and difference-in-median tests for high vs. low satisfaction subsamples.<sup>23</sup> BHAR of high-satisfaction subsample significantly outperforms the low-satisfaction subsample, particularly at the 36-month horizon. Thus, in Table OA.8, we regress the 36-month BHAR in a similar manner to Table 4. Once again, the current employees’ overall satisfaction has a significantly positive impact on the 36-month BHAR, significant at the 1% level.<sup>24</sup>

#### 5.4. Managerial implications

Our findings have a number of interesting managerial implications. Employee satisfaction scores are highly visible and easily accessible through Glassdoor; specifically, the summary statistics are

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<sup>23</sup> We engage in both difference-in-mean, as well as difference-in-median tests due to the documented positive skew of long-term BHARs (e.g., Barber, Lyon and Tsai, 1999).

<sup>24</sup> Sub-category scores for work-life balance, career opportunities, and compensation and benefits also turn out to be significant when considered in isolation, but not for senior management or CEO approval.

neatly organized at the firm level with clear graphics that show time-series trends. We demonstrate that these easily accessible statistics are a useful measure of employee satisfaction, with a rather substantial influence on shareholder value. They provide valuable and unique insights into how employees truly feel about their firms at no cost to employees, firms, or investors. However, such valuable information has not yet been used to evaluate firm investment activities, like M&As. Our study explores the possibility of unveiling the true importance of employee satisfaction as invisible yet underutilized assets that the investor community has yet to fully comprehend. It offers managers a valuable opportunity to listen to the otherwise “silent voices” of their employees.

This study further highlights the gap between internal stakeholder assessments and other evaluations emanating from external stakeholder perspectives. We show that the zero-cost portfolios sorted on the KLD Employee Relations score or the BC list dummy do not generate similar long-term drift, mainly because the widely used KLD scores and BC list are not the direct results of uninhibited, voluntary employee evaluations like Glassdoor’s. Thus, unlike voluntary employee disclosures, these alternative evaluations may not correctly capture employees’ candid perceptions of their firms’ values and culture.

Thus, this study has important implications for managers. First and foremost, results reveal the importance of listening to employees’ honest assessments when pursuing management strategies. Even a quick, cursory scan of reviews posted right after the announcement of a strategic decision may give managers valuable information. Specifically, managers of acquiring firms should realize that they cannot achieve their strategic goals, as in the case of M&As, if they do not have their current employees on board. If employees are not a part of the strategy, synergy is impossible to be created. If managers wish to retain key personnel, protect positive corporate culture, and encourage their employees to remain motivated, paying closer attention to employee advice and recommendations in the reviews would be a good starting point.

## **6. Conclusion**

This study finds that firms with high employee satisfaction generate superior long-term stock market performance following the announcement of M&As. It further highlights that the stock market fails to fully incorporate this positive effect upon M&A announcement, leading to a significant long-term drift in stock returns. Even after correcting for the factor risks and possible industry-driven effects, a zero-cost portfolio with a long position on acquirers with high employee satisfaction scores and a short position on those with low employee satisfaction scores yields a significant portfolio alpha, a finding robust to a wide range of specifications and robustness checks. This stands in stark contrast to previous

works that examine the impact of CSR on post-M&A stock performance, which report stronger effects in the short than in the long run. Thus, the internal stakeholders' own perceptions of how they feel about their firms are key intangible assets whose value the capital market has yet to incorporate (Edmans 2011). Moreover, matched zero-cost portfolios on high- and low-satisfaction non-acquirers fail to yield alphas of comparable statistical or economic significance, underlining the importance of M&As as an empirical context in which employee satisfaction can significantly affect firm value through post-M&A integration process. In short, our findings suggest that the power of employee satisfaction is particularly evident during disruptive corporate events like M&As.

This study thus highlights the importance of internal stakeholders, particularly employees, in enhancing shareholder value. Although intangible at first, a firm's investment in its relationship with employees materializes and pays off in the form of increased shareholder wealth. Amid the disruptive aftermath of M&As, only acquiring firms that succeed in motivating their employees to "stay on board" can weather the storm and set sail into an uncertain future. In this way, people are indeed the most valuable asset of a firm, making the old saying more than just rhetoric. This raises a new set of interesting managerial questions for board members and CEOs, along with the broader investor community, regarding how to foster a satisfactory and motivating environment for employees when pursuing strategic investments like M&As. It is time to listen to the silent voices of employees.

### **Appendix: Variable descriptions**

Table A.1 outlines detail how each variable used in our empirical analysis is constructed. We also denote the CRSP/Compustat identifier in WRDS where appropriate.

**TABLE A.1 HERE**

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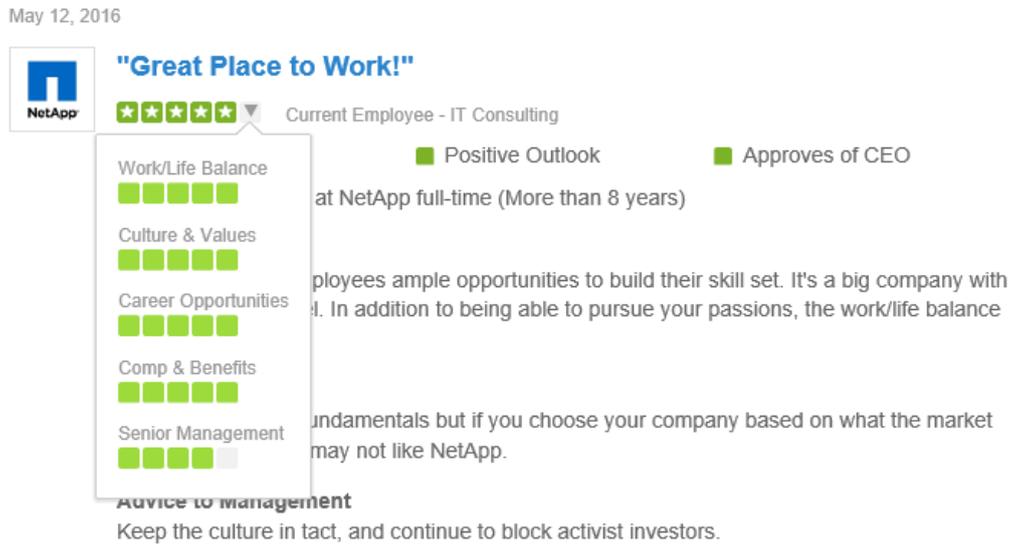
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**Figure 1. An example of employee reviews posted on Glassdoor.com**

Image taken for NetApp (<https://www.glassdoor.com/Reviews/NetApp-Reviews-E5406.htm>) on May 18, 2016

Panel A. Individual-level review



Panel B. Firm-level summary statistics



**Table 1. Sample distribution and summary statistics**

This table presents the distribution of our final deal samples by year and the industry in which the acquirer operates. Our final sample consists of 284 mergers and acquisition events initiated by 119 S&P 500 firms between June 2009 and October 2015. The sample is collected from the SDC Platinum database, with the following set of screens: (1) the acquirer must be in the CRSP and Compustat database, (2) the deal value is reported in the SDC Platinum database and exceeds \$1 million, (3) the deal is successfully completed, (4) the acquirer holds less than 50% of shares in the target prior to the deal and 100% afterwards, and (5) the acquirer must have received at least five reviews on Glassdoor in the 12-month window prior to the M&A announcement. For the definition of each variable used in our analysis, please refer to Table A.1 in the Appendix. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

**Panel A. Sample distribution by year and industry**

Year	Acquirer industry (first two digits of the SIC code)							Total
	Mining and construction (10-17)	Manufacturing (20-39)	Transport and communications (40-48)	Utilities (49)	Wholesale and retail trade (50-59)	Finance, insurance and real estate (60-69)	Services (70-89)	
2009	0	17	0	0	1	2	4	24
2010	0	15	2	0	5	11	13	46
2011	0	14	3	4	1	3	13	38
2012	1	16	2	0	3	3	10	35
2013	0	8	3	0	2	7	9	29
2014	0	24	6	2	1	11	14	58
2015	2	24	7	1	6	8	6	54
Total	3	118	23	7	19	45	69	284

**Panel B. Summary statistics**

Variable	Full sample	Satisfaction score subsample		
		High overall satisfaction	Low overall satisfaction	Test of difference
	Mean	Mean	Mean	Mean
<b>Glassdoor Data (Pre-12M)</b>				
<i>(Total Sample)</i>		N=142	N=142	
Number of reviews	190.55	253.30	127.80	125.50***
Overall satisfaction	3.244	3.595	2.893	0.702***
Work-life balance	3.375	3.597	3.153	0.444***
Career opportunities	3.036	3.285	2.786	0.499***
Compensation and benefits	3.490	3.717	3.262	0.456***
Senior management	2.908	3.200	2.616	0.583***
CEO approval	0.327	0.454	0.159	0.336***
<i>(Current-Employee Only Subsample)</i>		N=134	N=133	
Number of reviews	126.27	164.32	87.92	76.40***
Overall satisfaction	3.354	3.740	2.966	0.773***
Work-life balance	3.477	3.688	3.264	0.423***
Career opportunities	3.137	3.415	2.856	0.559***
Compensation and benefits	3.500	3.768	3.231	0.537***
Senior management	3.011	3.358	2.663	0.695***
CEO approval	0.405	0.611	0.198	0.413***
<b>Firm characteristics (For the full sample)</b>				
		N=142	N=142	
Herfindahl-Hirschman Index (x100)	5.636	5.012	6.260	-1.247**
Log asset	10.294	10.647	9.941	0.705***

Tobin's Q	2.151	2.368	1.935	0.433***
Market leverage	0.154	0.136	0.172	-0.037**
Free cash flow	0.062	0.063	0.062	0.001
Previous market-adjusted return	0.038	0.028	0.049	-0.021
R&D ratio	0.033	0.041	0.024	0.017***
Investment ratio	0.221	0.248	0.195	0.052***
Adjusted KLD CSR score	0.498	0.641	0.353	0.288**
G-Index	9.110	9.112	9.108	0.004
Adjusted KLD Employee Relations score	0.116	0.203	0.025	0.178***
Fortune BC list dummy	0.169	0.331	0.007	0.324***
Deal Characteristics (For the full sample)				
		N=142	N=142	
Industry M&A	0.069	0.063	0.074	-0.011
Relative deal size	0.090	0.049	0.130	-0.082***
Diversification dummy	0.465	0.507	0.423	0.085
High tech dummy	0.285	0.317	0.254	0.063
Tender offer dummy	0.063	0.063	0.063	0.000
Cash only dummy	0.694	0.711	0.676	0.035
Stock deal dummy	0.151	0.162	0.141	0.021
Public target dummy	0.243	0.225	0.261	-0.035
Acquisition event dummy	0.180	0.225	0.134	0.092**
Financial industry dummy	0.162	0.148	0.176	-0.028
International dummy	0.279	0.333	0.225	0.108**
Firm characteristics (Subsamples sorted on current employee scores only)				
		N=134	N=133	
Herfindahl-Hirschman Index (x100)	5.727	5.099	6.360	-1.261*
Log asset	10.359	10.556	10.161	0.395**
Tobin's Q	2.179	2.432	1.924	0.507***
Market leverage	0.149	0.131	0.167	-0.037**
Free cash flow	0.063	0.061	0.066	-0.004
Previous market-adjusted return	0.038	0.038	0.037	0.001
R&D ratio	0.034	0.043	0.025	0.018***
Investment ratio	0.227	0.260	0.193	0.067***
Adjusted KLD CSR score	0.536	0.665	0.404	0.262**
G-Index	9.142	9.337	8.962	0.374
Adjusted KLD Employee Relations score	0.129	0.227	0.026	0.201***
Fortune BC list dummy	0.180	0.336	0.023	0.313***
Deal characteristics (Subsamples sorted on current employee scores only)				
		N=134	N=133	
Industry M&A	0.066	0.068	0.064	0.004
Relative deal size	0.087	0.063	0.111	-0.048
Diversification dummy	0.468	0.493	0.444	0.049
High tech dummy	0.300	0.336	0.263	0.073
Tender offer dummy	0.067	0.067	0.068	-0.001
Cash only dummy	0.693	0.679	0.707	-0.028
Stock deal dummy	0.154	0.179	0.128	0.051
Public target dummy	0.247	0.231	0.263	-0.032
Acquisition event dummy	0.176	0.216	0.135	0.081*
Financial industry dummy	0.161	0.149	0.173	-0.024
International dummy	0.267	0.316	0.218	0.098*

**Table 2. BC list portfolio analysis: Replicating Table 3 of Edmans (2011)**

In this table, we present the calendar-time portfolio analysis of (i) all public firms included in the BC list and (ii) a subsample of S&P 500 firms listed in the BC list using methodology identical to Edmans (2011). Raw portfolio returns are used. The BC list portfolio is rebalanced each year on February 1, taking into account of the Fortune magazine's latest announcement of BC list, then all firms remain in the portfolio until January 31 of the following year. Excess returns are calculated over either (i) risk-free rate or (ii) industry-matched portfolio using the Fama-French 49 industry classification. For value-weighted portfolios, value-weighted industry returns are used, while equal-weighted industry returns are used as benchmark for equal-weighted portfolios. Monthly regressions use either (i) Fama-French (2015) five-factor model involving *MKT*, *SMB*, *HML*, *RMW*, and *CMA* factors, or (ii) Carhart (1997) four-factor model that replaces *RMW* and *CMA* factors with the *UMD* factor. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. All returns are in percent. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

Panel A. Fama-French five-factor model

	All public firms								S&P 500 subsample							
	Excess return over risk free rate				Excess return over industry benchmark				Excess return over risk free rate				Excess return over industry benchmark			
	Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted	
	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.
$\alpha$	0.025	0.107	-0.202	0.229	-0.089	0.150	-0.209	0.168	0.001	0.144	-0.191	0.248	-0.092	0.198	-0.185	0.183
$\beta_{MKT}$	1.072***	0.027	1.179***	0.064	0.124***	0.030	0.082*	0.042	1.157***	0.043	1.195***	0.067	0.204***	0.049	0.095**	0.043
$\beta_{SMB}$	0.176**	0.067	-0.215**	0.081	-0.477***	0.065	-0.203***	0.048	0.019	0.064	-0.263***	0.081	-0.633***	0.073	-0.254***	0.049
$\beta_{HML}$	0.114	0.085	0.206*	0.110	-0.142*	0.076	0.221**	0.087	0.233**	0.114	0.231**	0.114	-0.057	0.104	0.246***	0.090
$\beta_{RMW}$	0.185*	0.095	0.234	0.209	0.312***	0.096	0.198	0.146	0.212*	0.113	0.223	0.214	0.318***	0.095	0.181	0.148
$\beta_{CMA}$	-0.318***	0.083	-0.656***	0.203	-0.130	0.111	-0.342**	0.162	-0.558***	0.153	-0.710***	0.212	-0.298**	0.143	-0.381**	0.169
Adj. R <sup>2</sup>	0.943		0.857		0.599		0.149		0.923		0.847		0.574		0.178	
Obs.	77		77		77		77		77		77		77		77	

Panel B. Carhart four-factor model

	All public firms								S&P 500 subsample							
	Excess return over risk free rate				Excess return over industry benchmark				Excess return over risk free rate				Excess return over industry benchmark			
	Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted	
	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.
$\alpha$	0.041	0.119	-0.203	0.244	-0.061	0.154	-0.193	0.173	0.039	0.162	-0.199	0.263	-0.046	0.211	-0.176	0.185
$\beta_{MKT}$	1.047***	0.024	1.140***	0.061	0.104***	0.031	0.056	0.041	1.115***	0.037	1.155***	0.063	0.171***	0.049	0.069	0.043
$\beta_{SMB}$	0.145**	0.058	-0.244***	0.069	-0.561***	0.052	-0.236***	0.046	0.009	0.053	-0.286***	0.070	-0.697***	0.073	-0.281***	0.049
$\beta_{HML}$	-0.079*	0.043	-0.164*	0.091	-0.224***	0.066	0.016	0.062	-0.126**	0.062	-0.164	0.099	-0.260***	0.082	0.024	0.069
$\beta_{UMD}$	-0.037	0.054	-0.071	0.082	0.050	0.052	-0.038	0.045	-0.139**	0.063	-0.077	0.086	-0.034	0.058	-0.041	0.049
Adj. R <sup>2</sup>	0.937		0.842		0.558		0.097		0.918		0.831		0.537		0.131	
Obs.	77		77		77		77		77		77		77		77	

**Table 3. Acquirers' average cumulative abnormal returns (CARs) around announcement dates**

The table reports the average cumulative abnormal returns around the announcement dates for our final sample of 284 M&A deals. For more information about the screens used for the construction of final sample, please refer to the explanations provided in Table 1. CARs are calculated using the market model beginning 200 trading days prior to the announcement and ending 11 trading days beforehand, with the CRSP value-weighted return used as the proxy for market return. \*\*\*denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

CARs (in percent)	Scores on all employees				Scores on current employees only			
	Full sample	High overall satisfaction (N=142)	Low overall satisfaction (N=142)	Test of difference	Full sample	High overall satisfaction (N=134)	Low overall satisfaction (N=133)	Test of difference
CAR(-5,5)	0.091	0.216	-0.034	0.250	0.089	0.027	0.152	-0.125
CAR(-2,2)	0.238	0.109	0.367	-0.258	0.266	0.079	0.455	-0.376
CAR(-1,1)	0.489	0.602	0.377	0.225	0.519	0.669	0.368	0.300

**Table 4. Regressions of acquirer CAR(-1, 1) on the acquiring firms' explanatory variables**

Panels A to C of this table report the results from OLS and 2SLS regressions of acquirer CARs around the announcement dates on overall employee satisfaction scores and other control variables for our final sample of 284 M&A deals. For a detailed explanation of how each control variable is constructed, please refer to Table A.1. For more information about the screens used for the construction of final sample, please refer to the explanation provided in Table 1. CARs are calculated using the market model beginning 200 trading days prior to the announcement and ending 11 trading days before, with the CRSP value-weighted return used as the proxy for market return. The first two digits of the acquirer's SIC code are used to control for industry fixed effects. Year dummies are included in all regressions. For the 2SLS regressions, the ratio of the number of current employee reviews to the number of all employee reviews (current-all ratio) is used for the analysis. Standard errors are robust to heteroscedasticity and acquirer-clustered, and all variables are winsorized at 5% level. Standard errors are reported in parentheses. \*\*\*denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

**Panel A. OLS regressions with satisfaction scores from all employee reviews**

Variable	OLS: Satisfaction scores from all employee reviews								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Overall satisfaction	0.144 (0.790)	0.015 (0.785)	-0.910 (0.732)						
<i>Sub-categories</i>									
Work-life balance				0.293 (0.685)					1.090 (0.865)
Career opportunities					-0.299 (0.902)				0.556 (1.426)
Comp. and benefits						-0.295 (0.762)			-0.159 (0.932)
Senior management							-0.609 (0.782)		-2.129 (1.517)
CEO approval								-0.179 (1.113)	0.947 (1.409)
<i>Firm level variables</i>									
Adjusted CSR		0.061 (0.263)	0.249 (0.266)	0.044 (0.270)	0.058 (0.261)	0.076 (0.261)	0.079 (0.264)	0.065 (0.266)	0.052 (0.273)
G-Index			-0.145 (0.099)						
Herfindahl Index	0.181 (0.130)	0.161 (0.141)	0.424** (0.170)	0.162 (0.140)	0.158 (0.144)	0.156 (0.146)	0.162 (0.145)	0.159 (0.143)	0.183 (0.145)
Firm size	-0.039 (0.303)	-0.117 (0.291)	-0.005 (0.296)	-0.127 (0.266)	-0.088 (0.291)	-0.090 (0.269)	-0.053 (0.281)	-0.106 (0.273)	-0.030 (0.284)
Market leverage	0.036 (0.028)	0.041 (0.028)	0.091*** (0.033)	0.045 (0.030)	0.040 (0.028)	0.039 (0.029)	0.037 (0.028)	0.040 (0.028)	0.046 (0.031)
Free cash flow	-0.094 (0.066)	-0.110* (0.065)	-0.214** (0.109)	-0.103* (0.060)	-0.119* (0.069)	-0.120* (0.067)	-0.128* (0.066)	-0.113* (0.065)	-0.122* (0.067)
Tobin's Q	0.887 (0.553)	0.968* (0.523)	2.167*** (0.790)	0.955** (0.449)	1.033* (0.535)	1.014** (0.457)	1.107** (0.509)	0.997* (0.527)	1.159** (0.562)
Previous market-adjusted return	-0.019 (0.015)	-0.024 (0.015)	-0.023 (0.018)	-0.023 (0.015)	-0.025 (0.015)	-0.024 (0.015)	-0.025* (0.015)	-0.024 (0.015)	-0.024 (0.015)
<i>Deal characteristics</i>									
Relative deal size	0.061* (0.035)	0.077** (0.033)	0.024 (0.035)	0.076** (0.034)	0.077** (0.033)	0.077** (0.033)	0.078** (0.033)	0.077** (0.033)	0.078** (0.032)

Industry M&A	-0.029 (0.053)	-0.035 (0.053)	-0.027 (0.066)	-0.032 (0.051)	-0.042 (0.055)	-0.039 (0.054)	-0.043 (0.052)	-0.036 (0.052)	-0.035 (0.056)
High tech dummy	0.685 (0.472)	0.633 (0.461)	0.699 (0.518)	0.616 (0.454)	0.646 (0.459)	0.641 (0.454)	0.676 (0.462)	0.634 (0.454)	0.693 (0.464)
Diversification dummy	-0.767 (0.491)	-0.601 (0.478)	-0.502 (0.551)	-0.581 (0.482)	-0.595 (0.483)	-0.622 (0.480)	-0.626 (0.479)	-0.602 (0.482)	-0.634 (0.492)
Public target dummy	1.042 (0.709)	0.847 (0.684)	0.705 (0.617)	0.844 (0.677)	0.843 (0.687)	0.834 (0.693)	0.814 (0.694)	0.837 (0.687)	0.775 (0.696)
Cash only dummy	0.322 (0.472)	0.161 (0.423)	-0.092 (0.450)	0.153 (0.419)	0.173 (0.417)	0.163 (0.412)	0.167 (0.412)	0.158 (0.410)	0.147 (0.405)
Stock deal dummy	-0.648 (1.025)	-1.087 (0.977)	0.611 (1.126)	-1.034 (0.998)	-1.096 (0.980)	-1.091 (0.982)	-1.108 (0.969)	-1.073 (0.967)	-1.020 (0.964)
Tender offer dummy	-3.353*** (1.130)	-3.266*** (1.124)	-1.800 (1.100)	-3.218*** (1.094)	-3.298*** (1.108)	-3.279*** (1.098)	-3.359*** (1.110)	-3.281*** (1.108)	-3.281*** (1.078)
Acquisition event dummy	0.561 (0.518)	0.484 (0.519)	0.743 (0.579)	0.451 (0.516)	0.528 (0.504)	0.504 (0.501)	0.611 (0.512)	0.514 (0.527)	0.575 (0.534)
International dummy	-0.144 (0.455)	-0.203 (0.457)	0.091 (0.551)	-0.189 (0.457)	-0.211 (0.459)	-0.219 (0.463)	-0.221 (0.459)	-0.205 (0.458)	-0.196 (0.467)
Constant	-12.180*** (3.993)	-10.525*** (3.718)	-13.462*** (4.616)	-11.434*** (4.111)	-9.924*** (3.683)	-9.572** (4.535)	-9.476** (3.721)	-10.491*** (3.826)	-11.015** (4.793)
Industry fixed effects	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample size	284	281	216	281	281	281	281	281	281
Adjusted R <sup>2</sup>	0.151	0.185	0.204	0.186	0.186	0.186	0.188	0.186	0.183

Panel B. OLS regressions with satisfaction scores from current employee reviews only

Variable	OLS: Satisfaction scores from current employee reviews only								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Overall satisfaction	0.188 (0.578)	0.033 (0.562)	-0.469 (0.506)						
<i>Sub-categories</i>									
Work-life balance				0.278 (0.561)					1.099 (0.786)
Career opportunities					-0.446 (0.621)				-0.147 (1.114)
Comp. and benefits						-0.293 (0.595)			0.156 (0.938)
Senior management							-0.505 (0.535)		-1.955 (1.274)
CEO approval								0.119 (0.852)	1.585 (1.270)
<i>Firm level variables</i>									

Adjusted CSR		-0.011 (0.279)	0.206 (0.287)	-0.029 (0.282)	-0.016 (0.278)	0.009 (0.277)	0.002 (0.278)	-0.012 (0.280)	-0.064 (0.288)
G-Index			-0.164 (0.109)						
Herfindahl Index	0.129 (0.128)	0.089 (0.139)	0.362** (0.168)	0.091 (0.137)	0.083 (0.145)	0.084 (0.144)	0.086 (0.145)	0.090 (0.141)	0.110 (0.137)
Firm size	-0.076 (0.295)	-0.139 (0.285)	-0.046 (0.299)	-0.143 (0.266)	-0.100 (0.280)	-0.114 (0.265)	-0.081 (0.277)	-0.141 (0.271)	-0.026 (0.274)
Market leverage	0.034 (0.028)	0.038 (0.028)	0.085** (0.033)	0.041 (0.030)	0.035 (0.028)	0.036 (0.029)	0.034 (0.028)	0.038 (0.028)	0.043 (0.030)
Free cash flow	-0.102 (0.067)	-0.118* (0.067)	-0.154 (0.115)	-0.112* (0.064)	-0.134* (0.069)	-0.130* (0.068)	-0.134** (0.066)	-0.118* (0.066)	-0.124* (0.065)
Tobin's Q	0.886 (0.536)	1.003** (0.497)	1.714** (0.813)	0.986** (0.437)	1.111** (0.491)	1.057** (0.442)	1.131** (0.470)	0.994** (0.498)	1.150** (0.502)
Previous market-adjusted return	-0.014 (0.016)	-0.021 (0.016)	-0.028 (0.018)	-0.020 (0.016)	-0.022 (0.016)	-0.021 (0.016)	-0.022 (0.016)	-0.020 (0.016)	-0.021 (0.016)
<i>Deal characteristics</i>									
Relative deal size	0.091** (0.035)	0.115*** (0.028)	0.073** (0.033)	0.114*** (0.029)	0.115*** (0.028)	0.115*** (0.028)	0.116*** (0.028)	0.115*** (0.028)	0.116*** (0.028)
Industry M&A	-0.022 (0.054)	-0.029 (0.054)	-0.024 (0.067)	-0.029 (0.054)	-0.036 (0.054)	-0.032 (0.054)	-0.033 (0.053)	-0.029 (0.054)	-0.037 (0.054)
High tech dummy	0.592 (0.509)	0.518 (0.489)	0.701 (0.531)	0.491 (0.479)	0.545 (0.486)	0.539 (0.483)	0.575 (0.485)	0.518 (0.483)	0.569 (0.479)
Diversification dummy	-0.836 (0.507)	-0.664 (0.490)	-0.535 (0.576)	-0.651 (0.491)	-0.665 (0.493)	-0.682 (0.491)	-0.704 (0.489)	-0.664 (0.493)	-0.719 (0.474)
Public target dummy	0.994 (0.683)	0.758 (0.634)	0.516 (0.622)	0.756 (0.625)	0.745 (0.637)	0.738 (0.644)	0.728 (0.643)	0.761 (0.633)	0.726 (0.644)
Cash only dummy	0.097 (0.474)	-0.134 (0.389)	-0.379 (0.446)	-0.135 (0.385)	-0.106 (0.383)	-0.123 (0.382)	-0.134 (0.381)	-0.134 (0.388)	-0.191 (0.391)
Stock deal dummy	-1.724 (1.119)	-2.396** (0.954)	-0.942 (1.265)	-2.339** (0.986)	-2.392** (0.949)	-2.389** (0.953)	-2.411** (0.950)	-2.405** (0.947)	-2.378** (0.960)
Tender offer dummy	-3.252*** (1.133)	-3.135*** (1.121)	-1.678 (1.128)	-3.074*** (1.103)	-3.221*** (1.107)	-3.151*** (1.092)	-3.224*** (1.098)	-3.131*** (1.110)	-3.071*** (1.087)
Acquisition event dummy	0.682 (0.535)	0.560 (0.535)	0.674 (0.608)	0.529 (0.536)	0.637 (0.519)	0.587 (0.528)	0.673 (0.514)	0.545 (0.534)	0.578 (0.532)
International dummy	-0.122 (0.438)	-0.190 (0.435)	0.014 (0.564)	-0.175 (0.434)	-0.208 (0.437)	-0.203 (0.437)	-0.220 (0.436)	-0.190 (0.438)	-0.216 (0.439)
Constant	-11.067*** (3.983)	-9.384** (3.663)	-12.507*** (4.363)	-10.268** (4.045)	-8.463** (3.665)	-8.395* (4.264)	-8.448** (3.710)	-9.328** (3.839)	-10.101** (4.930)
Industry fixed effects	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample size	267	264	202	264	264	264	264	264	264
Adjusted R <sup>2</sup>	0.192	0.247	0.226	0.247	0.249	0.247	0.250	0.247	0.248

Panel C. Two-stage least squares (2SLS) regression results

Variable	All reviews		
	(1)	(2)	(3)
Overall satisfaction	2.076 (2.691)	1.404 (2.669)	-0.213 (1.988)
<i>Firm level variables</i>			
Adjusted CSR		0.050 (0.273)	0.278 (0.278)
G-Index			-0.144 (0.097)
Herfindahl Index	0.209* (0.120)	0.180 (0.132)	0.408** (0.180)
Firm size	-0.266 (0.454)	-0.274 (0.432)	-0.029 (0.311)
Market leverage	0.049 (0.034)	0.050 (0.034)	0.091*** (0.034)
Free cash flow	-0.032 (0.114)	-0.064 (0.111)	-0.196* (0.116)
Tobin's Q	0.424 (0.889)	0.636 (0.843)	1.999** (0.889)
Previous market-adjusted return	-0.014 (0.017)	-0.020 (0.017)	-0.022 (0.018)
<i>Deal characteristics</i>			
Relative deal size	0.060* (0.037)	0.076** (0.035)	0.025 (0.036)
Industry M&A	0.007 (0.067)	-0.009 (0.067)	-0.015 (0.070)
High tech dummy	0.584 (0.489)	0.561 (0.478)	0.641 (0.526)
Diversification dummy	-0.649 (0.511)	-0.524 (0.503)	-0.452 (0.573)
Public target dummy	1.150 (0.708)	0.931 (0.695)	0.731 (0.627)
Cash only dummy	0.219 (0.505)	0.088 (0.442)	-0.099 (0.451)
Stock deal dummy	-0.580 (1.098)	-1.034 (1.047)	0.569 (1.127)
Tender offer dummy	-3.020** (1.229)	-3.028** (1.211)	-1.829 (1.117)
Acquisition event dummy	0.298 (0.638)	0.300 (0.629)	0.651 (0.665)
International dummy	-0.091 (0.462)	-0.162 (0.466)	0.074 (0.551)
Constant	-15.925** (6.494)	-13.295** (6.420)	-14.937** (5.975)
Industry fixed effects	SIC2D	SIC2D	SIC2D
Year fixed effects	Yes	Yes	Yes
Sample size	284	281	216
Adjusted R <sup>2</sup>	0.120	0.169	0.200

**Table 5. Target and acquirer-target combined CAR(-1, 1) regressions on the acquiring firms' explanatory variables (for public targets)**

Panels A and B of this table report OLS regression results for target and acquirer-target combined CARs for the 51 deals involving public targets for which we can calculate target CARs around the announcement dates, with target financial information available on the Compustat database, and more than 5 current employee reviews in the 12-month window prior to deal announcement. Relative deal size is used to determine the acquirer-target weight when combining their CARs. For a detailed explanation about how each control variable is constructed from various data sources, please refer to Table A.1. CARs are calculated using the market model beginning 200 trading days prior to the announcement and ending 11 trading days before, with the CRSP value-weighted return used as the proxy for market return. The first two digits of the acquirer's SIC code are used to control for industry fixed effect. Year dummies are included. Standard errors are robust to heteroscedasticity and acquirer-clustered, and all variables are winsorized at 5% level. Standard errors are reported in parentheses. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

**Panel A. Target CAR OLS regression results**

Variable	OLS: Satisfaction scores from current employee reviews only						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Overall satisfaction	-15.239 (10.003)						
<i>Sub-categories</i>							
Work-life balance		-10.893 (9.646)					3.001 (11.213)
Career opportunities			-11.025 (11.513)				18.162 (22.223)
Comp. and benefits				0.303 (13.444)			2.973 (11.886)
Senior management					-22.585*** (8.019)		-38.770 (24.271)
CEO approval						-23.009** (10.739)	0.173 (26.089)
<i>Target/acquirer variables</i>							
Acquirer adjusted CSR	-1.278 (3.989)	-1.304 (4.041)	-1.636 (3.991)	-1.312 (4.319)	-2.360 (3.715)	-2.554 (4.119)	-2.467 (4.649)
Acquirer market leverage	0.015 (0.537)	0.197 (0.565)	-0.005 (0.583)	0.137 (0.582)	-0.028 (0.515)	0.126 (0.509)	0.088 (0.602)
Acquirer free cash flow	-0.221 (0.797)	0.018 (0.818)	-0.209 (0.875)	0.067 (0.891)	-0.230 (0.732)	-0.272 (0.801)	0.046 (0.862)
Target free cash flow	-0.860*** (0.185)	-0.893*** (0.210)	-0.835*** (0.206)	-0.893*** (0.222)	-0.775*** (0.183)	-0.864*** (0.199)	-0.796*** (0.201)
Target previous market-adjusted return	-0.178 (0.116)	-0.165 (0.118)	-0.166 (0.121)	-0.151 (0.113)	-0.176* (0.101)	-0.132 (0.111)	-0.168 (0.143)
<i>Deal characteristics</i>							
Relative deal size	-0.347* (0.186)	-0.239 (0.171)	-0.295 (0.178)	-0.216 (0.208)	-0.367** (0.135)	-0.362** (0.167)	-0.321* (0.172)
Industry M&A	2.161** (0.887)	2.011* (1.014)	2.059** (0.989)	1.740 (1.099)	2.212** (0.804)	2.209** (0.889)	1.924* (0.947)
Cash dummy	-58.011*** (16.875)	-55.518*** (18.515)	-62.414*** (17.362)	-62.996*** (20.521)	-61.167*** (14.984)	-57.958*** (18.377)	-62.991*** (18.391)
Stock dummy	-55.314*** (19.464)	-59.145*** (21.016)	-60.683*** (20.157)	-65.802*** (23.017)	-52.933*** (18.540)	-51.481** (21.898)	-54.925** (22.098)
Tender offer dummy	22.847** (9.599)	21.716** (10.278)	22.550** (10.190)	20.631 (13.135)	23.628*** (8.015)	21.772** (9.048)	21.452** (9.848)
Constant	73.465** (32.899)	66.264* (37.432)	61.313 (37.348)	25.306 (51.599)	90.529*** (25.615)	29.477** (10.915)	56.917 (67.968)
Sectoral fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample size	51	51	51	51	51	51	51
Adjusted R <sup>2</sup>	0.584	0.569	0.560	0.541	0.638	0.595	0.609

Panel B. Acquirer-target combined CAR OLS regression results

Variable	OLS: Satisfaction scores from current employee reviews only						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Overall satisfaction	0.873 (2.149)						
<i>Sub-categories</i>							
Work-life balance		0.885 (2.493)					0.145 (2.734)
Career opportunities			1.055 (2.322)				-2.419 (5.261)
Comp. and benefits				2.454 (2.308)			2.949 (3.458)
Senior management					0.880 (2.459)		-0.550 (5.117)
CEO approval						2.130 (2.933)	3.442 (6.650)
<i>Target/acquirer variables</i>							
Acquirer adjusted CSR	0.653 (1.059)	0.654 (1.071)	0.686 (1.098)	0.753 (1.058)	0.696 (1.090)	0.770 (1.133)	0.863 (1.148)
Acquirer market leverage	0.028 (0.158)	0.016 (0.152)	0.034 (0.163)	0.037 (0.161)	0.027 (0.159)	0.021 (0.153)	0.006 (0.182)
Acquirer free cash flow	-0.239 (0.199)	-0.251 (0.185)	-0.229 (0.210)	-0.239 (0.186)	-0.244 (0.194)	-0.224 (0.190)	-0.251 (0.216)
Target free cash flow	-0.089* (0.044)	-0.087* (0.046)	-0.093** (0.043)	-0.098** (0.044)	-0.092** (0.044)	-0.090* (0.045)	-0.089** (0.043)
Target previous market-adjusted return	-0.008 (0.022)	-0.009 (0.022)	-0.008 (0.023)	-0.013 (0.019)	-0.009 (0.022)	-0.011 (0.022)	-0.020 (0.030)
<i>Deal characteristics</i>							
Relative deal size	0.170*** (0.041)	0.164*** (0.038)	0.170*** (0.037)	0.177*** (0.039)	0.168*** (0.039)	0.176*** (0.039)	0.181*** (0.043)
Industry M&A	0.416 (0.293)	0.418 (0.286)	0.409 (0.292)	0.419 (0.291)	0.421 (0.281)	0.396 (0.282)	0.422 (0.329)
Cash dummy	0.807 (2.672)	0.485 (3.014)	1.037 (2.541)	1.019 (2.586)	1.021 (2.499)	0.626 (2.633)	0.323 (3.607)
Stock dummy	-0.685 (3.838)	-0.623 (3.789)	-0.570 (3.444)	-0.882 (3.561)	-0.587 (3.644)	-1.407 (3.864)	-1.844 (4.710)
Tender offer dummy	0.440 (1.774)	0.481 (1.821)	0.387 (1.714)	-0.245 (1.970)	0.449 (1.757)	0.465 (1.772)	-0.107 (2.255)
Constant	-4.817 (6.887)	-5.360 (9.552)	-5.462 (7.833)	-11.285 (8.979)	-4.620 (7.644)	-2.406 (2.592)	-4.906 (20.171)
Sectoral fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample size	51	51	51	51	51	51	51
Adjusted R <sup>2</sup>	0.524	0.525	0.524	0.539	0.524	0.531	0.471

**Table 6. Long-run portfolio performance (sorted on the average overall satisfaction scores of current employees)**

In this table, we present the results of our long-run portfolio performance for the 267 M&A deals for which we have more than five reviews written by employees claiming to be current employees of the acquiring firm during the 12-month period prior to the M&A announcement. Following Ikenberry, Lakonishok and Vermaelen (2000) and Moeller, Schlingemann and Stulz (2004), we construct a portfolio of acquirers, rebalancing the portfolio at the end of each month by including each acquirer that has announced an M&A deal during that month and excluding any firm that has reached the end of its specified holding period. Excess returns are calculated either over (i) risk-free rate or (ii) industry-matched portfolio using the Fama-French 49 industry classification. For value-weighted portfolios, value-weighted industry returns are used, while equal-weighted industry returns are used as benchmark for equal-weighted portfolios. Monthly regressions use Fama-French (2015) five-factor model involving *MKT*, *SMB*, *HML*, *RMW*, and *CMA* factors. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. All returns are in percent. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

**Panel A. Value-weighted portfolios**

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
<b>1. All M&amp;A samples</b>												
$\alpha$	-0.230	0.199	-0.187	0.183	-0.211	0.160	-0.280**	0.138	-0.245*	0.136	-0.295**	0.118
$\beta_{MKT}$	1.086***	0.072	0.056	0.050	1.137***	0.060	0.122***	0.040	1.166***	0.051	0.132***	0.036
$\beta_{SMB}$	-0.245*	0.131	-0.264**	0.101	-0.211**	0.102	-0.244***	0.070	-0.209**	0.089	-0.223***	0.065
$\beta_{HML}$	-0.059	0.134	-0.082	0.103	-0.021	0.102	-0.087	0.070	0.005	0.086	-0.082	0.065
$\beta_{RMW}$	-0.119	0.201	-0.158	0.138	-0.014	0.126	-0.037	0.103	-0.005	0.119	-0.039	0.097
$\beta_{CMA}$	-0.301*	0.174	-0.235	0.190	-0.340**	0.156	-0.222*	0.130	-0.361**	0.142	-0.231*	0.120
Adjusted R <sup>2</sup>	0.828		0.111		0.896		0.200		0.923		0.239	
<b>2. High satisfaction score M&amp;A subsample</b>												
$\alpha$	0.103	0.297	-0.010	0.264	0.085	0.207	-0.023	0.189	0.019	0.170	-0.067	0.140
$\beta_{MKT}$	1.087***	0.102	0.063	0.066	1.133***	0.070	0.089*	0.052	1.164***	0.063	0.115***	0.042
$\beta_{SMB}$	-0.243	0.172	-0.221	0.152	-0.281**	0.111	-0.303***	0.088	-0.279***	0.099	-0.273***	0.087
$\beta_{HML}$	0.029	0.222	-0.051	0.154	-0.077	0.161	-0.226*	0.121	0.004	0.137	-0.150	0.108
$\beta_{RMW}$	-0.066	0.306	-0.175	0.226	-0.125	0.215	-0.213	0.151	-0.097	0.193	-0.136	0.122
$\beta_{CMA}$	-0.618*	0.320	-0.560**	0.255	-0.426**	0.193	-0.237	0.179	-0.480***	0.157	-0.272*	0.154
Adjusted R <sup>2</sup>	0.686		0.089		0.812		0.170		0.877		0.214	
<b>3. Low satisfaction score M&amp;A subsample</b>												
$\alpha$	-0.350	0.212	-0.260	0.185	-0.460***	0.144	-0.477***	0.134	-0.466***	0.130	-0.442***	0.138
$\beta_{MKT}$	1.060***	0.076	0.076	0.060	1.102***	0.067	0.124**	0.053	1.120***	0.056	0.100**	0.049
$\beta_{SMB}$	-0.121	0.138	-0.177	0.111	-0.100	0.133	-0.133	0.106	-0.133	0.132	-0.118	0.102
$\beta_{HML}$	0.048	0.194	0.172	0.159	0.104	0.102	0.214**	0.097	0.099	0.101	0.133	0.101
$\beta_{RMW}$	0.058	0.192	0.142	0.136	0.054	0.157	0.239*	0.137	-0.003	0.114	0.104	0.080
$\beta_{CMA}$	-0.132	0.225	-0.158	0.194	-0.264	0.190	-0.230	0.157	-0.231	0.175	-0.173	0.162
Adjusted R <sup>2</sup>	0.764		0.018		0.875		0.113		0.896		0.036	
<b>4. Zero-cost portfolio on high-low satisfaction score subsamples</b>												
$\alpha$	0.453	0.364	0.250	0.316	0.545***	0.199	0.454***	0.161	0.485***	0.169	0.375**	0.145
$\beta_{MKT}$	0.027	0.110	-0.013	0.079	0.031	0.080	-0.035	0.069	0.044	0.064	0.015	0.050
$\beta_{SMB}$	-0.121	0.198	-0.045	0.196	-0.181	0.116	-0.170	0.138	-0.146	0.117	-0.156	0.140
$\beta_{HML}$	-0.019	0.357	-0.223	0.250	-0.181	0.183	-0.440***	0.141	-0.094	0.159	-0.283**	0.136
$\beta_{RMW}$	-0.124	0.400	-0.317	0.284	-0.179	0.298	-0.452**	0.223	-0.095	0.220	-0.240*	0.134
$\beta_{CMA}$	-0.486	0.351	-0.402	0.265	-0.161	0.218	-0.006	0.174	-0.250	0.176	-0.099	0.167
Adjusted R <sup>2</sup>	-0.025		0.053		0.028		0.192		0.038		0.126	
No. of obs.	77		77		77		77		77		77	

Panel B. Equal-weighted portfolios

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
1. All M&A samples												
$\alpha$	0.109	0.188	-0.175	0.194	-0.028	0.132	-0.276	0.176	-0.007	0.123	-0.239	0.167
$\beta_{MKT}$	1.078***	0.056	0.157**	0.068	1.108***	0.038	0.161***	0.056	1.129***	0.035	0.181***	0.054
$\beta_{SMB}$	-0.005	0.078	-0.584***	0.104	0.016	0.070	-0.567***	0.096	0.014	0.060	-0.555***	0.091
$\beta_{HML}$	0.061	0.109	-0.134	0.112	0.086	0.093	-0.140	0.096	0.136*	0.079	-0.103	0.096
$\beta_{RMW}$	-0.162	0.184	0.239*	0.130	-0.059	0.092	0.262**	0.103	-0.082	0.093	0.224**	0.095
$\beta_{CMA}$	-0.243*	0.138	-0.196	0.146	-0.193	0.125	-0.105	0.116	-0.271**	0.118	-0.211*	0.116
Adjusted R <sup>2</sup>	0.909		0.531		0.941		0.584		0.955		0.611	
2. High satisfaction score M&A subsample												
$\alpha$	0.262	0.264	-0.021	0.259	0.175	0.182	-0.114	0.204	0.138	0.173	-0.122	0.199
$\beta_{MKT}$	1.119***	0.088	0.169*	0.095	1.150***	0.065	0.179**	0.068	1.174***	0.062	0.197***	0.069
$\beta_{SMB}$	-0.099	0.144	-0.675***	0.179	-0.141	0.088	-0.724***	0.120	-0.132	0.084	-0.708***	0.119
$\beta_{HML}$	0.093	0.175	-0.086	0.189	0.069	0.131	-0.161	0.142	0.119	0.120	-0.126	0.142
$\beta_{RMW}$	-0.199	0.292	0.241	0.209	-0.229	0.186	0.140	0.153	-0.199	0.182	0.172	0.132
$\beta_{CMA}$	-0.465*	0.236	-0.401	0.252	-0.362*	0.201	-0.255	0.187	-0.407**	0.183	-0.278	0.180
Adjusted R <sup>2</sup>	0.763		0.331		0.872		0.506		0.902		0.541	
3. Low satisfaction score M&A subsample												
$\alpha$	-0.076	0.230	-0.346	0.239	-0.235	0.152	-0.413*	0.208	-0.229	0.138	-0.395*	0.202
$\beta_{MKT}$	1.047***	0.065	0.171**	0.078	1.073***	0.046	0.164**	0.068	1.082***	0.042	0.174**	0.066
$\beta_{SMB}$	0.057	0.113	-0.546***	0.122	0.066	0.105	-0.537***	0.114	0.055	0.099	-0.536***	0.111
$\beta_{HML}$	0.081	0.170	-0.080	0.130	0.140	0.123	-0.049	0.095	0.169*	0.100	-0.037	0.090
$\beta_{RMW}$	-0.031	0.193	0.378**	0.173	0.017	0.118	0.355***	0.101	-0.028	0.097	0.311***	0.107
$\beta_{CMA}$	-0.223	0.177	-0.230	0.150	-0.242	0.152	-0.215	0.132	-0.243*	0.137	-0.235*	0.122
Adjusted R <sup>2</sup>	0.827		0.444		0.898		0.506		0.919		0.529	
4. Zero-cost portfolio on high-low satisfaction score subsamples												
$\alpha$	0.338	0.264	0.325	0.239	0.410**	0.171	0.299*	0.155	0.366**	0.161	0.273*	0.152
$\beta_{MKT}$	0.072	0.090	-0.002	0.090	0.077	0.071	0.015	0.065	0.092	0.069	0.024	0.069
$\beta_{SMB}$	-0.156	0.162	-0.129	0.167	-0.207**	0.095	-0.187*	0.100	-0.187**	0.093	-0.172*	0.092
$\beta_{HML}$	0.012	0.247	-0.006	0.208	-0.070	0.157	-0.112	0.133	-0.049	0.144	-0.089	0.130
$\beta_{RMW}$	-0.169	0.312	-0.136	0.234	-0.246	0.252	-0.215	0.154	-0.171	0.204	-0.139	0.117
$\beta_{CMA}$	-0.242	0.281	-0.171	0.282	-0.120	0.251	-0.040	0.220	-0.164	0.244	-0.043	0.213
Adjusted R <sup>2</sup> .	-0.042		-0.049		0.004		0.001		0.012		-0.004	
No. of obs.	77		77		77		77		77		77	

**Table 7. Long-run portfolio performance (sorted on the average overall satisfaction scores of all employees)**

In this table, we present the results of our long-run portfolio performance for the 284 M&A deals for which we have more than five reviews written by both current and former employees the acquiring firm during the 12-month period prior to the M&A announcement. Following Ikenberry, Lakonishok and Vermaelen (2000) and Moeller, Schlingemann and Stulz (2004), we construct a portfolio of acquirers, rebalancing the portfolio at the end of each month by including each acquirer that has announced an M&A deal during that month and excluding any firm that has reached the end of its specified holding period. Excess returns are calculated either over (i) risk-free rate or (ii) industry-matched portfolio using the Fama-French 49 industry classification. For value-weighted portfolios, value-weighted industry returns are used, while equal-weighted industry returns are used as benchmark for equal-weighted portfolios. Monthly regressions use Fama-French (2015) five-factor model involving *MKT*, *SMB*, *HML*, *RMW*, and *CMA* factors. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. All returns are in percent. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
1. Zero-cost portfolio on high-low satisfaction score subsamples, value weighted												
$\alpha$	0.347	0.387	0.431	0.320	0.449*	0.235	0.406**	0.177	0.423*	0.224	0.346**	0.170
$\beta_{MKT}$	0.081	0.118	-0.030	0.092	0.142	0.105	0.070	0.088	0.098	0.099	0.052	0.080
$\beta_{SMB}$	-0.250	0.182	-0.172	0.186	-0.251	0.156	-0.231	0.168	-0.228	0.157	-0.232	0.168
$\beta_{HML}$	-0.109	0.446	-0.353	0.330	-0.054	0.231	-0.326**	0.163	-0.015	0.202	-0.250	0.165
$\beta_{RMW}$	-0.271	0.440	-0.336	0.328	-0.136	0.378	-0.360	0.294	0.000	0.319	-0.233	0.251
$\beta_{CMA}$	0.064	0.381	0.282	0.267	-0.223	0.234	-0.002	0.183	-0.103	0.210	0.052	0.166
Adjusted R <sup>2</sup>	-0.043		-0.017		0.012		0.073		-0.012		0.031	
2. Zero-cost portfolio on high-low satisfaction score subsamples, equal weighted												
$\alpha$	0.227	0.280	0.174	0.210	0.340*	0.196	0.101	0.166	0.282	0.190	0.038	0.163
$\beta_{MKT}$	0.093	0.102	0.023	0.080	0.135	0.083	0.096	0.070	0.131	0.082	0.078	0.069
$\beta_{SMB}$	-0.239	0.157	-0.209	0.139	-0.234*	0.134	-0.210*	0.125	-0.193	0.135	-0.167	0.124
$\beta_{HML}$	0.114	0.305	0.105	0.176	0.082	0.185	0.015	0.120	0.068	0.173	0.005	0.109
$\beta_{RMW}$	-0.210	0.361	-0.200	0.230	-0.087	0.301	-0.130	0.174	-0.035	0.271	-0.082	0.154
$\beta_{CMA}$	-0.062	0.220	0.009	0.212	-0.051	0.176	0.042	0.182	-0.072	0.193	0.039	0.152
Adjusted R <sup>2</sup>	-0.023		-0.016		0.012		0.019		0.000		-0.005	
No. of obs.	77		77		77		77		77		77	

**Table 8. Long-run portfolio performance (5% and 10% winsorization, sorted on the average overall satisfaction scores of current employees)**

This table re-estimates the portfolios regressions in Table 6, with portfolio returns winsorized at the 5% or 10% level. Excess returns are calculated either over (i) risk-free rate or (ii) industry-matched portfolio using Fama-French 49 industry classification, and neither variable, nor any of the Fama-French five factors, is winsorized. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. All returns are in percent. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 Industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
5% winsorization portfolios												
1. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.421	0.361	0.283	0.295	0.532***	0.195	0.459***	0.159	0.447**	0.173	0.379***	0.143
$\beta_{MKT}$	0.051	0.100	-0.011	0.077	0.063	0.078	-0.032	0.068	0.079	0.066	0.019	0.048
$\beta_{SMB}$	-0.098	0.192	-0.050	0.194	-0.176	0.116	-0.166	0.132	-0.150	0.117	-0.144	0.124
$\beta_{HML}$	-0.015	0.356	-0.165	0.211	-0.182	0.180	-0.423***	0.138	-0.084	0.158	-0.257**	0.129
$\beta_{RMW}$	-0.114	0.399	-0.272	0.268	-0.182	0.297	-0.430*	0.219	-0.097	0.221	-0.228*	0.133
$\beta_{CMA}$	-0.508	0.342	-0.426	0.263	-0.206	0.210	-0.023	0.170	-0.296*	0.173	-0.134	0.156
Adjusted R <sup>2</sup>	-0.021		0.044		0.043		0.189		0.060		0.129	
2. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.314	0.262	0.272	0.231	0.409**	0.171	0.289*	0.152	0.353**	0.162	0.265*	0.149
$\beta_{MKT}$	0.071	0.085	0.016	0.077	0.055	0.062	0.016	0.064	0.070	0.055	0.028	0.067
$\beta_{SMB}$	-0.149	0.158	-0.121	0.154	-0.200**	0.090	-0.198**	0.092	-0.190**	0.087	-0.187**	0.084
$\beta_{HML}$	-0.003	0.239	-0.084	0.187	-0.103	0.140	-0.112	0.131	-0.076	0.122	-0.084	0.127
$\beta_{RMW}$	-0.161	0.312	-0.117	0.223	-0.239	0.250	-0.244	0.151	-0.165	0.203	-0.170	0.112
$\beta_{CMA}$	-0.211	0.273	-0.094	0.271	-0.057	0.224	-0.043	0.218	-0.097	0.210	-0.049	0.210
Adjusted R <sup>2</sup>	-0.043		-0.044		0.001		0.011		0.011		0.009	
10% winsorization portfolios												
3. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.353	0.353	0.340	0.284	0.465**	0.195	0.377*	0.195	0.425**	0.175	0.333**	0.152
$\beta_{MKT}$	0.105	0.086	0.060	0.071	0.106	0.075	0.030	0.064	0.080	0.060	-0.025	0.041
$\beta_{SMB}$	-0.064	0.189	0.058	0.150	-0.179	0.113	-0.158*	0.084	-0.129	0.110	0.019	0.077
$\beta_{HML}$	-0.005	0.351	0.177	0.167	-0.174	0.175	-0.214	0.171	-0.106	0.155	-0.119	0.140
$\beta_{RMW}$	-0.069	0.381	0.163	0.218	-0.198	0.292	-0.117	0.262	-0.124	0.210	-0.222**	0.097
$\beta_{CMA}$	-0.561	0.344	-0.653**	0.261	-0.259	0.198	-0.173	0.189	-0.284	0.177	-0.208	0.164
Adjusted R <sup>2</sup>	-0.004		0.029		0.074		0.118		0.075		0.127	
4. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.259	0.253	0.247	0.226	0.360**	0.172	0.294**	0.147	0.328**	0.163	0.257*	0.146
$\beta_{MKT}$	0.094	0.068	0.035	0.068	0.093	0.061	0.043	0.056	0.089*	0.052	0.050	0.061
$\beta_{SMB}$	-0.115	0.148	-0.058	0.138	-0.184**	0.089	-0.197***	0.074	-0.172**	0.086	-0.167**	0.071
$\beta_{HML}$	0.010	0.218	-0.098	0.172	-0.109	0.131	-0.103	0.119	-0.085	0.111	-0.074	0.116
$\beta_{RMW}$	-0.105	0.285	-0.067	0.202	-0.249	0.249	-0.206	0.134	-0.172	0.198	-0.125	0.090
$\beta_{CMA}$	-0.270	0.236	-0.059	0.258	-0.112	0.196	-0.062	0.202	-0.146	0.183	-0.059	0.195
Adjusted R <sup>2</sup>	-0.031		-0.050		0.031		0.022		0.040		0.009	
No. of obs.	77		77		77		77		77		77	

**Table 9. Long-run portfolio performance (sorted on sub-category satisfaction scores)**

This table re-estimates the portfolio regressions in Table 6, this time using the satisfaction scores of the current employees on the following five sub-categories: (i) work-life balance, (ii) career opportunities, (iii) compensation and benefits, (iv) senior management, (v) CEO approval. Excess returns are calculated either over (i) risk-free rate or (ii) industry-matched portfolio using Fama-French 49 industry classification. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. All returns are in percent. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 Industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
Work-life balance												
1. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.236	0.444	0.215	0.429	0.379	0.405	0.185	0.339	0.338	0.389	0.164	0.330
$\beta_{MKT}$	-0.029	0.137	-0.065	0.135	-0.081	0.122	-0.037	0.126	-0.041	0.124	-0.016	0.124
$\beta_{SMB}$	0.059	0.294	0.163	0.222	-0.059	0.284	-0.015	0.226	0.016	0.260	0.024	0.210
$\beta_{HML}$	0.550*	0.324	0.241	0.237	0.403	0.301	0.063	0.202	0.502*	0.265	0.190	0.188
$\beta_{RMW}$	-1.465**	0.675	-1.283**	0.601	-1.564**	0.682	-1.556***	0.577	-1.320*	0.688	-1.358**	0.579
$\beta_{CMA}$	-0.129	0.422	0.151	0.391	-0.134	0.422	0.066	0.350	-0.159	0.379	-0.052	0.316
Adjusted R <sup>2</sup>	0.211		0.190		0.211		0.245		0.204		0.225	
2. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.351	0.413	0.150	0.398	0.398	0.404	0.152	0.353	0.370	0.392	0.100	0.347
$\beta_{MKT}$	-0.058	0.109	-0.042	0.112	-0.113	0.100	-0.059	0.100	-0.066	0.101	-0.015	0.101
$\beta_{SMB}$	0.029	0.161	0.133	0.167	0.005	0.157	0.053	0.158	0.019	0.148	0.053	0.156
$\beta_{HML}$	0.599**	0.281	0.427*	0.237	0.405	0.291	0.303	0.233	0.473*	0.283	0.369	0.229
$\beta_{RMW}$	-1.280*	0.721	-0.965	0.657	-1.313*	0.719	-1.075*	0.633	-1.195	0.724	-0.992	0.640
$\beta_{CMA}$	-0.114	0.415	0.189	0.347	0.140	0.411	0.246	0.321	0.039	0.402	0.121	0.304
Adjusted R <sup>2</sup>	0.218		0.181		0.202		0.185		0.195		0.181	
Career opportunities												
3. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.409	0.367	0.716**	0.306	0.501*	0.253	0.588***	0.200	0.379	0.256	0.515**	0.209
$\beta_{MKT}$	0.024	0.120	-0.056	0.117	0.121	0.098	0.103	0.092	0.120	0.104	0.104	0.091
$\beta_{SMB}$	-0.255	0.229	-0.107	0.170	-0.204	0.205	-0.092	0.142	-0.162	0.210	-0.084	0.147
$\beta_{HML}$	-0.112	0.390	-0.240	0.306	-0.173	0.273	-0.212	0.205	-0.185	0.250	-0.188	0.186
$\beta_{RMW}$	0.044	0.435	-0.082	0.360	0.051	0.329	-0.032	0.224	0.054	0.316	-0.042	0.219
$\beta_{CMA}$	-0.074	0.387	0.265	0.323	-0.337	0.260	-0.136	0.204	-0.341	0.284	-0.189	0.224
Adjusted R <sup>2</sup>	-0.031		-0.045		0.035		0.013		0.035		0.020	
4. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.419	0.350	0.327	0.335	0.501**	0.242	0.330	0.230	0.386*	0.214	0.189	0.227
$\beta_{MKT}$	0.092	0.093	-0.038	0.072	0.066	0.073	0.027	0.057	0.082	0.080	0.048	0.066
$\beta_{SMB}$	-0.284	0.178	-0.081	0.187	-0.209	0.153	-0.085	0.163	-0.184	0.149	-0.087	0.151
$\beta_{HML}$	0.015	0.280	-0.148	0.284	-0.160	0.209	-0.229	0.222	-0.176	0.199	-0.234	0.223
$\beta_{RMW}$	-0.020	0.352	-0.183	0.301	-0.084	0.304	-0.091	0.255	-0.046	0.292	-0.056	0.257
$\beta_{CMA}$	-0.364	0.273	-0.192	0.232	-0.247	0.195	-0.236	0.164	-0.222	0.204	-0.180	0.181
Adjusted R <sup>2</sup>	-0.003		-0.026		0.030		0.041		0.032		0.030	

Compensation and benefits

5. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted

$\alpha$	0.132	0.337	0.353	0.270	0.073	0.257	0.191	0.231	0.008	0.220	0.187	0.208
$\beta_{MKT}$	-0.236**	0.117	-0.267***	0.098	-0.196**	0.089	-0.198**	0.083	-0.067	0.065	-0.078	0.063
$\beta_{SMB}$	-0.143	0.182	0.013	0.151	-0.249**	0.116	-0.123	0.109	-0.227**	0.105	-0.140	0.109
$\beta_{HML}$	-0.076	0.313	-0.138	0.244	0.027	0.245	-0.038	0.213	0.157	0.194	0.085	0.174
$\beta_{RMW}$	-0.124	0.364	-0.399	0.281	-0.347	0.296	-0.566**	0.232	-0.234	0.281	-0.447*	0.226
$\beta_{CMA}$	0.536	0.410	0.402	0.317	0.175	0.300	0.077	0.252	0.062	0.241	-0.015	0.203
Adjusted R <sup>2</sup>	0.039		0.071		0.075		0.100		0.023		0.035	

6. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted

$\alpha$	0.058	0.300	-0.017	0.326	0.036	0.263	-0.113	0.255	0.014	0.205	-0.035	0.225
$\beta_{MKT}$	-0.055	0.089	-0.164**	0.073	-0.034	0.071	-0.133*	0.067	0.056	0.063	-0.054	0.068
$\beta_{SMB}$	-0.187	0.141	-0.054	0.119	-0.260**	0.101	-0.140	0.105	-0.289***	0.084	-0.180*	0.095
$\beta_{HML}$	-0.248	0.180	-0.216	0.159	-0.161	0.139	-0.178	0.135	-0.119	0.126	-0.148	0.146
$\beta_{RMW}$	-0.167	0.265	-0.063	0.238	-0.296	0.207	-0.159	0.217	-0.245	0.200	-0.208	0.213
$\beta_{CMA}$	0.289	0.255	0.275	0.287	0.162	0.240	0.256	0.189	0.093	0.223	0.140	0.188
Adjusted R <sup>2</sup>	-0.019		0.020		0.010		0.038		0.019		-0.003	

Senior management

7. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted

$\alpha$	0.270	0.485	0.545	0.429	0.338	0.389	0.440	0.294	0.148	0.341	0.264	0.222
$\beta_{MKT}$	0.050	0.113	-0.053	0.113	0.055	0.087	0.027	0.089	0.051	0.087	0.012	0.076
$\beta_{SMB}$	-0.081	0.204	-0.021	0.172	-0.104	0.170	-0.075	0.148	-0.059	0.165	-0.038	0.143
$\beta_{HML}$	-0.527	0.514	-0.672*	0.374	-0.465	0.430	-0.629**	0.287	-0.491	0.401	-0.615**	0.254
$\beta_{RMW}$	-0.265	0.355	-0.250	0.331	-0.175	0.279	-0.241	0.231	-0.059	0.252	-0.141	0.205
$\beta_{CMA}$	0.175	0.446	0.537	0.367	-0.104	0.320	0.207	0.238	-0.059	0.327	0.165	0.242
Adjusted R <sup>2</sup>	-0.010		0.015		0.059		0.123		0.082		0.168	

8. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted

$\alpha$	0.013	0.429	0.209	0.363	-0.003	0.326	0.059	0.242	-0.059	0.288	-0.036	0.203
$\beta_{MKT}$	0.064	0.087	-0.053	0.062	0.038	0.081	0.010	0.057	0.052	0.081	0.029	0.058
$\beta_{SMB}$	-0.063	0.159	0.043	0.173	-0.072	0.137	0.009	0.142	-0.056	0.123	-0.007	0.120
$\beta_{HML}$	-0.475	0.404	-0.398	0.297	-0.546	0.353	-0.421*	0.243	-0.506	0.339	-0.385	0.232
$\beta_{RMW}$	-0.204	0.316	-0.166	0.250	-0.151	0.269	-0.093	0.190	-0.076	0.240	-0.022	0.177
$\beta_{CMA}$	0.168	0.258	0.408*	0.216	0.199	0.207	0.225	0.168	0.093	0.215	0.156	0.168
Adjusted R <sup>2</sup>	0.005		-0.019		0.069		0.042		0.095		0.061	

CEO approval

9. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted

$\alpha$	0.018	0.350	0.410	0.320	0.118	0.288	0.332	0.225	-0.062	0.242	0.196	0.180
$\beta_{MKT}$	0.014	0.112	-0.052	0.123	0.099	0.088	0.072	0.097	0.121	0.087	0.081	0.090
$\beta_{SMB}$	-0.166	0.198	-0.042	0.187	-0.254	0.159	-0.132	0.156	-0.258	0.155	-0.134	0.150
$\beta_{HML}$	-0.154	0.366	-0.415	0.320	-0.024	0.265	-0.337	0.228	0.028	0.244	-0.290	0.183
$\beta_{RMW}$	-0.256	0.250	-0.196	0.278	-0.115	0.189	-0.086	0.197	-0.044	0.179	-0.035	0.162
$\beta_{CMA}$	-0.002	0.473	0.352	0.402	-0.369	0.302	0.019	0.246	-0.369	0.284	-0.044	0.237
Adjusted R <sup>2</sup>	-0.049		-0.029		0.020		0.035		0.033		0.054	

10. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	-0.165	0.296	0.022	0.291	-0.170	0.232	-0.004	0.225	-0.220	0.195	-0.087	0.196
$\beta_{MKT}$	0.042	0.080	0.011	0.071	0.073	0.068	0.086	0.067	0.115*	0.068	0.133*	0.068
$\beta_{SMB}$	-0.196	0.143	-0.045	0.149	-0.285**	0.121	-0.154	0.130	-0.311**	0.119	-0.183	0.114
$\beta_{HML}$	0.115	0.230	-0.072	0.181	0.132	0.183	-0.014	0.150	0.190	0.182	0.065	0.147
$\beta_{RMW}$	-0.267	0.225	-0.233	0.192	-0.219	0.180	-0.184	0.145	-0.146	0.169	-0.123	0.140
$\beta_{CMA}$	-0.213	0.285	0.104	0.253	-0.297	0.223	-0.069	0.205	-0.354*	0.203	-0.180	0.194
Adjusted R <sup>2</sup>	-0.026		-0.048		0.028		-0.012		0.069		0.038	
No. of obs.	77		77		77		77		77		77	

**Table 10. Long-run portfolio performance of the non-acquirer matching portfolios**

This table re-estimates the portfolios regressions in Table 6, but for the non-acquirer sample matched to each M&A announcement using propensity score matching with nearest neighbor method (without caliper). Two matching procedures are provided: first, we match each acquirer with a non-acquirer only on observable firm-year characteristics, namely (i) firm size, (ii) book-to-market, (iii) book leverage, and (iv) dummy variables for the first two digits of the SIC code. Then, we match each acquirer with a non-acquirer with the aforementioned firm-year characteristics, as well as the average overall satisfaction scores of the current employees in the announcement year. Excess returns are calculated either over (i) risk-free rate or (ii) industry-matched portfolio using the Fama-French 49 industry classification. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
Matched non-acquirer portfolio based exclusively on firm characteristics without satisfaction scores												
1. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	-0.347	0.343	-0.721**	0.342	-0.084	0.333	-0.367	0.339	-0.313	0.288	-0.379	0.319
$\beta_{MKT}$	-0.025	0.148	-0.031	0.105	0.016	0.136	-0.020	0.101	0.090	0.113	-0.021	0.092
$\beta_{SMB}$	0.167	0.204	-0.030	0.147	0.003	0.160	-0.140	0.111	0.050	0.146	-0.092	0.106
$\beta_{HML}$	-0.352	0.305	-0.430	0.321	-0.433	0.288	-0.510	0.325	-0.366	0.243	-0.413	0.298
$\beta_{RMW}$	0.848**	0.349	0.479**	0.212	0.706**	0.326	0.390	0.239	0.666**	0.287	0.396**	0.196
$\beta_{CMA}$	0.670	0.512	0.528	0.423	0.836**	0.362	0.662*	0.333	0.544**	0.261	0.491*	0.250
Adjusted R <sup>2</sup>	0.107		0.087		0.182		0.180		0.177		0.179	
2. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	-0.495	0.425	-0.704*	0.394	-0.383	0.413	-0.521	0.398	-0.557	0.367	-0.580	0.361
$\beta_{MKT}$	-0.048	0.113	-0.144	0.115	-0.030	0.104	-0.123	0.113	0.045	0.087	-0.068	0.098
$\beta_{SMB}$	0.078	0.158	-0.011	0.123	-0.032	0.136	-0.090	0.106	0.005	0.125	-0.055	0.092
$\beta_{HML}$	-0.522	0.372	-0.241	0.346	-0.609	0.387	-0.409	0.346	-0.558	0.373	-0.366	0.336
$\beta_{RMW}$	0.762***	0.267	0.587***	0.220	0.495*	0.267	0.423*	0.237	0.545**	0.219	0.423**	0.208
$\beta_{CMA}$	0.307	0.297	0.085	0.296	0.609***	0.228	0.468*	0.260	0.383*	0.197	0.264	0.231
Adjusted R <sup>2</sup>	0.208		0.181		0.201		0.195		0.228		0.185	
Matched non-acquirer portfolio based on firm characteristics and satisfaction scores averaged over current employee reviews												
3. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.074	0.429	-0.230	0.357	-0.096	0.297	-0.364	0.246	-0.053	0.280	-0.260	0.228
$\beta_{MKT}$	-0.116	0.115	-0.056	0.085	-0.027	0.078	0.029	0.054	-0.042	0.074	0.009	0.048
$\beta_{SMB}$	0.153	0.184	0.095	0.194	0.107	0.157	0.093	0.164	0.140	0.150	0.128	0.154
$\beta_{HML}$	0.353	0.370	0.527*	0.312	0.217	0.245	0.430**	0.175	0.239	0.223	0.430***	0.157
$\beta_{RMW}$	0.340	0.331	0.318	0.273	0.122	0.241	0.093	0.222	0.050	0.228	-0.030	0.203
$\beta_{CMA}$	-0.379	0.496	-0.269	0.435	-0.466	0.313	-0.535**	0.233	-0.546*	0.275	-0.606***	0.200
Adjusted R <sup>2</sup>	-0.020		0.013		-0.035		0.011		-0.012		0.048	
4. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	-0.050	0.346	-0.151	0.303	-0.100	0.215	-0.124	0.205	-0.056	0.210	-0.070	0.208
$\beta_{MKT}$	-0.089	0.079	-0.097	0.084	-0.054	0.064	-0.107	0.073	-0.052	0.064	-0.093	0.072
$\beta_{SMB}$	0.270*	0.154	0.216	0.174	0.125	0.133	0.124	0.155	0.141	0.127	0.147	0.144
$\beta_{HML}$	0.196	0.252	0.220	0.205	0.202	0.192	0.180	0.147	0.214	0.184	0.194	0.143
$\beta_{RMW}$	0.131	0.318	0.287	0.263	-0.052	0.221	0.034	0.197	-0.074	0.217	-0.039	0.205
$\beta_{CMA}$	-0.109	0.377	-0.054	0.316	-0.110	0.273	0.020	0.236	-0.260	0.252	-0.164	0.225
Adjusted R <sup>2</sup>	-0.011		-0.009		-0.018		-0.004		-0.007		-0.005	
No. of obs.	77		77		77		77		77		77	

**Table 11. Long-run portfolio performance (excluding observations with various deal-level characteristics)**

This table re-estimates the portfolios regressions in Table 6, this time excluding either (i) all deals made by acquirers with more than 5 completed acquisitions during the sample period. (ii) small deals, defined as less than 1% of the acquirer's market equity, (iii) acquisition events, or (iv) international deals. Excess returns are calculated over either (i) risk-free rate or (ii) industry-matched portfolio using the Fama-French 49 industry classification. For value-weighted portfolios, value-weighted industry returns are used, while equal-weighted industry returns are used as benchmark for equal-weighted portfolios. Monthly regressions are performed against Fama and French (2015) five-factor model involving *MKT*, *SMB*, *HML*, *RMW*, and *CMA* factors. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. All returns are in percent. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
Excluding deals made by serial acquirers with more than 5 completed acquisitions during the sample period												
1. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.244	0.444	0.069	0.390	0.535*	0.273	0.514**	0.211	0.580**	0.262	0.543***	0.200
$\beta_{MKT}$	0.024	0.143	0.015	0.116	0.057	0.121	0.016	0.104	0.042	0.117	0.034	0.093
$\beta_{SMB}$	-0.336	0.233	-0.153	0.226	-0.291	0.189	-0.241	0.183	-0.220	0.195	-0.196	0.191
$\beta_{HML}$	0.015	0.423	-0.163	0.297	-0.156	0.236	-0.444***	0.160	-0.050	0.232	-0.244	0.167
$\beta_{RMW}$	-0.095	0.439	-0.005	0.317	-0.145	0.393	-0.358	0.286	-0.087	0.342	-0.189	0.222
$\beta_{CMA}$	-0.334	0.429	-0.208	0.375	-0.244	0.266	-0.013	0.216	-0.356	0.274	-0.131	0.232
Adjusted R <sup>2</sup>	-0.026		-0.025		0.008		0.091		-0.003		0.029	
2. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.383	0.366	0.391	0.293	0.542**	0.251	0.397**	0.188	0.515**	0.245	0.393**	0.193
$\beta_{MKT}$	0.087	0.120	0.003	0.109	0.121	0.097	0.050	0.077	0.138	0.099	0.059	0.085
$\beta_{SMB}$	-0.225	0.206	-0.184	0.205	-0.225	0.147	-0.204	0.140	-0.192	0.147	-0.183	0.127
$\beta_{HML}$	0.239	0.370	0.184	0.276	-0.017	0.220	-0.096	0.161	0.013	0.210	-0.061	0.150
$\beta_{RMW}$	-0.135	0.380	-0.186	0.262	-0.271	0.324	-0.354**	0.160	-0.191	0.283	-0.266**	0.128
$\beta_{CMA}$	-0.437	0.397	-0.335	0.369	-0.150	0.298	-0.041	0.260	-0.224	0.302	-0.050	0.247
Adjusted R <sup>2</sup>	0.208		0.181		0.201		0.195		0.228		0.185	
Excluding small deals less than 1% of the acquirer's market equity												
3. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.146	0.495	0.081	0.428	0.663*	0.362	0.565*	0.299	0.654**	0.308	0.637**	0.277
$\beta_{MKT}$	0.094	0.131	0.012	0.103	0.073	0.107	-0.004	0.094	-0.007	0.106	-0.061	0.087
$\beta_{SMB}$	-0.189	0.228	-0.092	0.234	-0.138	0.180	-0.140	0.209	-0.138	0.177	-0.165	0.216
$\beta_{HML}$	-0.035	0.411	-0.124	0.298	-0.140	0.342	-0.326	0.264	-0.231	0.272	-0.361	0.237
$\beta_{RMW}$	0.171	0.514	0.055	0.408	0.236	0.478	-0.089	0.381	0.208	0.455	-0.077	0.368
$\beta_{CMA}$	-0.134	0.498	-0.122	0.327	-0.192	0.304	0.003	0.246	-0.172	0.271	0.026	0.208
Adjusted R <sup>2</sup>	-0.048		-0.053		-0.014		-0.005		0.025		0.036	
4. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.294	0.392	0.158	0.375	0.500	0.310	0.386	0.256	0.462	0.291	0.367	0.241
$\beta_{MKT}$	0.089	0.115	-0.020	0.097	0.180**	0.088	0.061	0.074	0.164*	0.090	0.048	0.075
$\beta_{SMB}$	-0.011	0.208	-0.001	0.217	-0.058	0.161	-0.065	0.165	-0.040	0.155	-0.045	0.158
$\beta_{HML}$	0.303	0.309	0.416	0.278	0.115	0.239	0.071	0.164	0.070	0.213	0.035	0.143
$\beta_{RMW}$	0.097	0.451	0.243	0.357	0.074	0.371	-0.057	0.219	0.048	0.375	-0.048	0.226
$\beta_{CMA}$	-0.307	0.350	-0.414	0.419	-0.211	0.253	-0.125	0.238	-0.259	0.262	-0.119	0.203
Adjusted R <sup>2</sup>	-0.047		-0.027		-0.010		-0.054		-0.014		-0.059	
No. of obs.	76		76		76		76		76		76	

Excluding acquisition events												
5. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.276	0.418	0.110	0.399	0.583**	0.279	0.412	0.264	0.495*	0.253	0.313	0.248
$\beta_{MKT}$	0.035	0.136	0.028	0.105	0.003	0.108	-0.022	0.091	0.038	0.098	0.027	0.075
$\beta_{SMB}$	0.031	0.270	0.093	0.258	-0.119	0.180	-0.085	0.197	-0.083	0.180	-0.068	0.196
$\beta_{HML}$	-0.233	0.425	-0.363	0.367	-0.452	0.290	-0.676**	0.306	-0.395	0.272	-0.546*	0.307
$\beta_{RMW}$	0.153	0.514	-0.019	0.384	0.009	0.438	-0.230	0.359	0.172	0.375	0.046	0.288
$\beta_{CMA}$	-0.709*	0.405	-0.641**	0.297	-0.179	0.244	-0.003	0.201	-0.242	0.230	-0.038	0.212
Adjusted R <sup>2</sup>	0.046		0.110		0.102		0.182		0.137		0.158	
6. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.210	0.332	0.243	0.333	0.429*	0.231	0.311	0.214	0.377	0.232	0.297	0.219
$\beta_{MKT}$	0.051	0.100	-0.014	0.097	0.014	0.087	-0.034	0.072	0.059	0.088	-0.011	0.078
$\beta_{SMB}$	-0.058	0.193	-0.091	0.205	-0.139	0.142	-0.153	0.156	-0.134	0.144	-0.164	0.147
$\beta_{HML}$	-0.183	0.294	-0.195	0.301	-0.366	0.241	-0.357	0.240	-0.335	0.230	-0.326	0.234
$\beta_{RMW}$	0.004	0.389	0.086	0.289	-0.122	0.358	-0.055	0.244	-0.013	0.311	0.052	0.210
$\beta_{CMA}$	-0.402	0.294	-0.181	0.359	0.006	0.247	0.140	0.246	-0.073	0.261	0.138	0.239
Adjusted R <sup>2</sup>	0.005		-0.005		0.032		0.049		0.055		0.066	
No. of obs.	77		77		77		77		77		77	
Excluding international deals												
7. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.207	0.450	-0.109	0.419	0.698**	0.283	0.467*	0.267	0.544**	0.255	0.346	0.254
$\beta_{MKT}$	-0.043	0.129	-0.027	0.100	-0.086	0.109	-0.097	0.103	-0.060	0.095	-0.039	0.083
$\beta_{SMB}$	-0.183	0.296	0.016	0.239	-0.275	0.186	-0.154	0.159	-0.217	0.186	-0.115	0.157
$\beta_{HML}$	-0.267	0.433	-0.355	0.359	-0.564**	0.271	-0.763***	0.283	-0.533**	0.242	-0.649**	0.283
$\beta_{RMW}$	0.020	0.483	0.004	0.394	-0.212	0.312	-0.327	0.298	-0.047	0.236	-0.067	0.225
$\beta_{CMA}$	-0.548	0.415	-0.546*	0.316	0.058	0.300	0.220	0.257	-0.024	0.271	0.153	0.259
Adjusted R <sup>2</sup>	0.036		0.082		0.149		0.204		0.187		0.182	
8. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.068	0.391	0.058	0.382	0.403*	0.235	0.382*	0.205	0.355	0.232	0.359	0.217
$\beta_{MKT}$	-0.024	0.111	-0.044	0.107	0.024	0.079	-0.025	0.065	0.047	0.088	-0.003	0.075
$\beta_{SMB}$	-0.132	0.233	-0.117	0.216	-0.303**	0.119	-0.238*	0.122	-0.295**	0.114	-0.226**	0.110
$\beta_{HML}$	-0.165	0.296	0.014	0.283	-0.319	0.207	-0.248	0.171	-0.345*	0.190	-0.265	0.164
$\beta_{RMW}$	-0.166	0.414	0.016	0.336	-0.468*	0.241	-0.285	0.199	-0.359*	0.210	-0.168	0.179
$\beta_{CMA}$	-0.269	0.332	-0.453	0.354	-0.053	0.258	-0.060	0.228	-0.075	0.273	-0.021	0.230
Adjusted R <sup>2</sup>	-0.034		-0.025		0.074		0.054		0.089		0.055	
No. of obs.	76		76		76		76		76		76	

**Table 12. Long-run portfolio performance (alternative measures of employee relations)**

This table re-estimates our results in Table 6 using alternative measures of the acquirers' employee relations, either sorted on (i) the adjusted KLD score on Employee Relations, or (ii) whether the acquirer is listed in the latest BC list at the time of announcement. Excess returns are calculated either by (i) risk-free rate or (ii) industry-matched portfolio using Fama-French 49 industry classification. For value-weighted portfolios, value-weighted industry returns are used, while equal-weighted industry returns are used as benchmark for equal-weighted portfolios. Monthly regressions are performed against Fama-French (2015) five-factor model involving *MKT*, *SMB*, *HML*, *RMW*, and *CMA* factors. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. \*\*\* denotes significance at 1% level, \*\* at 5% level, \* at 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
Portfolios sorted on the adjusted KLD Employee Relations score												
1. Zero-cost portfolio on high-low employee relations score subsamples, value weighted												
$\alpha$	-0.660	0.525	-0.693	0.463	0.072	0.410	0.018	0.369	0.084	0.378	0.036	0.334
$\beta_{MKT}$	0.240*	0.123	0.147	0.121	0.172	0.109	0.116	0.108	0.087	0.101	0.052	0.090
$\beta_{SMB}$	-0.118	0.241	-0.104	0.243	-0.067	0.165	-0.091	0.185	-0.029	0.156	-0.060	0.173
$\beta_{HML}$	-0.382	0.388	-0.202	0.337	-0.485	0.300	-0.419	0.282	-0.507*	0.297	-0.389	0.279
$\beta_{RMW}$	0.608	0.693	0.366	0.589	0.598	0.699	0.204	0.620	0.635	0.667	0.337	0.573
$\beta_{CMA}$	-0.339	0.480	-0.343	0.410	-0.310	0.310	-0.218	0.274	-0.296	0.313	-0.167	0.276
Adjusted R <sup>2</sup>	0.062		0.006		0.135		0.057		0.158		0.069	
2. Zero-cost portfolio on high-low employee relations score subsamples, equal weighted												
$\alpha$	-0.817**	0.373	-0.690*	0.349	-0.350	0.369	-0.273	0.294	-0.375	0.328	-0.306	0.275
$\beta_{MKT}$	0.172	0.120	0.133	0.099	0.174*	0.103	0.119	0.077	0.138	0.092	0.071	0.073
$\beta_{SMB}$	-0.007	0.203	0.055	0.150	-0.046	0.171	-0.039	0.130	-0.024	0.157	-0.014	0.122
$\beta_{HML}$	-0.295	0.392	-0.001	0.277	-0.336	0.341	-0.150	0.236	-0.356	0.326	-0.187	0.228
$\beta_{RMW}$	0.826	0.627	1.069**	0.492	0.630	0.641	0.657	0.469	0.608	0.617	0.586	0.474
$\beta_{CMA}$	-0.190	0.441	-0.280	0.417	-0.264	0.375	-0.236	0.341	-0.337	0.369	-0.259	0.335
Adjusted R <sup>2</sup>	0.084		0.136		0.109		0.108		0.132		0.108	
Portfolios sorted on the BC list												
3. Zero-cost portfolio on listed vs. non-listed acquirers, value weighted												
$\alpha$	-0.537	0.523	-0.428	0.482	-0.285	0.491	-0.141	0.438	-0.243	0.474	-0.089	0.417
$\beta_{MKT}$	0.312***	0.112	0.095	0.120	0.258**	0.107	0.027	0.108	0.233**	0.097	0.037	0.098
$\beta_{SMB}$	0.041	0.231	-0.014	0.255	-0.146	0.240	-0.097	0.195	-0.111	0.234	-0.079	0.190
$\beta_{HML}$	0.890**	0.371	0.719*	0.384	0.639**	0.303	0.619**	0.303	0.561**	0.280	0.598**	0.290
$\beta_{RMW}$	0.137	0.289	-0.271	0.315	-0.150	0.325	-0.519	0.345	-0.077	0.268	-0.385	0.274
$\beta_{CMA}$	-1.740***	0.617	-1.318**	0.638	-1.408***	0.506	-1.111**	0.479	-1.310***	0.472	-1.070**	0.454
Adjusted R <sup>2</sup>	0.112		0.032		0.091		0.067		0.076		0.054	
4. Zero-cost portfolio on listed vs. non-listed acquirers, equal weighted												
$\alpha$	-0.765*	0.423	-0.577	0.377	-0.470	0.325	-0.293	0.275	-0.468	0.341	-0.368	0.288
$\beta_{MKT}$	0.294***	0.105	0.226**	0.090	0.273***	0.102	0.235**	0.094	0.252***	0.092	0.210**	0.086
$\beta_{SMB}$	-0.219	0.242	-0.201	0.237	-0.283	0.189	-0.269	0.194	-0.240	0.187	-0.225	0.194
$\beta_{HML}$	0.772*	0.413	0.833**	0.415	0.542	0.331	0.616*	0.354	0.431	0.345	0.497	0.372
$\beta_{RMW}$	0.104	0.335	0.012	0.322	-0.165	0.348	-0.176	0.309	-0.058	0.292	-0.032	0.257
$\beta_{CMA}$	-1.873***	0.572	-1.715***	0.572	-1.531***	0.399	-1.398***	0.387	-1.331***	0.405	-1.170***	0.391
Adjusted R <sup>2</sup>	0.128		0.107		0.153		0.130		0.120		0.087	
No. of obs.	77		77		77		77		77		77	

**Table 13. Long-run portfolio performance (portfolio sorting with the conditioning variable available at deal announcement)**

This table re-estimates the portfolios regressions in Tables 6 and 8, but with a portfolio sorting cut-off point free from any look ahead bias. More specifically, an acquirer is classified as high-satisfaction acquirer when its average satisfaction score in the 12-month window prior to the deal announcement is above the preceding quarter's median satisfaction score of all S&P 500 firms, with each firm's satisfaction score for a given quarter averaged over the previous two-year window. Monthly regressions are performed against Fama and French (2015) five-factor model involving *MKT*, *SMB*, *HML*, *RMW*, and *CMA* factors. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
Zero-cost portfolios on high-low satisfaction score subsamples based on current employee reviews												
1. Value-weighted portfolios												
$\alpha$	0.111	0.371	0.583*	0.327	0.319	0.263	0.610**	0.268	0.315	0.246	0.579**	0.253
$\beta_{MKT}$	0.104	0.107	0.008	0.099	0.103	0.102	0.082	0.094	0.143	0.094	0.109	0.086
$\beta_{SMB}$	-0.159	0.203	-0.147	0.183	-0.189	0.181	-0.198	0.168	-0.137	0.183	-0.176	0.171
$\beta_{HML}$	-0.077	0.368	-0.063	0.315	-0.200	0.260	-0.162	0.231	-0.061	0.202	-0.011	0.192
$\beta_{RMW}$	-0.079	0.478	-0.203	0.407	-0.190	0.437	-0.382	0.383	0.041	0.346	-0.205	0.325
$\beta_{CMA}$	-0.456	0.356	-0.129	0.324	-0.360	0.225	-0.303	0.221	-0.419*	0.236	-0.380	0.228
Adjusted R <sup>2</sup>	-0.022		-0.054		0.028		0.027		0.020		0.006	
2. Equal-weighted portfolios												
$\alpha$	0.402	0.299	0.281	0.315	0.480**	0.213	0.257	0.240	0.404**	0.177	0.164	0.226
$\beta_{MKT}$	0.068	0.083	-0.046	0.067	0.036	0.073	-0.002	0.066	0.069	0.074	0.033	0.072
$\beta_{SMB}$	-0.148	0.158	-0.038	0.177	-0.084	0.142	-0.016	0.165	-0.054	0.140	0.003	0.163
$\beta_{HML}$	-0.103	0.243	-0.390	0.292	-0.169	0.170	-0.394	0.243	-0.154	0.151	-0.362	0.233
$\beta_{RMW}$	-0.108	0.384	-0.024	0.318	-0.028	0.321	0.067	0.272	0.018	0.290	0.097	0.268
$\beta_{CMA}$	-0.157	0.263	0.286	0.296	0.013	0.185	0.245	0.190	-0.097	0.192	0.115	0.182
Adjusted R <sup>2</sup>	-0.038		-0.008		-0.040		0.020		-0.019		0.031	
No. of obs.	77		77		77		77		77		77	
Zero-cost portfolios on high-low satisfaction score subsamples based on current employee reviews, 5% winsorized												
3. Value-weighted portfolios												
$\alpha$	0.079	0.369	0.563*	0.306	0.267	0.267	0.585**	0.247	0.244	0.251	0.583**	0.228
$\beta_{MKT}$	0.102	0.107	-0.003	0.092	0.123	0.105	0.065	0.089	0.162*	0.094	0.088	0.077
$\beta_{SMB}$	-0.158	0.197	-0.154	0.176	-0.197	0.176	-0.197	0.150	-0.154	0.178	-0.171	0.143
$\beta_{HML}$	-0.091	0.364	-0.037	0.276	-0.193	0.262	-0.193	0.210	-0.044	0.201	-0.041	0.170
$\beta_{RMW}$	-0.068	0.477	-0.190	0.378	-0.186	0.441	-0.402	0.352	0.042	0.351	-0.220	0.289
$\beta_{CMA}$	-0.405	0.355	-0.123	0.300	-0.362	0.218	-0.267	0.201	-0.428*	0.222	-0.347*	0.207
Adjusted R <sup>2</sup>	-0.025		-0.052		0.032		0.046		0.027		0.017	
4. Equal-weighted portfolios												
$\alpha$	0.386	0.294	0.275	0.312	0.478**	0.211	0.272	0.224	0.395**	0.175	0.186	0.204
$\beta_{MKT}$	0.033	0.082	-0.043	0.062	0.012	0.071	-0.010	0.063	0.037	0.067	0.024	0.069
$\beta_{SMB}$	-0.147	0.157	-0.058	0.159	-0.081	0.141	-0.044	0.139	-0.061	0.137	-0.022	0.135
$\beta_{HML}$	-0.133	0.230	-0.388	0.283	-0.213	0.157	-0.377*	0.216	-0.192	0.133	-0.332	0.201
$\beta_{RMW}$	-0.099	0.382	-0.040	0.286	-0.019	0.320	0.016	0.239	0.025	0.290	0.042	0.233
$\beta_{CMA}$	-0.064	0.253	0.285	0.290	0.109	0.175	0.249	0.180	0.007	0.174	0.116	0.172
Adjusted R <sup>2</sup>	-0.043		-0.001		-0.036		0.025		-0.023		0.029	
No. of obs.	77		77		77		77		77		77	

**Table A.1. Variable definitions**

In this table, we provide a detailed description of how each variable we use in the main analysis is constructed.

Variable	Database Used	Definitions
Acquisition event dummy	SDC Platinum	This dummy takes value of 1 if (a) the target status is classified as a subsidiary in the SDC Platinum database and (b) the subdivision, facility, office, or other relevant sub-entity sold by the target is explicitly specified in the deal data, and 0 in all other instances.
Adjusted CSR score	KLD STATS	Adjusted corporate social responsibility scores from the KLD STATS database following the methodology of Manescu (2011) and Deng, Kang and Low (2013). For each of the seven categories comprising the KLD STATS database, we scale the number of strengths by the total number of strengths available in the category for that year. Then we do the same for weaknesses. The net difference between the scaled strength and scaled weakness is the adjusted score for the particular category, e.g., diversity. Then, the sum of these adjusted scores for the seven categories yields the total adjusted CSR score for the firm.
Adjusted KLD Employee Relations score	KLD STATS	Adjusted score for the Employee Relations category of the KLD STATS database. The explanation for the Adjusted CSR score describes the construction methodology for the adjusted score for each of the seven KLD STATS categories.
Book-to-market	Compustat / CRSP	The book value of equity over market value of equity. The book value of equity is defined as total stockholder equity ( <i>SEQ</i> ) minus (1) the liquidating value of preferred stock ( <i>PSTKL</i> ), or if unavailable, (2) the redemption value of preferred stock ( <i>PSTKRV</i> ), or if neither is available, (3) the total value of preferred stock ( <i>PSTK</i> ). The market value of equity is defined as fiscal year price close ( <i>PRCC_F</i> ) multiplied by the common shares outstanding ( <i>CSHO</i> ).
Cash only dummy	KLD STATS	This dummy takes value of 1 if the consideration offered part of the SDC database indicates that the deal is financed purely by cash, and 0 otherwise.
Current-all ratio	Glassdoor.com	The ratio of the number of reviews written by the employees self-identifying themselves as current employees of the acquirer to the number of all employee reviews for the acquirer in the 12-month period prior to the M&A announcement.
Diversification dummy	KLD STATS	This dummy takes value of 1 if the acquirer and the target have different first two digits of the SIC code, and 0 otherwise.
Employee satisfaction scores (all reviews)	Glassdoor.com	The average satisfaction score, either the overall score or one of the five sub-category scores (work-life balance, career opportunities, compensation and benefits, senior management, CEO approval), measured on a 5-point Likert scale, with the exception of the CEO Approval score that takes a value of -1, 0 or 1 which corresponds to "disapprove", "no opinion" or "approve", averaged over all reviews completed in the 12-month time-frame prior to the M&A announcement. If there are fewer than 5 reviews over this 12-month time frame, the average satisfaction score is not used.
Employee satisfaction scores (current employee reviews only)	Glassdoor.com	The average satisfaction score constructed in the identical manner to the average scores for all reviews, but only averaged over the reviews where the employees self-identify as current employees of the firm. If there are fewer than 5 reviews over this 12-month time frame, the average satisfaction score is not used.
Firm size	Compustat	Log of the book value of total assets ( <i>AT</i> ).
Fortune BC list inclusion dummy	Fortune magazine	This dummy takes value of 1 if the acquirer is listed in the Fortune magazine's latest edition of the "100 Best Companies to Work For in America" at the date of M&A announcement.
Free cash flow	Compustat	Operating income before depreciation ( <i>OIBDP</i> ) – interest expenses ( <i>XINT</i> ) – income taxes ( <i>TXT</i> ) – capital expenditures ( <i>CAPX</i> ), scaled by the book value of total assets ( <i>AT</i> ).

G-Index	RiskMetrics	Governance index of Gompers, Ishii and Metrick (2003). As this index has been discontinued since 2009, we assign the latest available value of the G-Index for each acquirer that has been covered at least once.
Herfindahl Index	Compustat	Arithmetic sum of the squared market shares of all Compustat firms with the same first two digits of the SIC code, scaled by one hundred.
High tech dummy	SDC Platinum	This dummy takes value of 1 if both the acquirer and the target operate in the high tech industry according to the definition provided in the Appendix of Loughran and Ritter (2004), and 0 otherwise.
Industry M&A	SDC Platinum / Compustat	The sum of all merger and acquisition event transactions exceeding \$1 million reported in the SDC database for each industry-year observation, with the industry defined as the first two digits of the SIC code, divided by the sum of book value of total assets ( <i>AT</i> ) of all firms in the Compustat database for that industry-year.
International dummy	SDC Platinum	This dummy takes value of 1 if the acquirer and the target are from different countries, and 0 otherwise.
Investment ratio	Compustat	The ratio of capital expenditure ( <i>CAPX</i> ) to the total net property, plant and equipment ( <i>PPENT</i> ). For missing values of <i>CAPX</i> , we replace it with 0.
Leverage (book)	Compustat	The sum of debt in current liabilities ( <i>DLC</i> ) and long-term debt ( <i>DLTT</i> ), divided by the book value of total assets ( <i>AT</i> ).
Leverage (market)	Compustat / CRSP	The sum of debt in current liabilities ( <i>DLC</i> ) and long-term debt ( <i>DLTT</i> ), divided by the market value of total assets. The market value of total assets is defined as the book value of total assets ( <i>AT</i> ) minus the book value of equity plus the market value of equity minus deferred taxes and investment credits ( <i>TXDITC</i> ) if available. For the definition of the book value of equity and the market value of equity, refer to the definition of the book-to-market variable.
Previous market-adjusted return	CRSP	The acquirer's buy-and-hold abnormal return (BHAR) calculated using the market model, with the estimation window beginning 200 trading days prior to the M&A announcement and ending 11 trading days beforehand.
Public target dummy	SDC Platinum / CRSP	This dummy takes value of 1 if (a) the target status is classified as a public target in the SDC database, (b) and the target CUSIP reported in the SDC database has a matching entry in the CRSP database for the case of U.S. domestic targets. For international targets, only the screen (a) is applied.
R&D ratio	Compustat	Ratio of total research and development expenses ( <i>XRD</i> ) to the book value of total assets ( <i>AT</i> ). For missing observations, we replace <i>XRD</i> with 0.
Relative deal size	SDC Platinum / CRSP	Deal value reported in SDC Platinum database divided by the market value of acquirer's equity ( <i>PRCC_F*CSHO</i> ) calculated at the end of the month preceding the M&A announcement.
Stock deal dummy	SDC Platinum	This dummy takes value of 1 if the consideration offered by the SDC database indicates a part of the deal was financed by stock, and 0 otherwise.
Tender offer dummy	SDC Platinum	This dummy takes value of 1 if the acquirer has made a tender offer, and 0 otherwise.
Tobin's Q	Compustat / CRSP	The market value of total assets divided by the book value of total assets ( <i>AT</i> ). For the definition of the market value of total assets, refer to the definition of market leverage.

## Online appendix for “The power of silent voices: Employee satisfaction and acquirer stock performance”

**Table OA.1. BC list portfolio analysis (5% winsorization)**

In this table, we re-estimate the calendar-time portfolio analysis in Table 2 with portfolio returns winsorized at the 5% level. The BC list portfolio is rebalanced each year on February 1, taking into account of the Fortune magazine’s latest announcement of BC list, then all firms remain in the portfolio until January 31 of the following year. Excess returns are calculated either over (i) risk-free rate or (ii) industry-matched portfolio using the Fama-French 49 industry classification. For value-weighted portfolios, value-weighted industry returns are used, while equal-weighted industry returns are used as benchmark for equal-weighted portfolios. Monthly regressions use either (i) Fama-French (2015) five-factor model involving *MKT*, *SMB*, *HML*, *RMW*, and *CMA* factors, or (ii) Carhart (1997) four-factor model that replaces *RMW* and *CMA* factors with the *UMD* factor. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. All returns are in percent. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

### Panel A. Fama-French five-factor model

	All public firms								S&P 500 subsample							
	Excess return over risk free rate				Excess return over industry benchmark				Excess return over risk free rate				Excess return over industry benchmark			
	Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted	
	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.
$\alpha$	0.031	0.103	-0.191	0.222	-0.090	0.144	-0.216	0.155	0.020	0.127	-0.184	0.242	-0.065	0.190	-0.191	0.169
$\beta_{MKT}$	1.021***	0.040	1.141***	0.072	0.113***	0.029	0.082**	0.040	1.101***	0.050	1.162***	0.073	0.195***	0.046	0.095**	0.041
$\beta_{SMB}$	0.155**	0.072	-0.218**	0.084	-0.447***	0.055	-0.202***	0.046	0.018	0.067	-0.264***	0.083	-0.615***	0.068	-0.251***	0.047
$\beta_{HML}$	0.131	0.088	0.194*	0.115	-0.123	0.078	0.200**	0.078	0.207*	0.112	0.221*	0.118	-0.048	0.098	0.221***	0.079
$\beta_{RMW}$	0.185*	0.102	0.236	0.212	0.330***	0.090	0.173	0.135	0.227*	0.121	0.224	0.217	0.322***	0.087	0.154	0.136
$\beta_{CMA}$	-0.282***	0.098	-0.596***	0.216	-0.108	0.109	-0.309**	0.144	-0.425***	0.147	-0.657***	0.224	-0.293**	0.143	-0.345**	0.149
Adj. R <sup>2</sup>	0.932		0.844		0.596		0.162		0.912		0.836		0.578		0.200	
Obs.	77		77		77		77		77		77		77		77	

### Panel B. Carhart four-factor model

	All public firms								S&P 500 subsample							
	Excess return over risk free rate				Excess return over industry benchmark				Excess return over risk free rate				Excess return over industry benchmark			
	Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted		Equal-Weighted		Value-Weighted	
	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.	Coeff.	St. Err.
$\alpha$	0.046	0.120	-0.188	0.233	-0.045	0.149	-0.203	0.159	0.064	0.150	-0.189	0.254	-0.016	0.201	-0.186	0.169
$\beta_{MKT}$	0.998***	0.035	1.104***	0.066	0.090***	0.031	0.059	0.038	1.065***	0.043	1.124***	0.067	0.162***	0.045	0.073*	0.039
$\beta_{SMB}$	0.121*	0.061	-0.250***	0.069	-0.530***	0.048	-0.231***	0.045	-0.005	0.053	-0.291***	0.070	-0.679***	0.070	-0.274***	0.047
$\beta_{HML}$	-0.039	0.045	-0.145	0.088	-0.210***	0.068	0.016	0.058	-0.078	0.053	-0.145	0.096	-0.251***	0.078	0.023	0.063
$\beta_{UMD}$	-0.026	0.055	-0.063	0.083	0.026	0.051	-0.032	0.043	-0.107*	0.061	-0.068	0.087	-0.036	0.054	-0.035	0.047
Adj. R <sup>2</sup>	0.927		0.830		0.539		0.114		0.907		0.821		0.538		0.154	
Obs.	77		77		77		77		77		77		77		77	

**Table OA.2. Regression results for CAR(-5, 5) and CAR(-2, 2) windows**

This table reports results from re-estimating the OLS and 2SLS regressions in Table 4 but using (-5, 5) and (-2, 2) days around the announcement dates as alternative windows. The same set of firm-level and deal-level controls are used as in Table 4, whose estimates we omit from reporting in the table for the brevity of exposition. The first two digits of the acquirer's SIC code are used to control for the industry fixed effect. Year dummies are included in all regressions. For the case of 2SLS regressions, the ratio of current employee reviews to all reviews (current-all ratio) is used for the analysis. Standard errors are robust to heteroscedasticity and clustered at the acquirer level. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

Panel A. CAR(-5, 5) window

Variable	CAR(-5, 5)					
	OLS: All employees			OLS: Current employees only		
	(1)	(2)	(3)	(1)	(2)	(3)
Overall satisfaction	-0.163 (1.118)	-0.207 (1.103)		-0.190 (0.856)	-0.229 (0.829)	
Adjusted KLD Employee Relations score						
Fortune BC List dummy						
<i>Sub-categories</i>						
Work-life balance			1.380 (1.377)			2.294** (1.106)
Career and opportunities			0.448 (2.014)			-0.958 (1.664)
Comp. and benefits			0.092 (1.399)			1.431 (1.438)
Senior management			-4.047* (2.212)			-4.494** (1.863)
CEO approval			3.322 (2.110)			3.740* (2.026)
<i>Firm-level variables</i>						
Adjusted CSR		-0.237 (0.348)	-0.275 (0.358)		-0.233 (0.355)	-0.426 (0.361)
Industry fixed effects	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Sample size	284	281	281	267	264	264
Adjusted R <sup>2</sup>	0.080	0.110	0.116	0.121	0.172	0.202

Panel B. CAR(-2, 2) window

Variable	CAR(-2, 2)					
	OLS: All employees			OLS: Current employees only		
	(1)	(2)	(3)	(1)	(2)	(3)
Overall satisfaction	0.178 (0.881)	0.027 (0.870)		0.150 (0.660)	-0.035 (0.626)	
Adjusted KLD Employee Relations score						
Fortune BC List dummy						
<i>Sub-categories</i>						
Work-life balance			1.327 (0.905)			1.398* (0.812)
Career and opportunities			0.368 (1.666)			-0.637 (1.289)
Comp. and benefits			-0.312 (1.088)			0.310 (1.101)
Senior management			-2.600 (1.834)			-2.099 (1.477)
CEO approval			1.759 (1.600)			1.921 (1.466)
<i>Firm-level variables</i>						
Adjusted CSR		0.108 (0.293)	0.088 (0.304)		0.005 (0.292)	-0.086 (0.307)
Industry fixed effects	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D	SIC2D
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Sample size	284	281	281	267	264	264
Adjusted R <sup>2</sup>	0.145	0.186	0.187	0.199	0.262	0.268

**Table OA.3. Post-merger operating performance (sorted on the acquirers' pre-merger employee satisfaction)**

This table presents the operating performance regression result for the 26 merger deals on which we have the information on relevant financial variables for both the acquirers and targets, following the methodology of Healy, Palepu and Ruback (1992). These 26 deals with public targets are sorted into two equal-sized subsamples based on the average satisfaction score of the acquirer's current employees during the 12-month period prior to the merger announcement. The dependent variable is the difference between the post-merger pre-tax operating cash flow of the merged entity (Compustat item *OIBDP*), scaled by the market value of the merged entity, and that of the matched non-acquirer. For the definition of the market value of the merged entity's total assets, see Table A.1. The explanatory variable is the difference between the combined pre-merger pre-tax operating cash flow of the target and the acquirer, scaled by the combined market value of the total assets of the target and the acquirer, minus that of the matched non-acquirer. Pre- and post-merger periods are defined as two years before and after the announcement year. We match each acquirer with a non-acquirer using the propensity score matching with nearest neighbor algorithm (without caliper length restrictions) for each announcement year, with the following variables used for the purpose of matching: average employee satisfaction score of the current employees, book-to-market, book leverage, firm size, and the first two digits of the SIC code. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. Standard errors are in parentheses. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	Dependent variable = Difference in post-merger operating performance between the merged entity and the matched non-acquirer	
Explanatory variables	High-satisfaction subsample ( $N = 13$ )	Low-satisfaction subsample ( $N = 13$ )
Intercept	0.011* (0.006)	0.006 (0.004)
Difference between the combined pre-merger operating performance of the target and the acquirer and the matched non-acquirer	0.319 (0.250)	0.822*** (0.132)
Adjusted $R^2$	0.121	0.860

**Table OA.4. Long-run portfolio performance (Carhart four-factor model)**

This table re-estimates our results in Tables 6 and 8 using Carhart's (1997) four-factor model instead of the Fama-French (2015) five-factor model. Excess returns are calculated either over (i) risk-free rate or (ii) industry-matched portfolio using Fama-French 49 industry classification. For value-weighted portfolios, value-weighted industry returns are used, while equal-weighted industry returns are used as benchmarks for equal-weighted portfolios. Monthly regressions are performed against Carhart (1997) four-factor model involving *MKT*, *SMB*, *HML*, and *UMD* factors while excluding the Fama-French *RMW* and *CMA* factors. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
Zero-cost portfolios on high-low satisfaction score subsamples based on current employee reviews												
1. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.411	0.391	0.138	0.341	0.515**	0.221	0.369**	0.184	0.419**	0.189	0.295*	0.151
$\beta_{MKT}$	0.014	0.107	-0.003	0.079	0.033	0.067	-0.006	0.061	0.047	0.054	0.032	0.047
$\beta_{SMB}$	-0.060	0.201	0.043	0.183	-0.120	0.139	-0.055	0.147	-0.125	0.133	-0.103	0.136
$\beta_{HML}$	-0.272	0.273	-0.361*	0.212	-0.259*	0.146	-0.384***	0.129	-0.174	0.134	-0.271**	0.116
$\beta_{UMD}$	-0.103	0.084	-0.019	0.077	-0.064	0.072	-0.028	0.067	0.029	0.049	0.031	0.047
Adjusted R <sup>2</sup>	-0.024		0.021		0.030		0.118		0.029		0.102	
2. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.292	0.274	0.277	0.241	0.402**	0.177	0.301*	0.167	0.340*	0.171	0.260	0.172
$\beta_{MKT}$	0.074	0.091	0.002	0.092	0.078	0.067	0.018	0.059	0.093	0.068	0.028	0.068
$\beta_{SMB}$	-0.101	0.159	-0.092	0.138	-0.116	0.114	-0.109	0.095	-0.128	0.104	-0.127	0.085
$\beta_{HML}$	-0.094	0.204	-0.065	0.154	-0.156	0.132	-0.158	0.104	-0.132	0.120	-0.112	0.101
$\beta_{UMD}$	-0.047	0.076	-0.008	0.086	-0.131*	0.070	-0.114*	0.067	-0.068	0.066	-0.048	0.070
Adjusted R <sup>2</sup>	-0.038		-0.044		0.025		0.027		0.015		0.004	
Zero-cost portfolios on high-low satisfaction score subsamples based on current employee reviews, 5% winsorized												
3. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.377	0.392	0.180	0.318	0.501**	0.215	0.374**	0.180	0.376*	0.193	0.299**	0.148
$\beta_{MKT}$	0.037	0.099	-0.004	0.077	0.063	0.066	-0.005	0.060	0.081	0.057	0.034	0.045
$\beta_{SMB}$	-0.039	0.197	0.028	0.178	-0.111	0.138	-0.056	0.142	-0.127	0.132	-0.093	0.122
$\beta_{HML}$	-0.278	0.273	-0.323*	0.185	-0.286**	0.143	-0.376***	0.127	-0.187	0.134	-0.264**	0.113
$\beta_{UMD}$	-0.099	0.084	-0.023	0.076	-0.077	0.068	-0.024	0.064	0.025	0.049	0.029	0.044
Adjusted R <sup>2</sup>	-0.023		0.012		0.045		0.120		0.042		0.102	
4. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.271	0.274	0.244	0.232	0.409**	0.178	0.286*	0.163	0.333*	0.172	0.246	0.168
$\beta_{MKT}$	0.073	0.085	0.020	0.076	0.058	0.056	0.020	0.058	0.073	0.053	0.034	0.066
$\beta_{SMB}$	-0.097	0.155	-0.087	0.123	-0.113	0.107	-0.112	0.089	-0.135	0.096	-0.134*	0.079
$\beta_{HML}$	-0.094	0.197	-0.118	0.141	-0.161	0.114	-0.157	0.100	-0.127	0.100	-0.106	0.099
$\beta_{UMD}$	-0.043	0.076	-0.019	0.088	-0.129*	0.066	-0.119*	0.067	-0.063	0.063	-0.051	0.071
Adjusted R <sup>2</sup>	-0.038		-0.036		0.028		0.032		0.017		0.010	
No. of obs.	77		77		77		77		77		77	

**Table OA.5. Long-run portfolio performance (by industrial sector)**

This table re-estimates the portfolios regressions in Table 6, but with high- and low-satisfaction portfolios created according to the acquirer's broad industrial sector. We consider three sectors: (i) agriculture, mining and manufacturing, which corresponds to SIC codes between 1000-3999, (ii) transport, telecommunications, utilities, retail and wholesale trade, and financials, with the SIC codes between 4000-6999, and (iii) services, with the SIC codes 7000-8999. Sample median of the current employees' average overall satisfaction score in the 12-month window prior to the announcement for each industrial sector is the high-low cut-off point for each case. Excess returns are calculated either over (i) risk-free rate or (ii) industry-matched portfolio using Fama-French 49 industry classification. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. All returns are in percent. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 Industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
Agriculture, mining and manufacturing (SIC 10-39)												
1. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.909*	0.494	0.370	0.329	0.461*	0.239	0.365*	0.201	0.576***	0.189	0.449***	0.159
$\beta_{MKT}$	0.040	0.114	0.067	0.158	-0.008	0.067	-0.072	0.058	-0.040	0.052	-0.069**	0.029
$\beta_{SMB}$	0.195	0.279	0.131	0.235	0.060	0.182	-0.002	0.166	0.065	0.166	0.042	0.146
$\beta_{HML}$	-0.082	0.268	-0.233	0.249	-0.216	0.211	-0.319**	0.140	-0.105	0.178	-0.150	0.134
$\beta_{RMW}$	-0.298	0.439	-0.748**	0.314	-0.269	0.236	-0.448**	0.181	-0.402**	0.185	-0.197	0.157
$\beta_{CMA}$	-0.141	0.434	-0.261	0.435	0.353	0.268	0.173	0.231	0.015	0.231	0.049	0.174
Adjusted R <sup>2</sup>	-0.024		0.086		-0.012		0.057		0.038		0.002	
2. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	1.141*	0.590	1.095**	0.539	0.472	0.352	0.426	0.297	0.504*	0.279	0.436*	0.227
$\beta_{MKT}$	0.032	0.159	-0.150	0.150	-0.027	0.120	-0.144	0.087	-0.047	0.107	-0.142*	0.083
$\beta_{SMB}$	-0.091	0.283	-0.014	0.250	-0.162	0.180	-0.113	0.198	-0.076	0.161	-0.046	0.154
$\beta_{HML}$	-0.006	0.352	-0.234	0.316	-0.201	0.259	-0.456**	0.216	-0.171	0.198	-0.293	0.180
$\beta_{RMW}$	-0.492	0.502	-0.637*	0.380	-0.368	0.379	-0.242	0.268	-0.196	0.266	-0.048	0.239
$\beta_{CMA}$	-0.052	0.564	0.108	0.523	0.143	0.458	0.525	0.360	0.015	0.373	0.282	0.297
Adjusted R <sup>2</sup>	-0.050		-0.026		-0.043		0.019		-0.044		0.027	
No. of obs.	77		77		77		77		77		77	
Transport, telecommunications, retail and wholesale trade, and financial (SIC 40-69)												
3. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.330	0.637	0.540	0.497	0.028	0.407	0.276	0.360	0.123	0.393	0.307	0.353
$\beta_{MKT}$	0.100	0.202	-0.064	0.163	0.186	0.174	0.050	0.156	0.254	0.154	0.172	0.131
$\beta_{SMB}$	-0.221	0.265	-0.140	0.302	-0.036	0.238	-0.147	0.292	-0.021	0.240	-0.164	0.286
$\beta_{HML}$	-0.068	0.456	-0.372	0.350	-0.268	0.306	-0.468*	0.271	-0.032	0.254	-0.164	0.232
$\beta_{RMW}$	0.699	0.702	0.367	0.498	0.615	0.640	0.108	0.509	0.853	0.578	0.401	0.433
$\beta_{CMA}$	0.167	0.469	0.671*	0.383	-0.260	0.439	0.174	0.387	-0.391	0.396	-0.013	0.377
Adjusted R <sup>2</sup>	-0.004		0.002		0.033		0.001		0.068		0.010	
4. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	-0.241	0.555	-0.659	0.558	-0.004	0.349	-0.461	0.318	0.021	0.340	-0.434	0.313
$\beta_{MKT}$	0.135	0.156	0.165	0.126	0.183	0.157	0.161	0.120	0.239	0.148	0.226**	0.108
$\beta_{SMB}$	0.003	0.262	0.097	0.286	0.005	0.213	0.019	0.269	0.034	0.210	0.043	0.266
$\beta_{HML}$	0.031	0.350	-0.648*	0.380	-0.106	0.225	-0.554*	0.314	-0.061	0.183	-0.483	0.302
$\beta_{RMW}$	0.820	0.571	0.511	0.471	0.676	0.534	0.300	0.428	0.677	0.499	0.349	0.385
$\beta_{CMA}$	0.152	0.421	0.690	0.485	-0.181	0.346	0.180	0.374	-0.309	0.328	0.067	0.369
Adjusted R <sup>2</sup>	0.001		0.040		0.026		0.053		0.059		0.092	
No. of obs.	77		77		77		77		77		77	

Services (SIC 70-89)

5. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted

$\alpha$	0.482	0.630	0.490	0.605	1.013	0.631	0.828	0.587	0.990	0.627	0.925	0.586
$\beta_{MKT}$	0.074	0.163	-0.004	0.197	0.047	0.190	0.048	0.196	0.041	0.184	0.106	0.183
$\beta_{SMB}$	-0.446*	0.252	-0.166	0.225	-0.343	0.255	-0.244	0.249	-0.226	0.237	-0.282	0.234
$\beta_{HML}$	0.183	0.476	0.127	0.400	0.309	0.529	0.124	0.501	0.261	0.510	0.124	0.490
$\beta_{RMW}$	0.697	0.731	0.500	0.709	0.702	0.699	0.417	0.715	0.785	0.678	0.499	0.684
$\beta_{CMA}$	-0.725	0.597	-0.392	0.578	-1.087	0.872	-0.820	0.885	-1.025	0.843	-0.857	0.864
Adjusted R <sup>2</sup>	0.029		-0.035		0.020		-0.022		0.018		-0.009	

6. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted

$\alpha$	0.460	0.583	0.614	0.529	1.044*	0.593	1.044*	0.570	0.847*	0.495	0.836	0.506
$\beta_{MKT}$	0.353***	0.132	0.324**	0.133	0.240**	0.118	0.236*	0.134	0.275**	0.113	0.278**	0.131
$\beta_{SMB}$	-0.537*	0.290	-0.367	0.245	-0.426*	0.234	-0.318	0.233	-0.378*	0.200	-0.329	0.205
$\beta_{HML}$	0.097	0.460	0.402	0.369	0.269	0.433	0.571	0.357	0.239	0.395	0.455	0.357
$\beta_{RMW}$	0.438	0.504	0.304	0.443	-0.025	0.476	-0.052	0.423	0.083	0.444	0.043	0.400
$\beta_{CMA}$	-0.908**	0.447	-1.028**	0.449	-1.108***	0.410	-1.203***	0.396	-0.877**	0.382	-0.869**	0.385
Adjusted R <sup>2</sup>	0.077		0.031		0.050		0.034		0.044		0.031	

No. of obs.	76		76		76		76		76		76	
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**Table OA.6. Long-run portfolio performance (high tech vs. non-high tech deals)**

This table re-estimates the portfolios regressions in Table 6, this time separately considering the high tech and non-high tech deals. The definition of high tech deals follows Loughran and Ritter (2004), and for more detail, refer to Table A.1. Sample median values of the current employees' average overall satisfaction scores during the 12-month period before the announcement for the high tech and non-high tech deals are used as the respective high-low satisfaction cut-off points. Excess returns are calculated over (i) risk-free rate or (ii) industry-matched portfolio using Fama-French 49 industry classification. We use Newey-West (1987) heteroscedasticity- and autocorrelation-robust standard errors. All returns are in percent. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

	12-month holding period excess return over				24-month holding period excess return over				36-month holding period excess return over			
	Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 industry portfolios		Risk-free rate		FF 49 Industry portfolios	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
High tech industry												
1. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	-0.002	0.629	-0.030	0.496	0.563	0.466	0.378	0.400	0.435	0.439	0.222	0.384
$\beta_{MKT}$	0.111	0.160	0.056	0.151	0.101	0.137	0.123	0.133	0.097	0.134	0.128	0.131
$\beta_{SMB}$	0.082	0.238	0.291	0.243	-0.011	0.222	0.125	0.231	-0.030	0.217	0.098	0.221
$\beta_{HML}$	-0.076	0.569	-0.211	0.452	-0.260	0.419	-0.308	0.353	-0.216	0.394	-0.243	0.351
$\beta_{RMW}$	0.363	0.665	0.348	0.530	0.499	0.563	0.470	0.477	0.569	0.539	0.537	0.466
$\beta_{CMA}$	-0.718	0.871	-0.109	0.739	-0.408	0.711	0.046	0.687	-0.423	0.704	-0.004	0.682
Adjusted R <sup>2</sup>	-0.025		-0.037		-0.002		-0.026		0.008		-0.021	
2. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.204	0.662	0.306	0.618	0.032	0.485	0.278	0.446	0.047	0.410	0.274	0.372
$\beta_{MKT}$	0.212	0.162	0.145	0.156	0.227*	0.123	0.147	0.114	0.198*	0.117	0.134	0.105
$\beta_{SMB}$	-0.186	0.230	-0.022	0.211	-0.298	0.195	-0.262	0.217	-0.344*	0.173	-0.292	0.202
$\beta_{HML}$	-0.035	0.504	0.089	0.404	-0.157	0.388	0.052	0.317	-0.118	0.314	0.077	0.263
$\beta_{RMW}$	-0.014	0.600	-0.127	0.518	-0.187	0.488	-0.175	0.483	-0.128	0.451	-0.133	0.431
$\beta_{CMA}$	-0.758	0.636	-0.665	0.607	-0.800*	0.405	-0.598	0.372	-0.753*	0.396	-0.587	0.365
Adjusted R <sup>2</sup>	-0.013		-0.033		0.050		-0.015		0.055		-0.007	
No. of obs.	77		77		77		77		77		77	
Non-high tech industry												
3. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, value weighted												
$\alpha$	0.304	0.266	-0.096	0.356	0.503**	0.217	0.043	0.297	0.409**	0.205	-0.033	0.289
$\beta_{MKT}$	0.141	0.091	0.124	0.083	0.116	0.104	0.094	0.081	0.166*	0.095	0.133	0.083
$\beta_{SMB}$	-0.010	0.224	-0.031	0.213	0.009	0.211	-0.038	0.202	0.026	0.208	-0.030	0.200
$\beta_{HML}$	-0.118	0.235	-0.440	0.340	-0.160	0.202	-0.463	0.321	-0.114	0.174	-0.407	0.315
$\beta_{RMW}$	0.640*	0.349	0.634**	0.286	0.368	0.384	0.319	0.271	0.409	0.330	0.363	0.233
$\beta_{CMA}$	0.204	0.294	0.655**	0.302	0.053	0.277	0.401	0.251	-0.074	0.251	0.329	0.243
Adjusted R <sup>2</sup>	0.045		0.105		-0.003		0.065		0.036		0.083	
4. Zero-cost portfolio on high-low satisfaction score subsamples based on current employee reviews, equal weighted												
$\alpha$	0.399	0.395	0.315	0.313	0.384	0.308	0.557**	0.259	0.361	0.268	0.511**	0.212
$\beta_{MKT}$	0.094	0.120	0.091	0.109	0.113	0.132	0.011	0.100	0.153	0.122	0.081	0.091
$\beta_{SMB}$	-0.014	0.220	0.000	0.210	-0.012	0.215	-0.077	0.199	0.021	0.212	-0.063	0.192
$\beta_{HML}$	-0.198	0.323	0.007	0.258	-0.363	0.219	-0.230	0.177	-0.184	0.172	-0.015	0.151
$\beta_{RMW}$	0.562	0.524	0.375	0.283	0.320	0.468	-0.035	0.279	0.338	0.431	0.133	0.228
$\beta_{CMA}$	0.208	0.352	0.169	0.349	0.099	0.296	0.167	0.240	-0.189	0.194	-0.040	0.208
Adjusted R <sup>2</sup>	0.013		-0.025		0.037		-0.039		0.045		-0.040	
No. of obs.	77		77		77		77		77		77	

### Table OA.7. Event-time buy-and-hold abnormal return (BHAR) approach

This table presents the results of the event-time BHAR analysis. For each deal, we purchase the acquirer at the end of the announcement month and hold for a specified period of 12, 24, or 36 months. We calculate the unadjusted geometrically compounded return over the holding period. We then subtract the unadjusted geometrically compounded return of the benchmark reference portfolio return over the same period, which yields the BHAR. For each deal, we identify the benchmark portfolio by assigning the acquirer to one of the 32 Fama-French sorting portfolios based on size, book-to-market and investment (2 x 4 x 4). As this sorting portfolio is rebalanced each June, the announcement date is used as the point of reference for portfolio assignment purposes. We use the equal-weighted return of the Fama-French 32 portfolios as the benchmark. If the latest stock price information is not available to calculate the holding-period return, or if a sample has failed to reach the end of the holding period, it is discarded. Then, once the BHAR of each observation is calculated, we group the observations into two equal-sized subsamples based on the acquirer's average satisfaction score in the 12-month window prior to the M&A announcement either using (i) all reviews or (ii) current employee reviews only. Untabulated analysis indicates that sorting by *ex ante* conditioning variable results in marginally weaker but no major qualitative changes to the results. All returns are in percent. For one-sample tests, both the conventional *t*-statistic and bootstrapped skewness-adjusted *t*-statistic of Johnson (1978) are reported, with the critical values for the bootstrapped *t*-statistic empirically determined from the bootstrapped resamples. When examining the differences in BHARs between the satisfaction-based subsamples, both the conventional *t*-test and Wilcoxon-Mann-Whitney test on the difference-in-median are performed and reported. \*\*\* denotes significance at the 1% level, \*\* at the 5% level, and \* at the 10% level, respectively.

#### Panel A. BHAR estimates

		Sorted on All Employee Reviews			Sorted on Current Employee Reviews Only		
		All	High	Low	All	High	Low
12-month BHAR	Estimate	-1.785	-3.087	-0.482	-2.513	-2.115	-2.912
	<i>t</i> -statistic	-1.174	-1.699*	-0.198	-1.628	-1.025	-1.263
	Bootstrapped skewness-adjusted <i>t</i> -statistic	-1.168	-1.687	-0.196	-1.625	-0.993	-1.287
	No. of Obs.	218	109	109	204	102	102
24-month BHAR	Estimate	-1.528	0.543	-3.625	-2.661	3.182	-8.504
	<i>t</i> -statistic	-0.522	0.152	-0.777	-0.878	0.725	-2.076**
	Bootstrapped skewness-adjusted <i>t</i> -statistic	-0.509	0.163	-0.749	-0.856	0.775	-2.100
	No. of Obs.	161	81	80	150	75	75
36-month BHAR	Estimate	-1.535	7.169	-10.371	-3.372	9.297	-16.463
	<i>t</i> -statistic	-0.343	1.080	-1.772*	-0.711	1.310	-2.814***
	Bootstrapped skewness-adjusted <i>t</i> -statistic	-0.327	1.174	-1.772	-0.683	1.429	-2.812*
	No. of Obs.	133	67	66	122	62	60

#### Panel B. Differences-in-mean and differences-in-median tests for high- and low-satisfaction subsamples

		Sorted on All Employee Reviews		Sorted on Current Employee Reviews Only	
		Mean	Median	Mean	Median
		<i>t</i> -test	Wilcoxon-Mann-Whitney test	<i>t</i> -test	Wilcoxon-Mann-Whitney test
12-month BHAR	High-Low Difference	-2.605	-1.776	0.796	-0.937
	Test Statistic ( <i>t</i> -statistic or <i>z</i> -score)	-0.856	-0.878	0.257	-0.191
24-month BHAR	High-Low Difference	4.168	12.193	11.686*	13.756
	Test Statistic ( <i>t</i> -statistic or <i>z</i> -score)	0.710	0.813	1.947	1.530
36-month BHAR	High-Low Difference	17.540*	19.002*	25.760***	27.869***
	Test Statistic ( <i>t</i> -statistic or <i>z</i> -score)	1.980	1.832	2.791	2.712

**Table OA.8. BHAR regressions on deal characteristics and satisfaction scores**

This table reports the results from OLS regressions of 36-month BHAR on employee satisfaction scores and other deal-level control variables. As BHARs are constructed over the 32 equal-weighted Fama-French sorting portfolio on size, book-to-market, and investment ( $2 \times 4 \times 4$ ), we confirm in an untabulated analysis that acquirer-level characteristics turn out to be jointly insignificant in all regression specifications. For a detailed explanation about how each control variable is constructed, please refer to Table A.1. in the main paper. The first digit of the acquirer's SIC code is used to control for the sectoral fixed effect. Year dummies are included in all regressions. Standard errors are robust to heteroscedasticity and acquirer-clustered, and all variables are winsorized at 5% level. Standard errors are reported in parentheses. \*\*\*denotes significance at the 1% level, \*\* at the 5% level, \* at the 10% level respectively.

Variable	OLS: Satisfaction scores from current employee reviews only					
	(1)	(2)	(3)	(4)	(5)	(6)
Overall satisfaction	25.734** (9.951)					
<i>Sub-categories</i>						
Work-life balance		24.277** (11.437)				
Career opportunities			24.764* (12.665)			
Comp. and benefits				28.886** (14.046)		
Senior management					16.815 (12.223)	
CEO approval						-12.444 (14.663)
<i>Deal characteristics</i>						
Relative deal size	-0.026 (0.443)	-0.172 (0.438)	-0.051 (0.446)	0.002 (0.468)	-0.010 (0.448)	-0.181 (0.448)
Industry M&A	-0.831 (0.936)	-1.195 (0.950)	-0.811 (0.981)	-0.744 (0.902)	-0.865 (1.020)	-1.564* (0.889)
High tech dummy	10.769 (8.340)	10.952 (8.301)	11.673 (8.438)	9.160 (8.404)	10.573 (8.280)	12.199 (8.577)
Diversification dummy	-10.869 (10.284)	-7.457 (10.311)	-11.878 (10.450)	-11.438 (10.453)	-11.147 (10.734)	-8.180 (10.520)
Public target dummy	-0.078 (11.617)	-3.843 (11.922)	-1.435 (11.769)	-1.693 (11.262)	-2.270 (11.693)	-6.732 (11.026)
Cash only dummy	-21.719** (10.433)	-20.307** (10.171)	-21.636** (10.655)	-20.160** (10.138)	-22.023** (10.974)	-18.432* (10.988)
Stock deal dummy	-7.989 (16.683)	1.357 (15.988)	-5.953 (16.685)	-4.882 (16.816)	-7.115 (17.174)	6.412 (16.709)
Tender offer dummy	4.576 (20.137)	7.505 (20.334)	5.910 (20.590)	0.107 (20.196)	8.291 (20.301)	10.610 (19.025)
Acquisition event dummy	4.433 (13.126)	4.498 (12.350)	4.643 (13.289)	4.232 (13.803)	5.764 (13.433)	11.077 (12.185)
International dummy	8.281 (8.838)	9.133 (9.014)	8.668 (8.928)	8.994 (8.777)	9.247 (8.888)	10.210 (9.031)
Constant	-96.353** (36.789)	-101.78** (45.317)	-87.428* (45.204)	-114.97** (51.798)	-59.738 (42.357)	-5.153 (20.064)
Sectoral fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Sample size	122	122	122	122	122	122
Adjusted R <sup>2</sup>	0.235	0.218	0.219	0.229	0.205	0.193