**Tying the Acquirer’s Human Resource Management Quality to Cross-Border Acquisition Divestment Probability:  
Curvilinear Connection with Slacklining**

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**Abstract**

Cross-border acquisitions are growing in volume and global economic importance, yet a considerable number end in failure. Many of these failures may be linked to people management-related issues. We extend this stream of research by investigating the impact of the acquirer’s aggregate human resource management (HRM) quality on cross-border acquisition divestment. Our empirical analysis uses a panel database of 4,128 cross-border acquisition/year observations and an event history design. The findings confirm a curvilinear relationship and suggest that acquisition failures are not merely associated with poor HRM quality, but also with very high levels of HRM quality, that is, with both extremes. Moreover, our results show that financial slack has a significant moderating effect on the curvilinear relationship between HRM quality and the likelihood of acquisition divestment. Overall, our study reveals boundary conditions for the widely demonstrated positive relationship between HRM quality and organizational performance in an acquisition context.

**Keywords:** Acquisition divestment; cross-border acquisition; human resource management; financial slack; event history design

**Introduction**

‘*By denying scientific principles, one may maintain any paradox*’ (Galileo Galilei)

A well-known paradox is the popularity of acquisitions to grow and enhance firm value despite extensive evidence that about half of them fail (Bauer and Matzler, 2014; Shimizu, Hitt, Vaidyanath, and Pisano, 2004), meaning that the ‘*potential benefits are not realized or do not offset the costs*’ (Shimizu and Hitt, 2005, p. 51). The reasons for such disappointing results are numerous and diverse, and strategic as well as financial explanatory variables have been highlighted (Weber and Tarba, 2010). Moreover, these and other influencing factors were found at multiple levels (Haleblian, Devers, McNamara, Carpenter, and Davison, 2009). Specifically, at the deal-level, payment method constitutes a much studied example. At the acquirer-level, the same is true for size and acquisition experience and at the managerial-level, CEO characteristics, equity holdings and incentive pay. Finally, at the industry-level, failure rates have been linked to acquisition wave stages. Haleblian et al. (2009) further expose that each abovementioned example has engendered mixed results and/or findings of nonlinearity.

Simultaneously, a literature stream within this large body of scholarly work puts forth human resource management (HRM) as the ‘*most critical factor*’ (Hunt and Downing, 1990; Lin and Wei, 2006; Schuler and Jackson, 2010). More specifically, acquisitions are known to create stress, anxiety, and resistance among employees (Buono and Bowditch, 1989; Gunkel, Schlaegel, Rossteutscher, and Wolff, 2015), causing tensions as well as human and organizational challenges both in the pre- and post-acquisition phases (Gomes, Angwin, Weber, and Tarba, 2013; Khan, Soundararajan, Wood, and Ahammad, 2017). In the latter phase, also referred to as the integration phase, acquisition processes trigger acculturation of the acquired firm and, thus, its values, routines, and practices are redefined. Moreover, acquisitions can create psychological and cultural shocks, which in turn may deeply impair the outcome of post-acquisition integration (Buono and Bowditch, 1989).

These hazards are especially problematic in the context of cross-border acquisitions, which are very intricate phenomenon posing tremendous challenges (Colombo, Conca, Buongiorno, and Gnan, 2007; Shimizu et al., 2004), being influenced by national cultural distance, business practices, and institutional forces in addition to organizational differences (Holland and Scullion, 2019; Khan et al., 2018; Popli, Akbar, Kumar, and Gaur, 2016).

Accordingly, much of the research linking HRM to acquisition performance is focused on specific HRM issues or practices in different acquisition phases (Gomes et al., 2013; Sarala, Vaara, and Junni, 2019). Furthermore, earlier studies generally showed that post-acquisition mismanagement increased the likelihood of acquisition failure. However, what is less clear is whether additional HRM-quality—an HRM outcome (Guest, 1997)—beyond a certain level allows to further reduce acquisition failure probability. HRM-quality reflects the excellence of the unit or function (Baruch, 1997) and has a number of interrelated dimensions, including the capacity to develop policies and practices that would enable recruiting, developing, and retaining staff with high levels of competence, skills, and adaptability (Guest, 1997). Overall, it can include all the ‘ingredients’ provided by the HRM unit (Baruch, 1997).

Meanwhile, some prior findings suggest that over-investment in HRM may, at best, be undesirable from a benefit/cost point of view (Haans, Pieters, and He, 2016) and, at worst, hamper rather than facilitate acquisition performance (Gomes, Weber, Brown, and Tarba, 2011). For instance, appropriate communication systems are required for high-quality HRM (Guest, 1997) and are critical to improve labor relations or encourage employee participation (another HRM-quality dimension), but over-communication is unwelcomed (Weber, Rachman-Moore, and Tarba, 2012). Moreover, the link between communication and acquisition performance is contingent upon the approach adopted by the acquirer (Angwin, Mellahi, Gomes, and Peter, 2016).

Yet despite indications that the overall HRM-quality-acquisition performance relationship may be curvilinear, in-depth examination is lacking (Weber and Tarba, 2010). This is surprising, considering the omnipresence of nonlinearity and diminishing returns for acquisition performance drivers (Haleblian et al., 2009). The consequent objective of our study is thus to examine the impact of the acquirer’s HRM-quality on post-acquisition integration at the firm level, therefore focusing on aggregated HRM-quality at the holistic level. While insights on individual HRM issues or practices are of evident value for studies focusing on more fine-grained analysis of HRM dimensions, it is arguably of the utmost importance to also attend to HRM-quality at a more holistic level (Gomes et al., 2013; Stahl et al., 2013) since, by definition, post-acquisition integration unfolds at the firm level.

Consequently, we theoretically address the abovementioned gaps by extending HRM theory, which is our main theoretical lens (Huselid, 1995; Guest, 2001). Our argumentation is also underpinned by the theoretical phenomenon ‘too-much-of-a-good-thing effect’ (Antonakis, House and Simonton, 2017; König, Graf-Vlachy, Bundy, and Little, 2018; Pierce and Aguinis, 2013), which we employ as a boundary condition of HRM theory in acquisition context, and additive benefit/cost mechanism explaining certain curvilinear relationships (Haans et al., 2016). Given that our reasoning contains an exponential cost logic (Haans et al., 2016), we examine the moderating impact of financial slack (George, 2005; i.e., excess financial resources potentially available to the acquirer), which is hypothesised to influence the shape of the curve. Slack has previously been found to strongly affect firms’ acquisition decisions (Iyer and Miller, 2008). The availability of financial slack could moderate the relationship, because lack of financial slack tends to complicate post-acquisition integration (Lakshman, 2011).

We tested the hypotheses by using a panel database consisting of 4,128 cross-border acquisition/year observations. Our findings provide a number of theoretical contributions to literature on acquisition performance, HRM, slack resources as well as practitioner contributions.

First and foremost, we contribute new knowledge to research on acquisition failure determinants in a specific cross-border context. More particularly, we provide counterintuitive, intriguing insights into research stream highlighting HRM-quality as a key determinant, thereby responding to a recent call for further study of the ‘*human side*’ of global acquisitions (Buono and Bowditch, 1989; Sarala et al., 2019). Additionally, given the HRM-CSR relationships (Voegtlin and Greenwood, 2016), we offer further support to the contingency perspective on the relationship between CSR and organizational performance (Tzabbar, Tzafrir, and Baruch, 2017). Employee-sensitive policies and practices reflected as firms’ CSR engagement may enhance employee productivity and ultimately improve firms’ financial and non-financial performance (Mishra and Damodar, 2010).

Second, we extend HRM theory by identifying the U-shaped nature of the relationship, since HRM theory assumes a positive link between HRM-quality and organizational performance indicators, such as acquisition performance.

Third, we further unpack the black box between slack resources and firm performance by highlighting the moderating role of financial slack in acquisition outcome. Prior studies have shown that financial slack can moderate the link between several performance drivers and various organizational performance indicators (Aguilera-Caracuel, Guerrero-Villegas, Vidal-Salazar, and Delgado-Márquez, 2015; Kohtamäki, Heimonen, and Parida, 2019). We contribute new knowledge by arguing and empirically demonstrating that financial slack makes *overinvestment* in a key performance driver (HRM-quality) less detrimental, but does not prevent a diminishing-results effect (on acquisition outcome). There is little prior (dis)confirmatory evidence on this issue, and we hope to inspire future scrutiny of other investment targets, beyond the HR function.

Fourth and last, we make a contribution to the slack literature by providing new insights on the role of ‘*slack in the pursuit of strategic change*’ (Bentley and Kehoe, 2020, p. 200) and, specifically, its interaction effect with HRM-quality.

Our practitioner contributions are twofold. First, our findings suggest that both very low and very high quality HRM might increase cross-border acquisition divestment likelihood, which cautions those managing acquisition processes against the consequences of being at either extreme of the HRM-quality spectrum. We also pinpoint the role and relevance of financial slack, indicating that acquirer’s financial slack has a significant moderating effect on the curvilinear relationship between HRM-quality and acquisition divestment likelihood. It is important for acquirers to understand these factors prior to undertaking cross-border acquisitions.

**Theory and Hypotheses**

***The HRM Theoretical Perspective***

HRM is a critical factor in determining organizational outcomes. HRM theory suggests that appropriate HRM is positively and significantly associated with firm performance (Guest, 2001; Huselid, 1995), a notion that has gained support from several meta-analyses (Combs, Liu, Hall, and Ketchen, 2006; Tzabbar et al., 2017).TheHRM theoretical perspective looks either holistically at HRM as the function in charge of people within organizations or at a combination of specific practices leading to individual, then aggregate level of performance (Baruch, 1997).The impact of HRM is thought to be influenced by high-performance-work-practices (Posthuma, Campion, Masimova, and Campion, 2013) because such practices will make it possible to reach HRM excellence (Guest, 1997). For instance, people management can help fine-tune the effect of culture when combining firms towards a desired organizational performance goal (Marks and Mirvis, 2011), such as acquisition performance (Ahammad, Tarba, Liu, and Glaister, 2016; Slangen, 2006; Weber and Tarba, 2010). In the acquisition context, organizational performance is about how to successfully fulfil the objectives associated with the acquisition; HRM can play an enabling and enhancing role in the post-acquisition integration process.

In the sparse research literature on the HRM-acquisition performance link, the impact of the human factor on acquisitions has mostly been studied through a cultural lens, and it is generally assumed that cultural distance is problematic (Li, Li, and Wang, 2015; Vaara, **Junni**, Sarala, Ehrnrooth, and Koveshnikov, 2014; Very, Lubatkin, Calori, and Veiga, 1997). Cultural fit (Very et al., 1997), the acquirer’s cultural tolerance (Pablo, 1994), and initial friendliness towards the acquired firm (Birkinshaw, Bresman, and Håkanson, 2000) serve the deal’s subsequent performance. However, a moderate degree of cultural difference can be beneficial (Mirvis and Marks, 2003; Vermeulen, 2005) and researchers even found a positive relationship between cultural distance and post-acquisition performance (see Morosini et al., 1998). In other words, ‘*cultural differences between combining firms can either help or hinder the attainment of desired* [acquisition] *results*’ (Marks and Mirvis, 2011, p. 874).

Compensation and incentive structures are other potential sources of mismatch (Inkpen, Sundaram, and Rockwood, 2000) and knowledge-sharing may suffer in post-acquisition scenarios (Gammelgaard, Husted, and Michailova, 2004). Management style similarity (Larsson and Finkelstein, 1999) is advantageous, whereas a low degree of cooperation with the acquirer (Chatterjee, Lubatkin, Schweiger, and Weber, 1992) and a high turnover of the target’s executives (Lubatkin, Schweiger, and Weber, 1999) are detrimental to acquisition performance. Employee autonomy and training facilitate post-acquisition integration process, and so do autonomy of HR managers (Weber and Tarba, 2010) and the involvement of the HRM function (**Bagdadli**, Hayton, and Perfido, 2014; Lado and Wilson, 1994).

Previous studies also focused on how the individual behavior of employees of the acquired firm might be influenced by the acquirer’s HRM, finding that mismanagement tended to have detrimental effects on post-acquisition performance (Friedman, Carmeli, Tishler, and Shimizu, 2016). E.g., a lack of communication with employees before (Teerikangas, 2012) and after (Weber and Tarba, 2010) the acquisition—on issues such as the purpose of the deal—may create uncertainty and anxiety and, thus, counterproductive behavior.

Nevertheless, empirical evidence regarding HRM impact is sometimes contradictory, or even confusing (Gomes et al., 2011). In the specific context of cross-border-acquisitions, the influence of HRM on acquisition performance remains nebulous for two reasons. First, as abovementioned, the human factor has mostly been analysed through the cultural lens (Chakrabarti, Gupta-Mukherjee, and Jayaraman, 2009; Reus, 2012; Stahl et al., 2013), focusing on the micro level of analysis. Second, results obtained within a domestic context may be different in a cross-border one, mainly because of ‘*the embeddedness of firms undergoing acquisitions in their respective national contexts*’ (Aguilera and Dencker, 2004, p. 1356). Besides, cultural differences make communication issues even more complex in the case of cross-border deals (Schweiger, Csiszar, and Napier, 1993) and the conception and impact of HRM vary across countries (Weber et al., 2012). All in all, more research is needed on the role played by HRM in cross-border acquisition performance.

***Curvilinear Effect of Acquirer HRM-quality on Cross-Border Acquisition Performance***

Generally, high-quality HRM practices (which we used as a proxy for HRM-quality) have been found to facilitate organizational success (Huselid, 1995) and robustness (Tzabbar et al., 2017). In principle, we would expect this to apply to both domestic and cross-border acquisitions, due to the critical role played by HRM in such operations (Minbaeva, Pedersen, Björkman, Fey, and Park, 2014).

Yet the relationship between HRM-quality and the likelihood of acquisition failure may not be as linear as might be expected at first sight. Most importantly, whilst high HRM-quality is indisputably associated with numerous benefits or enablers—related to various dynamics during the post-acquisition integration phase—high HRM standards simultaneously constitute considerable costs and barriers that might derail the acquisition process. We argue that there is a tipping point where these start to dominate the linearly increasing benefits/enablers of average-to-high HRM-quality, eliciting a higher likelihood of acquisition failure.

For example, high HRM-quality involves a highly individualised approach to employees and a strong emphasis on well-being, stress-reduction, conflict-avoidance, consensus-building, etc.; within the context of post-acquisition integration, these may make the process very costly and lengthy, even substantially delay the synergies and knowledge transfer expected from the acquisition. Thus, at some point, added benefits/enablers related to, for instance, employee motivation, productivity, or internal and external reputation—outcomes of a highly individualized and caring approach—will be worth less than exponential costs/barriers.

In line with the ‘too-much-of-a-good-thing’ phenomenon (Antonakis et al., 2017; Grant and Schwartz, 2011; König et al., 2018; Pierce and Aguinis, 2013), that we introduce as a boundary condition of HRM theory, we suggest that the majority of positive HRM practices will backfire if excessive efforts are made. This phenomenon occurs also in other organizational functions, for example in research and development (Jones and Williams, 2000), when excessive attention is given to certain activities and functions. The principle of ‘too-much-of-a-good-thing’ was presented as ‘*effect accounts for an apparent paradox in organizational life: ordinarily beneficial antecedents causing harm when taken too far*’ (Pierce and Aguinis, 2013, p. 314). A recent example of over-emphasis on HRM activity is excessive use of e-recruitment (Intindola, Lewis, Flinchbaugh, and Rogers, 2019). Further, paying extensive attention to individual issues may lead to a loss of operational focus. Being too ‘soft’, or investing too much in HRM action support mechanisms at the expense of the actual purpose of organizational activity, may well hinder performance. Recent research in management science and social psychology mobilised the ‘too-much-of-a-good-thing’ phenomenon and found inverted U-shaped patterns. König et al. (2018) showed that a CEO’s sense of empathy influenced their crisis management effectiveness in an inverted U-shaped pattern. Likewise, scholars have theorized and empirically tested a nonlinear intelligence-leadership relationship (Antonakis et al., 2017; Simonton, 1985) suggesting that the studies that failed to detect nonlinear effects may have been underpowered (Ganzach, Gotlibobski, Greenberg, and Pazy, 2013). Similarly, over-investment in research and development is problematic (Jones and Williams, 2000). At the individual investment level, over-trusting could reduce team performance (Langfred, 2004).

A final supporting example of our argument is that exponential costs/barriers also originate in expectancy violation (Graffin, Haleblian, and Kiley, 2016; Rhee and Valdez, 2009). ‘Expectancy’ refers to a consistent pattern of behaviour (Graffin et al., 2016). Owing to their track record, organizations known for their very high HRM-quality face high expectations among stakeholders—including acquisition target employees—as to how they will handle the human factor during the post-acquisition. However, given the complexity of acquisitions, even very high HRM-quality firms can make mistakes. Stakeholders will see both minor and major missteps as more severe expectancy violations than those made by organizations with a lesser HRM-quality (triggering stronger and more costly repercussions)—because of a larger inconsistency with how the firm is perceived.

There is also an exponential effect following each new violation. As explained by Graffin et al. (2016, p. 235), ‘*violations lead to increased scrutiny for the violator and cause observers to seek additional information*.’ In other words, high expectations ‘*give prominence to* [the acquirer’s] *errors*’ (Rhee and Valdez, 2009, p. 158); thus, employees may have a perception of contract breach leading to the intense emotional reaction often equated with the term ‘*psychological contract violation*’ (Morrison and Robinson 1997; Rousseau, 1989). Very high-quality HRM firms then become victims of their own success. ‘Sanctions’ against these violations may take many different forms and have different degrees of seriousness: strikes, bad-mouthing, high employee turnover, avoidance of knowledge-sharing, conflicts, or even lawsuits, which may provoke increased costs. Finally, such sanctions are inconsistent with the organizational identity of a high-quality HRM acquirer, which is partly constructed around human-centred norms and values; thus, this may create a situation of organizational dissonance (MacLean and Behnam, 2010) further pushing towards an acquisition divestment decision. Previous studies have highlighted low employee organizational identification with the post-acquisition organization as a contributing factor to the high acquisition failure-rate (Spoor and Chu, 2017).

At the other end of the spectrum, poor HRM practices will have a negative impact on organizational effectiveness, even more so during an acquisition process. Improving HRM practices, at least in the first instance, will lead to better acquisition performance. The relationship between the two will be consistent as long as quality standards are not taken to a very high level. Indeed, if too much is being done, we may expect the trend to reverse (Pierce and Aguinis, 2013) owing to the underlying additive benefit/cost mechanism (Haans et al., 2016). Overall, the anticipated relationship is curvilinear, that is, an acquirer with either a low or a high level of HRM-quality has a high likelihood of cross-border acquisition divestment. We thus hypothesise as follows:

Hypothesis 1: *The HRM-quality level of the acquirer has a U-shaped relationship with the likelihood of divesting its subsequent cross-border acquisitions.*

***Moderating Effect of Acquirer’s Financial Slack***

Whilst we theoretically established a U-shaped relationship between the level of HRM-quality of the acquirer and the likelihood of divesting its subsequent cross-border acquisitions, ascertaining the exact point at which HRM-quality is high enough—but not too high—is a complex balancing act: that is, acquirers are ‘slackliners’ on a curvilinear connection. Various contingency factors may play a role as well (Correia, Cunha, and Scholten, 2013).

We introduce financial slack (George, 2005; Mishina, 2004), that is, excess financial resources available to the acquirer, and argue that it is a moderating variable that significantly influences the shape of the curve. Slack has been used to explain diverse organizational phenomena and was found to strongly affect firms’ acquisition decisions (Iyer and Miller, 2008). Accordingly, we would expect slack to play a role in acquisition *divestment* decisions as well. Further, studying interaction with slack is particularly relevant considering that our theoretical framework contains an exponential cost logic (Haans et al., 2016).

On the one hand, we contend that costs/barriers accompanying very high HRM-quality are more constraining and problematic in a situation of low financial slack—and severely complicate post-acquisition integration (Lakshman, 2011). Also, constrained resources may prevent the fulfilment of organizational obligations and may cause it to renege on its promises, which implies damage to employment relationships. This, in turn, directly contributes to employee perception of psychological contract breach (Morrison and Robinson, 1997).

In such a situation, if the acquirer does not divest, it may either decide to make difficult trade-offs and cut costs in other areas to support the excessive costs required for retaining high HRM-quality throughout the acquisition process (Gomes, Angwin, Peter, and Mellahi, 2012) or, instead, to lower its HRM standards. The first option may cause various operational problems and both alternatives are highly likely to cause employee discontentment (Correia et al., 2013). Stated differently, whatever the tactics of the acquirer, we expect negative consequences that will further increase the likelihood of failure and divestment, amplifying the U-shaped relationship.

On the other hand, in a situation of high financial slack, excessive costs/barriers are easily dealt with and high-quality HRM acquirers are less likely to divest than under low-slack conditions. Thus, we predict that a low level of financial slack will amplify the U-shaped relationship, whereas a high level of financial slack will attenuate it.

Hypothesis 2: *The level of financial slack of the acquirer has a moderating effect on the U-shaped relationship between HRM-quality and the likelihood of cross-border acquisition divestment, whereby this relationship is stronger (weaker) when slack is low (high).*

Figure 1 summarizes the causal relationships that we established in our hypotheses, as described above.

***Insert Figure 1 About Here***

**Research Method**

***Sample and Event History Procedure***

In order to examine the hypotheses, we constituted a sample of 488 US acquisitions conducted by 59 French firms during the period 2000–2016 and applied an event history procedure to this sample. We chose to focus on US acquisitions, since the US has consistently been the leading recipient of French direct overseas investment. Besides, an exclusive focus on US acquisitions helped to ‘*avoid potentially confounding factors such as country risks and different institutional arrangements (e.g., legal and regulatory issues related to mergers and acquisitions)*’ (Hayward and Shimizu, 2006, p. 545).

The sample was obtained by using a two-step selection procedure. In the first step, we drew up an exhaustive list of French firms reported in the Vigeo database. Vigeo is a leading expert in ESG (environmental, social and governance) ratings and extra-financial analysis of French firms (Avetisyan and Hockerts, 2017; Déjean, Gond, and Leca, 2004). As a rating agency, Vigeo has the most comprehensive listing of French firms in its database and started compiling Corporate Social Responsibility (CSR) data, including HRM-quality, as early as 1999. THis database has already been used in several empirical studies (Cavaco and Crifo, 2014; Girerd-Potin and Jimenez-Garcès, 2014). This focused data collection enabled us to select potential acquirers about which information relating to HRM-quality level was available—and was rated.

In the second step, we checked whether these firms had conducted at least one US acquisition over the 2000–2016 period by using and triangulating information provided by various databases (*SDC Platinum*, *Factiva*, *Mergerstat* and the list of French acquisitions in the US drawn up by the Washington-based *Poste d’Expansion Economique de l’Ambassade de France*). We identified US acquisitions undertaken by French firms from 2000 onwards because (i) the scores used to measure the independent variables (including the acquirer’s HRM-quality, see section on variables) were lagged by one year and (ii) the first Vigeo CSR data were compiled in 1999. Consistent with several empirical studies on acquisitions and divestments (Hayward and Shimizu, 2006; Kaplan and Weisbach, 1992; Kim, Finkelstein, and Haleblian, 2015; Rabier, 2017), we then removed all financial firms from the list. We excluded these financial acquirers since their acquisition motives and behavior, as well as their acquisition performance and divestment patterns, significantly differ from those of other industries. As noted by Hayward and Shimizu (2006, p. 545), ‘*financial buyers* […] *make acquisitions with the express purpose of exiting them*.’ Through these screening processes, we identified 59 French firms that conducted a total of 488 US acquisitions.

Applying an event history procedure to these 488 US acquisitions, we followed them up individually and year by year to find out whether they had been retained in the acquirer’s business portfolio, were divested, or went bankrupt before the end of the period that might be considered risky (i.e., end of the year 2016). This resulted in a panel database consisting of 4,128 acquisition/year observations.

***Variables***

*Dependent variable*. We investigated the impact of the acquirer’s HRM-quality on the cross-border acquisition failure. Measuring acquisition failure, and more generally acquisition performance, has been much debated. As highlighted by Zollo and Meier (2008, p. 55), among others, ‘*there is little or no agreement both across and within the disciplines on how to measure acquisition performance*.’ Several types of measurement—subjective as well as objective, and long-term as well as short-term—have been applied (Papadakis and Thanos, 2010). Consistent with our cross-border research context, we built on international business literature to measure acquisition performance. Empirical studies on acquisitions have frequently used divestment likelihood as a measurement of acquisition failure (Brauer and Wiersema, 2012; Hayward and Shimizu, 2006; Meschi and Métais, 2015).

Divestment is defined as an alteration of the firm’s productive asset portfolio; it is carried out by either spinning off or selling off unwanted assets (Rosenfeld, 1984). In this connection, Benito and Welch (1997) stated that the detachment of international operations from global firms may be perceived as a failure. Consequently, consistent with prior international business research, we view cross-border acquisition divestment as a negative outcome (Zollo and Meier, 2008).

We measured the dependent variable by estimating a hazard rate of divestment for all acquisitions in the sample. The hazard rate is defined as the probability of an acquisition being divested within a time period (or period at risk) ranging from *t* (with a lower bound corresponding to the acquisition date) to *t* + Δ*t* (with an upper bound corresponding to the end of the period at risk in December 2016). To estimate this hazard rate of acquisition divestment, we first dummy-coded all acquisitions in the sample (1 for divested or bankrupted acquisitions and 0 for retained acquisitions): overall, 128 acquisitions were divested, amounting to a divestment rate of 26.2%. We then computed a duration in years for all acquisitions by comparing their acquisition date either with the divestment date (for divested acquisitions) or with the end of the period at risk in December 2016 (for retained acquisitions).

*Independent variable*. The level of *acquirer* *HRM-quality* is our independent variable, measured via Vigeo’s ESG ratings. Every year, Vigeo assesses the practices and performance of French firms according to 38 ESG issues that are grouped into different scores. We collected the time-varying ‘*human resources*’ score, which consolidates data on the following topics: promotion of labour relations; encouragement of employee participation; career development; responsible management of restructurings; career management and promotion of employability; quality of remuneration systems; improvement of health and safety conditions; and observance and management of working hours. Thus, this score provides an assessment of the acquirer’s HRM-quality and, more generally, of the acquirer’s social behavior and performance. The time-varying ‘*human resources*’ score in the Vigeo database ranges from 0 (minimum) to 1 (maximum).

*Moderating variable*. We measured *acquirer financial slack* using the long-term debt-to-equity ratio. Consistent with prior studies on acquisitions (Finkelstein and Haleblian, 2002; Hayward and Shimizu, 2006; Iyer and Miller, 2008; Shimizu, 2007), we viewed debt as a valid indication of the acquirer’s potentially available financial resources that may be used to facilitate post-acquisition integration. We calculated the debt ratio by only taking into account long-term debt, since our aim was to measure a financial slack ratio reflecting the acquirer’s capability to finance *long-term* corporate needs—such as necessary but unexpected expenses incurred by any post-acquisition integration. In the regression models, a positive (negative) coefficient for this variable will indicate a negative (positive) impact of financial slack on the dependent variable.

*Control variables*. The literature on acquisition performance and divestment has identified several variables at acquirer, acquisition, and acquired firm levels that may affect the probability of cross-border acquisition divestment (Brauer and Wiersema, 2012; Hayward and Shimizu, 2006; Kolev, 2016; Meschi and Métais, 2015). As regards acquirer-level controls, we included a series of variables, pertaining to various dimensions of the acquirer’s experience, in the regression models: *acquirer internationalization* (measured by the acquirer’s foreign sales-to-total sales ratio); *acquirer experience with the US* (measured in number of years since the acquirer’s first entry into the US market, whatever the entry mode, logarithmically transformed); *acquirer experience with US acquisitions* (measured by the cumulated number of US acquisitions conducted by the acquirer in the ten years preceding the focal acquisition, logarithmically transformed); and *acquirer experience with US divestments* (measured by the cumulated number of US acquisitions that were divested within ten years preceding the focal acquisition, logarithmically transformed).

In doing so, while building on a rich literature about experiential learning and acquisition performance, we assumed that experienced acquirers had developed knowledge related to internationalization, acquisition, and the host country over time. This knowledge allowed them to better manage the complex acquisition stages (due diligence and target evaluation, deal negotiation, transaction, and post-acquisition integration) and thus reduce early acquisition divestment likelihood.

The last experience control, *acquirer experience with US divestments*, may be interpreted differently from the other experience controls, for when its level is high, it signals a wave of divestments and sell-offs (Brauer and Wiersema, 2012), which can be part of a broader refocusing and/or debt reduction strategy being progressively implemented by the acquirer. As a consequence, in this specific strategic context the likelihood of further divestments is high.

Second, we controlled for acquirer performance with *acquirer ROA* (return on assets measured by the acquirer’s net profit-to-total assets ratio). When selecting this performance control, and to avoid any risk of collinearity, we estimated *acquirer ROA* on the basis of financial data that were distinct from those used for other moderating and control variables.

Finally, we included a governance control, *acquirer CEO change* (dummy-coded variable with 1 when the acquiring firm’s CEO changed in the two years preceding the divestment date, for divested acquisitions, or the period at risk ending in December 2016, for retained acquisitions, and 0 otherwise). This variable accounts for the higher divestment probability that can be observed during the short period following the hiring of a new CEO, who quickly reviews the firm’s portfolio of acquisitions, divests it of poorly-performing acquisitions and attributes responsibility for these failures on his/her predecessor(s) (Hayward and Shimizu, 2006).

As regards acquisition-level controls, we included *relative size* (measured by dividing the acquiring firm’s total sales by the acquired firm’s total sales) as the first control. The second one, *transaction price* (measured in million US$, logarithmically transformed), is another indication of acquisition size and its significance for the acquirer. The rationale underlying its positive effect on the likelihood of acquisition divestment is similar to that of the *relative size* variable. The last acquisition-level control is called *acquirer-to-acquired firm relatedness*. This variable allows us to account for the higher divestment probability that is often reported when acquisitions are conducted in sectors unrelated to the acquirer’s core business. We measured this control variable using the Anand and Singh’s (1997) and Bergh’s (1997) five-point ordinal scaling procedure. This scale ranges from 0 (if the four-digit SIC codes of the acquirer and the acquired firm are completely different) to 4 (if the SIC codes are identical).

We finally controlled for unobserved effects related to the acquired firm industry (*acquired firm industry effects*) and acquisition year (*acquisition year effects*). To this aim, we included dummy-coded acquired firm industries (identified by their two-digit SIC code in our sample) and acquisition years in all Cox regression models.

All the independent and moderating variables, as well as the control variables (except for *acquirer CEO change*, *relative size*, *transaction price*, *acquirer-to-acquired firm relatedness*, *acquired firm industry effects* and *acquisition year effects*) are time-varying and lagged one year. Consistent with other empirical studies applying an event history procedure to acquisitions, we estimated the upper bound value of all time-varying covariates in the year prior to either the date of the acquisition divestment (for divested acquisitions) or the end of the period at risk (for retained acquisitions). This one-year lag allowed to account for the time period that is necessary and incompressible for corporate (i.e., organizational, human, financial…) decisions, investments, and actions to fully produce their effects within the focal acquirer.

***Econometric Estimation Method***

We used a semi-parametric Cox proportional hazards model to examine the hypothesized curvilinear impact of the acquirer’s HRM-quality level on the hazard rate of acquisition divestment. This model is often recommended for research in the fields of strategy and HRM. The model relies on a survival modelling approach (Bertrand and Lumineau, 2016), for it is both flexible and conservative.

Our sample contains a number of US acquisitions by the same French acquirers, which might create a bias as a result of the potential dependence of acquisition/year observations of the same acquiring firm. We accounted for this potential dependence by estimating robust standard errors that were clustered by acquirer.

**Results**

***Test of Hypotheses***

Table 1 presents the correlation matrix and descriptive statistics, reporting a number of high coefficients between variables. To check whether these high correlation coefficients could induce collinearity bias in the subsequent Cox regression models, we calculated variance inflation factors for all independent and control variables using a traditional multiple regression model. All variance inflation factors were well below 10 (the mean variance inflation factor was equal to 1.38, with 2.31 as the highest factor for *acquirer experience with US acquisitions*), which is the common threshold used to detect collinearity issues.

***Insert Table 1 About Here***

Table 2 presents the Cox regression models. Model 1 is restricted to control variables. Model 2 examines the direct effects of the independent, moderating variables (*acquirer HRM-quality* and *acquirer financial slack*,respectively). Model 3 examines the curvilinear effect of *acquirer HRM-quality* by including its squared term. Model 4 examines the interaction between *acquirer slack* and *acquirer HRM-quality*. Model 5 examines the interaction between *acquirer financial slack* and the squared term of *acquirer HRM-quality*.

***Insert Table 2 About Here***

Table 2 shows that all Cox regression models are statistically significant at *p* < 0.001. Models 3 & 4 allowed us to examine Hypothesis 1, which predicted that the level of HRM-quality of the acquiring firm would have a U-shaped relationship with the likelihood of divesting its cross-border acquisitions. Coefficient estimates in both models indicate a negative and significant (at *p* < 0.05) effect for *acquirer HRM-quality*, and a positive and significant (at *p* < 0.05) effect for its squared term. The combination of these two significant, opposite effects points to the presence of a curvilinear relationship with a U shape.

Figure 2 proposes a graphical analysis of the curvilinear distribution of acquisition divestment probabilities by level of acquirer HRM-quality, scaled with different ranges of standard deviations. Acquisition divestment probabilities displayed in Figure 2 correspond to Kaplan-Meier estimates of hazard rates at the end of the period at risk.

***Insert Figure 2 About Here***

Figure 2 indicates that acquirers at both extremes (very-low and very-high levels of HRM-quality) report positive effects on the hazard rate of cross-border acquisition divestment. However, the likelihood of divesting cross-border acquisitions decreases for acquirers with very high HRM-quality (above one standard deviation plus the mean). When comparing acquisition divestment probabilities for both extremes at the end of the period at risk, one striking result is that acquirers with very low HRM-quality are as likely (= 35%) to divest their cross-border acquisitions as acquirers with very high HRM-quality (= 32%). Significant and opposite coefficient estimates for *acquirer HRM-quality* and its squared term, as well as the U-shaped distribution presented in Figure 2, support Hypothesis 1.

Models 4 and 5 examine Hypothesis 2, regarding the moderating effect on the U-shaped relationship between HRM-quality and the probability of cross-border acquisition divestment. We hypothesized that a low level of financial slack would amplify the U-shaped relationship, whereas a high level would weaken it.

First, Model 4 shows that there is no significant moderating effect of the acquirer’s financial slack on the *linear* relationship between HRM-quality and the probability of cross-border acquisition divestment. Second, Model 5 reports a positive and significant (at *p* < 0.001) coefficient estimate for the squared term of *acquirer HRM-quality* when interacted with *acquirer financial slack*. In order to better understand and visualise this interaction effect, Figure 3 presents two curvilinear distributions of acquisition divestment probabilities, which are plotted at low and high levels of financial slack (corresponding to long-term debt-to-equity ratio > 1 and < 1 for low slack and high slack, respectively).

***Insert Figure 3 About Here***

Several observations can be drawn from Figure 3. First, the distribution of acquisition divestment probabilities at a low level of financial slack follows a U-shaped relationship. When compared with the distribution in Figure 2, this illustrates a curvilinear effect that is amplified by the low level of financial slack. At a low level of HRM-quality, acquirers with a low level of financial slack are more likely to divest their cross-border acquisitions than any acquirers in the sample ( = 83% in Figure 3 and = 35% for any acquirers in Figure 2). At a high level of HRM-quality, the likelihood that firms will divest cross-border acquisitions is more than twice as high for acquirers with a low level of financial slack than for any acquirers in the sample ( = 80% in Figure 3 and = 32% for any acquirers in Figure 2).

Second, the distribution of acquisition divestment probabilities at a high level of financial slack follows a slightly inverted U-shaped relationship, indicating a low likelihood of cross-border acquisition divestment for acquirers at low and high levels of HRM-quality. These observations therefore partly support Hypothesis 2.

As regards control variables, Table 2 reports significant coefficient estimates for *acquirer internationalization* (at *p* < 0.01 across all models), *acquirer experience with US divestments* (at *p* < 0.05 only in Models 3, 4 & 5), *acquirer ROA* (at *p* < 0.01 across all models), *acquirer CEO change* (at *p* < 0.001 across all models) and *relative size* (at *p* < 0.001 across all models). More precisely, and in keeping with extant literature on acquisition performance and divestment (Brauer and Wiersema, 2012; Hayward and Shimizu, 2006; Meschi and Métais, 2015), our results indicate that a lower (higher) probability of cross-border acquisition divestment may be observed (i) for acquirers with strong (low) international experience that deliver high (low) economic profitability, and have a stable (unstable) leadership, and (ii) for smaller (larger) acquisitions.

***Robustness Checks***

To check the robustness of the previous results, first, in addition to *acquired firm industry effects* and *acquisition year effects*, we included a new variable (*acquirer effects*) in the statistical analysis to account for acquirer-level heterogeneity (see Table 3). For the sake of parsimony, Table 3 only reports a new Model 5 examining the interaction between *acquirer financial slack* and the squared term of *acquirer HRM-quality*, and controlling for *acquirer effects* (all other Cox regression models are available upon request). Results in Table 3 are similar to those presented in Model 5 in Table 2. We observed the same positive and significant (at *p* < 0.05) coefficient estimate for the squared term of *acquirer HRM-quality* when interacted with *acquirer financial slack*.

***Insert Table 3 About Here***

Second, consistent with other empirical studies (Brauer and Wiersema, 2012; Hayward and Shimizu, 2006; Meschi and Métais, 2015), we assumed that acquisition divestment may be viewed as acquisition failure. However, this assumption has been debated in the acquisition literature, with some recent research contending that acquisition performance (and divestment) should be assessed with regard to the firm’s initial motive for the acquisition (Rabier, 2017). In order to mitigate this possible measurement bias, we conducted additional tests using the *acquirer-to-acquired firm relatedness* variable as a proxy to identify acquirers’ motives. On this basis, we first split the sample of 488 acquisitions between those conducted by acquirers aiming to enter or diversify into a new business (corresponding to the lowest scores, i.e., 0 to 2, in the relatedness scale) and those conducted by acquirers aiming to strengthen their core business (corresponding to the highest scores, i.e., 3 to 4). As regards this second subsample, we may argue that a majority of acquisitions was undertaken by French firms seeking to quickly gain access to, and expand into the US market. Given this specific foreign expansion motive, divestment of a US acquisition indicates that the US market entry strategy of the French acquiring firm has failed.

We then re-ran Model 5 for both sub-samples and reported similar results concerning the direct and interaction effects of *acquirer HRM-quality* and *acquirer financial slack* across the two models (see Table 4). Finally, we checked whether coefficient estimates for *acquirer HRM-quality* and *acquirer financial slack* might not be different across the two models by estimating a single Cox regression model for the entire sample with the inclusion of interaction effects between the two independent variables (*acquirer HRM-quality* and *acquirer financial slack*) and a new dummy-coded relatedness variable (with 1 for acquisitions with high scores and 0 for acquisitions with low scores). We did not find any significant interaction effects, indicating no significant differences between the two categories of acquirer motives as regards the impact of *acquirer HRM-quality* and *acquirer financial slack* on the acquisition divestment probability.

***Insert Table 4 About Here***

**Discussion**

Intrigued by the commonly accepted assumption about a linear positive relationship between HRM and organizational performance, which runs counter to some contradictory evidence, we investigated how acquirers’ aggregate HRM-quality affects cross-border acquisition performance. Building on the ‘*too-much-of-a-good-thing*’ phenomenon (Pierce and Aguinis, 2013) and the additive benefit/cost mechanism explaining certain curvilinear relationships (Haans et al., 2016), we argued that very high HRM-quality would increase the likelihood of acquisition divestment. In examining the curvilinear relationship between the acquirer’s HRM-quality and subsequent acquisition failure/divestment likelihood, we answered recent calls pointing out the need for methodological rigor when exploring HRM theory and its boundary conditions (Saridakis, Lai, and Cooper, 2017).

Our findings confirm the existence of a curvilinear relationship. They show that acquisition failures are not exclusively associated with a poor level of HRM-quality, but also with a very high level of HRM-quality—namely under both extremes. Moreover, the results reveal that the curvilinear effect is amplified by a low level of financial slack (George, 2005; Mishina et al., 2004), whereas there is a significant decrease in the likelihood of cross-border acquisition divestment under conditions of high financial slack.

***Theoretical Contributions***

We offer important contributions to several literature streams. First, from the HRM perspective, it is generally accepted that high-quality HRM leads to a better use of human capital and improved organizational learning (Dikova, Sahib, and Van Witteloostuijn, 2010), thus a positive, significant impact of high-quality HRM practices on organizational success (Huselid, 1995; Tzabbar et al., 2017). This general HRM-quality-organizational performance link is mostly explained by the role of HRM in the management of sociocultural aspects, which are critical in acquisitions (Sarala, Junni, Cooper, and Tarba, 2016).

Yet the direct link observed in our research is not so strong, and the curvilinear nature of this link offers a plausible alternative explanation. We help decipher the black box of the connection between HRM and firm performance, expanding HRM theory (Guest, 2001) by including the ‘*too-much-of-a-good-thing*’ phenomenon as a boundary condition to help uncover and explain the curvilinear HRM-firm performance relationship. This is of particular importance considering the immense influence frequently attributed to the human factor in generating performance. Another addition to the theory is the identification of excess financial resources potentially available to the firm as a moderating factor of this curvilinear relationship.

Second, we extend the literature on acquisition performance by providing counterintuitive, intriguing insights concerning the impact of the acquirer’s *aggregate* HRM-quality on cross-border acquisition divestment. Our findings challenge common assumptions about the abovementioned crucial role attributed to HRM in this particular context. Earlier studies were either focused on the role of culture in the acquisition outcome (Dikova and Sahib, 2013; Liu and Woywode, 2013), or on single HRM practices (e.g., Teerikangas, Very, and Pisano, 2011 on the role of ‘*integration managers*’) and the combination or complementarity of some of these practices (Brueller, Carmeli, and Markman, 2018), to uncover the dynamics of acquisition performance. In contrast, our work offers a more holistic approach by looking at aggregate HRM-quality and also by introducing a moderating variable.

Third, we provide insights into the ‘slack’ literature by further unpacking the still too-poorly-understood relationship between slack resources and firm performance. Prior studies were not conclusive as to whether abundance or scarcity of slack resources is most beneficial to firm performance (e.g., Bradley et al., 2011; Venacker, Collewaert, and Paeleman, 2013) and argued for an inverted U‐shaped relationship between slack resources and firm performance to reconcile these opposite views (Bourgeois, 1981; George, 2005; Tan and Peng, 2003). Although recently researchers have devoted increasing attention to *when, where,* and *how* value is extracted from slack resources, much remains to be learned about factors that may condition the slack-performance relationship. We manifest the importance of financial slack for the acquisition outcome. The maybe most noteworthy contribution is the finding that even acquirers already possessing a high level of HRM-quality greatly benefit from slack in the acquisition context. In fact, the likelihood that such firms will divest cross-border acquisitions is more than twice as high for acquirers with a low level of financial slack than for any acquirers in our sample.

Furthermore, we know from prior studies that financial slack can moderate the link between several performance drivers and various organizational performance indicators (Aguilera-Caracuel et al., 2015; Kohtamäki et al., 2019). We contribute new knowledge by arguing and empirically demonstrating that financial slack makes *overinvestment* in a key performance driver (HRM-quality) less detrimental, but does not prevent a diminishing-results effect (on acquisition outcome). There is little prior (dis)confirmatory evidence for that, and we hope to inspire future scrutiny of other investment targets, beyond the HR function.

We also advance current studies using Resource-Based View (RBV) (Barney, 1991), by exploring the role of resources possessed by acquiring and target firms in determining acquisition performance outcomes (Buckley, Elia, and Kafouros, 2010; Kling, Ghobadian, Hitt, Weitzel, and O’Regan, 2014). We show that an acquirer’s excess financial resources decrease the probability of acquisition failure.

Bearing in mind that high-quality HRM is CSR related (Kolk, 2016; Voegtlin and Greenwood, 2016), we add supporting knowledge to the contingency perspective on the relationship between CSR and organizational performance (Tzabbar et al., 2017). More specifically, we complement previous research demonstrating a curvilinear relationship between CSR and financial performance (Barnet and Salomon, 2006, 2012; Brammer and Millington, 2008) by dealing with the acquisition context (Buckley and Munjal, 2017)—acquisition performance being closely tied to financial performance—and HRM-quality. Interestingly, our results apparently contradict those earlier findings, which had revealed stronger financial returns in connection with either low or high levels of CSR than with moderate levels. One explanation is that, unlike with HRM-quality, aspects such as environmental responsibility (Barnett and Salomon, 2006) and charitable giving (Brammer and Millington, 2008) mainly enhance financial performance through mediating effects on corporate reputation (Surroca, Tribó, and Waddock, 2010) and capacity to influence stakeholders (Barnett and Salomon, 2012). From a more practical stance, we contribute to the CSR literature by applying ESG ratings and demonstrating their relevance to studies outside their traditional research context.

Finally, in terms of our data analysis, we answer Meglio and Risberg’s (2010) call to employ a less conventional methodology to gain a robust understanding of the critical role played by organizational functions in the success or failure of acquisitions.

***Managerial Implications***

We also provide valuable new insights for practitioners. Common advice to those managing acquisitions is to strive for HRM excellence if success is to be attained. We, however, offer a more balanced view of the role of HRM-quality in acquisitions, and thus adding a nuanced recommendation, arguing that *more* is not always *better*.

Furthermore, we draw attention to the importance of considering HRM initiatives in tandem with excess financial resources available to the acquirer at every stage of the acquisition process. These guidelines should assist acquiring firms as they balance on the slackline. Our message is that having financial slack does not necessarily mean that HRM will have to take advantage of it. There is a risk that an excessive level of financial slack could be used for HRM initiatives that are closely aligned with employees’ own preferences yet not with organizational goals. Thus, slack could be maintained for other organizational needs.

Besides, our findings invite practitioners to strive for high-quality HRM practices that do not require a high level of slack, for example, introducing a mentorship programme whereby mentors from the acquiring company support mentees within the acquired firm during the post-acquisition phase, and vice-versa. These types of initiative are usually not costly but lead to high-performance-work-practices. Practitioners might also think about the optimal slack—the point at which financial resources will have the maximum positive impact on acquisition performance.

***Limitations and Future Research Agenda***

This study has some limitations, which are important to acknowledge in order to better understand and contextualize our findings. First, we limited our geographical focus to US acquisitions undertaken by French firms. Any generalisation of our findings to other regions of the world should thus be made with caution. Future research aiming to cover a wider diversity of national practices is encouraged.

Second, prior studies have stressed the importance of linking acquisition motives to acquisition performance (Haleblian et al., 2009; Rabier, 2017). Consistent with this literature, using acquisition divestment as an indication of acquisition failure should be done with regard to the firm’s initial motive for the acquisition. Divesting an acquisition may be interpreted differently if the acquirer’s initial motive was to achieve operating or financial synergies, to diversify into a new business, to expand into a foreign market or to gain access to new technology and knowledge. In order to account for this possible interpretation bias, further research on the link between acquisition divestment and acquisition performance should be conducted using an in-depth and fine-grained analysis of acquirer’s motives at both extremes of the acquisition’s lifecycle, i.e., at the initial acquisition and final divestment stages.

Third, and linked to the previous limitation, firms aiming to access assets and knowledge that they do not own may rely on either acquisitions or strategic (equity or non-equity) alliances. The distinction between these two growth modes has been greatly discussed in prior research which has highlighted the main comparative advantages of acquisitions and strategic alliances (Reuer and Koza, 2000 vs. Hennart and Reddy, 2000 debate). In the context of US acquisitions, it is highly likely that the 59 French firms in our sample initially compared these two growth modes and finally opted for acquiring a US firm. Consequently, the acquisition decision is endogenous and self-selected by our sample firms. While we controlled for several variables at acquirer, acquisition, and acquired firm levels, our data did not allow us to account for the potential influence of this endogeneity on the probability of acquisition divestment. Consequently, a promising direction for future research would be to identify and compare the selection determinants and divestment probabilities for acquisitions and strategic alliances.

Last, measuring *acquirer* *HRM-quality* independent variable originated from a high-credibility rating agency, and its database has the most comprehensive listing of French firms; nonetheless, ESG criteria used to measure HRM-quality levels may not be optimal. Moreover, the HRM-quality score we used aggregates several HRM components and one needs to be mindful of the use of such an aggregated score when interpreting our findings. A natural extension of this research would be to inquire whether a similar curvilinear relationship can be found for disaggregated HRM-quality components. Thus, we encourage other scholars to explore the impact of individual-level HRM-quality components (e.g., selection/remuneration/training) or mediators of the ability-motivation-opportunity framework on acquisition outcomes. Likewise, in future research, other forms of slack (i.e., innovational or managerial slack) could be considered as moderating variables. Finally, it would be of interest to explore whether the curvilinear relationship persists beyond the case of acquisitions and applies to other types of foreign direct investment (i.e., wholly-owned subsidiaries or joint ventures).

In conclusion, we believe that understanding why under- or overinvestment in HRM may not be optimal can provide abundant opportunities for research contributions to both HRM and acquisition literatures.

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***Table 1. Descriptive Statistics and Correlation Matrix*** *a*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *Variables* | *Mean (s.d.)* | *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* | *10* |
| *1. Acquirer HRM quality* | 0.48 (0.15) | — |  |  |  |  |  |  |  |  |  |
| *2. Acquirer financial slack* | 0.66 (0.94) | 0.03 | — |  |  |  |  |  |  |  |  |
| *3. Acquirer internationalization* | 0.74 (0.16) | – 0.02 | – 0.08 | — |  |  |  |  |  |  |  |
| *4. Acquirer experience with the US (log.)* | 1.37 (0.20) | 0.21 | – 0.01 | 0.26 | — |  |  |  |  |  |  |
| *5. Acquirer experience with US acquisitions (log.)* | 1.16 (0.34) | 0.02 | – 0.01 | 0.25 | 0.63 | — |  |  |  |  |  |
| *6. Acquirer experience with US divestments (log.)* | 0.47 (0.34) | 0.10 | 0.21 | 0.02 | 0.33 | 0.45 | — |  |  |  |  |
| *7. Acquirer ROA* | 0.03 (0.05) | – 0.06 | – 0.34 | 0.03 | 0.07 | 0.10 | – 0.29 | — |  |  |  |
| *8. Acquirer CEO change* | 0.13 (0.35) | 0.02 | 0.05 | – 0.31 | – 0.06 | – 0.18 | 0.06 | – 0.11 | — |  |  |
| *9. Relative size* | 0.12 (2.24) | 0.00 | – 0.01 | 0.02 | – 0.02 | – 0.08 | – 0.04 | – 0.02 | – 0.00 | — |  |
| *10. Transaction price (log.)* | 1.79 (0.71) | 0.10 | – 0.01 | – 0.07 | 0.01 | – 0.18 | – 0.01 | – 0.10 | 0.14 | 0.00 | — |
| *11. Acquirer-to-acquired firm relatedness* | 2.67 (1.57) | – 0.13 | – 0.10 | 0.08 | 0.03 | 0.13 | – 0.04 | 0.15 | – 0.03 | 0.01 | 0.05 |

*a* Cell entries are pairwise correlation coefficients.

*n* = 4,128 acquisition/year observations (488 US acquisitions with 128 acquisition divestments; 2000–2016 period at risk).

Correlation coefficients greater than 0.03 are significant at p < .05.

***Table 2. Cox Regression Models*** *a*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Variables* | *Model 1* | *Model 2* | *Model 3* | *Model 4* | *Model 5* |
| *Acquirer HRM quality b* |  | – 0.07 (0.14) | – 1.02 (0.40)\* | – 0.90 (0.39)\* | – 0.11 (0.41) |
| *Squared acquirer HRM quality b* |  |  | 1.14 (0.53)\* | 1.09 (0.51)\* | 0.24 (0.53) |
| *Acquirer financial slack b* |  | 0.01 (0.00)\*\* | 0.01 (0.00)\*\* | 0.06 (0.03) | 0.19 (0.03)\*\*\* |
| *Acquirer HRM quality b × Acquirer financial slack b* |  |  |  | – 0.08 (0.08) | – 0.70 (0.14)\*\*\* |
| *Squared acquirer HRM quality b × Acquirer financial slack b* |  |  |  |  | 0.68 (0.14)\*\*\* |
| *Acquirer internationalization b* | – 0.29 (0.10)\*\* | – 0.31 (0.10)\*\* | – 0.31 (0.11)\*\* | – 0.30 (0.11)\*\* | – 0.30 (0.11)\*\* |
| *Acquirer experience with the US (log.) b* | 0.28 (0.19) | 0.26 (0.19) | 0.28 (0.19) | 0.26 (0.19) | 0.24 (0.16) |
| *Acquirer experience with US acquisitions (log.) b* | – 0.14 (0.07) † | – 0.12 (0.07) | – 0.13 (0.08) | – 0.13 (0.07) † | – 0.13 (0.07) † |
| *Acquirer experience with US divestments (log.) b* | 0.12 (0.06) † | 0.11 (0.06) † | 0.13 (0.06)\* | 0.14 (0.06)\* | 0.12 (0.06)\* |
| *Acquirer ROA b* | – 0.69 (0.22)\*\* | – 0.66 (0.22)\*\* | – 0.67 (0.23)\*\* | – 0.65 (0.23)\*\* | – 0.67 (0.23)\*\* |
| *Acquirer CEO change* | 1.08 (0.29)\*\*\* | 1.14 (0.30)\*\*\* | 1.20 (0.30)\*\*\* | 1.18 (0.31)\*\*\* | 1.19 (0.30)\*\*\* |
| *Relative size* | 0.04 (0.01)\*\*\* | 0.05 (0.01)\*\*\* | 0.05 (0.01)\*\*\* | 0.05 (0.01)\*\*\* | 0.05 (0.01)\*\*\* |
| *Transaction price (log.)* | 0.03 (0.15) | 0.04 (0.15) | 0.05 (0.16) | 0.05 (0.16) | 0.05 (0.16) |
| *Acquirer-to-acquired firm relatedness* | – 0.12 (0.07) | – 0.10 (0.08) | – 0.10 (0.08) | – 0.11 (0.07) | – 0.10 (0.07) |
| *Acquired firm industry effects c* | Yes | Yes | Yes | Yes | Yes |
| *Acquisition year effects c* | Yes | Yes | Yes | Yes | Yes |
| *Log pseudo-likelihood* | – 643.59\*\*\* | – 641.20\*\*\* | – 631.88\*\*\* | – 631.12\*\*\* | – 628.34\*\*\* |

*a* Numbers in parentheses are robust standard errors that correct for the clustering of acquirer effects (59 clusters). Positive (negative) coefficient estimates indicate greater (lower) probability of acquisition divestment (measured by the hazard rate of acquisition divestment).

*b* Time-varying covariate.

*c* Coefficient estimates and clustered robust standard errors for *acquired firm industry effects* and *acquisition year effects* are available upon request.

*n* = 4,128 acquisition/year observations (488 US acquisitions with 128 acquisition divestments; 2000–2016 period at risk).

† *p* < .01, \* *p* < .05, \*\* *p* < .01, \*\*\* *p* < .001.

***Table 3. Cox Regression Models*** *a*

|  |  |
| --- | --- |
| *Variables* | *Model 5* |
| *Acquirer HRM quality b* | – 0.47 (0.65) |
| *Squared acquirer HRM quality b* | 0.74 (0.79) |
| *Acquirer financial slack b* | 0.14 (0.06)\* |
| *Acquirer HRM quality b × Acquirer financial slack b* | – 0.63 (0.29)\* |
| *Squared acquirer HRM quality b × Acquirer financial slack b* | 0.73 (0.30)\* |
| *Acquirer internationalization b* | – 0.35 (0.23) |
| *Acquirer experience with the US (log.) b* | 0.21 (0.36) |
| *Acquirer experience with US acquisitions (log.) b* | 0.04 (0.16) |
| *Acquirer experience with US divestments (log.) b* | – 0.40 (0.19)\* |
| *Acquirer ROA b* | – 0.85 (0.41)\* |
| *Acquirer CEO change* | 1.23 (0.48)\*\* |
| *Relative size* | 0.08 (0.01)\*\*\* |
| *Transaction price (log.)* | – 0.06 (0.24) |
| *Acquirer-to-acquired firm relatedness* | – 0.20 (0.10) † |
| *Acquired firm industry effects* | Yes |
| *Acquisition year effects* | Yes |
| *Acquirer effects* | Yes |
| *Log pseudo-likelihood* | – 604.25\*\*\* |

*a* Numbers in parentheses are robust standard errors that correct for the clustering of acquirer effects (59 clusters). Positive (negative) coefficient estimates indicate greater (lower) probability of acquisition divestment (measured by the hazard rate of acquisition divestment).

*b* Time-varying covariate.

*n* = 4,128 acquisition/year observations (488 US acquisitions with 128 acquisition divestments; 2000–2016 period at risk).

† *p* < .01, \* *p* < .05, \*\* *p* < .01, \*\*\* *p* < .001.

***Table 4. Cox Regression Models*** *a*

|  |  |  |
| --- | --- | --- |
| *Variables* | *Model 5 for acquisitions with low relatedness scores* | *Model 5 for acquisitions with high relatedness scores* |
| *Acquirer HRM quality b* | 0.47 (0.79) | – 0.31 (0.58) |
| *Squared acquirer HRM quality b* | – 0.57 (1.03) | 0.53 (0.64) |
| *Acquirer financial slack b* | 0.16 (0.06)\*\* | 0.23 (0.07)\*\* |
| *Acquirer HRM quality b × Acquirer financial slack b* | – 0.57 (0.23)\* | – 1.11 (0.40)\*\* |
| *Squared acquirer HRM quality b × Acquirer financial slack b* | 0.51 (0.23)\* | 1.35 (0.47)\*\* |
| *Acquirer internationalization b* | – 0.28 (0.08)\*\* | – 0.42 (0.19)\* |
| *Acquirer experience with the US (log.) b* | 0.66 (0.29)\* | – 0.05 (0.22) |
| *Acquirer experience with US acquisitions (log.) b* | – 0.20 (0.10) † | – 0.19 (0.13) |
| *Acquirer experience with US divestments (log.) b* | 0.13 (0.09) | 0.24 (0.09)\* |
| *Acquirer ROA b* | – 0.48 (0.31) | – 0.97 (0.42)\* |
| *Acquirer CEO change* | 1.18 (0.45)\*\* | 1.55 (0.48)\*\* |
| *Relative size* | 0.95 (2.10) | 0.05 (0.03) † |
| *Transaction price (log.)* | 0.02 (0.30) | – 0.10 (0.22) |
| *Acquirer-to-acquired firm relatedness* | – 0.30 (0.33) | – 0.16 (0.45) |
| *Acquired firm industry effects* | Yes | Yes |
| *Acquisition year effects* | Yes | Yes |
| *Log pseudo-likelihood* | – 259.53\*\*\* | – 251.98\*\*\* |
| *n (acquisition/year)* | 1,596 | 2,532 |

*a* Numbers in parentheses are robust standard errors that correct for the clustering of acquirer effects (59 clusters). Positive (negative) coefficient estimates indicate greater (lower) probability of acquisition divestment (measured by the hazard rate of acquisition divestment).

*b* Time-varying covariate.

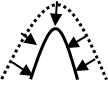
† *p* < .01, \* *p* < .05, \*\* *p* < .01, \*\*\* *p* < .001.

***Figure 1. The Research Model***

H1

Acquisition  
divestment

HRM quality



H2

Financial slack

***Figure 2. Curvilinear Relationship between the Level of Acquirer’s HRM Quality  
and the Probability of Acquisition Divestment***



***Figure 3. Effect of Acquirer Financial Slack on the Curvilinear Relationship between the Level of Acquirer’s HRM Quality and the Probability of Acquisition Divestment***

