

"Do Acquisitions Affect R&D Intensity?"

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Overview (i)

- ▶ Examine the effect of acquisitions on the acquirer's R&D intensity
- ▶ Method: DID estimator
 - ▶ Treatment (completed acquisitions); Control (not completed for reasons that are not related to R&D policies).
- ▶ Main results:
 - Overall, no effects (surprising!!)
 - Identified determinants: the size of acquirer, industry R&D intensity



Overview (ii)

- ▶ Some effects when:
 - ▶ Intense R&D industry
 - ▶ Large bidders
 - ▶ Cross-border deals
 - ▶ Similar income countries
 - ▶ High cultural distance
- ▶ Interesting paper using special subsets of data and unique analysis approach, & I enjoy reading it very much.



Comment #1

- ▶ Paper contribution

- ▶ Effects of acquisitions on R&D intensities (e.g., Desyllas and Hughes, 2010; Szucs, 2014)
- ▶ Method: DID estimator (i.e., control groups including uncompleted acquisitions as in Seru (2014))
- ▶ Difference: Input vs output. Authors study input. Seru (2014) studies output (e.g., patents)



Comment #2

Explaining main findings:

- ▶ No effect but why?
 - ▶ Agency theory: managers take acquisitions that benefit them rather than shareholders. Such acquisitions will not increase R&D intensities.
 - ▶ In general, R&D expenses tend to be fixed (Hall, 2002). But how R&D intensities are fixed, even after acquisitions. Policies of R&D spending might change after acquiring a target.
- ▶ Results are sensitive to measures of R&D intensity.



Comment #3

- ▶ Matching control & treatment groups on more characteristics:
 - ▶ Simply match completed deals vs uncompleted deals! but...

“the news stories were often short and often did not give a clear reason why the acquisition was terminated”
 - ▶ % of failure is low and % of failure of acquiring private targets is even lower.”



Recommendations

- ▶ The authors should state clearly the contribution of the paper.
- ▶ Explain the main results, how they are different from previous results and highlight the method.
- ▶ Explain sub-hypotheses more clearly.
- ▶ Provide further evidence on the main results.
- ▶ Other minor errors:
 - ▶ Completed_{it} or Completed_i?



Thank you!

