Cass Business School
CITY UNIVERSITY LONDON

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A major deal in year one improves CEO performance in the long-run
CEOs only have around 4 years to make their mark

CEOs that perform a major deal during their first year in office outperform their peers in the long-run, new research from the M&A Research Centre (MARC) at Cass Business School shows. The study also reveals that, contrary to market wisdom, the median tenure for a CEO is just 4.4 years giving them a relatively small window for 'game-changing' action.

The MARC team examined 276 major deals performed by CEOs, in their first year in office, between 1997 and 2009. While they found that in many cases a major strategic change was often beneficial, more than one deal invariably led to poorer performance.

The report highlights four conditions that are likely to provide the appropriate environment for a new CEO to make a major deal

- **Type of succession:** if the CEO is appointed as the replacement for a predecessor who was 'forced out'
- **Type of recruitment:** if the CEO is appointed externally.
- **Firm Performance:** if the share performance has fallen below the expected level, prior to the CEO appointment
- **Corporate governance:** if the company has a high percentage of institutional share holders.

Some interesting cross-country findings emerge from the study:

- CEOs of UK firms are more acquisitive than their peers on the continent
- CEOs of Spanish firms have shorter time in office, relative to their European peers
- CEOs of German firms are more prudent with the highest median age at appointment, longest median tenure and longest median time to first acquisition.

Scott Moeller, Director of the Mergers and Acquisitions Centre at Cass says: "A new CEO knows that they are not going to be around forever. They have a limited amount of time to make an impact. A small acquisition might not do it. If you want to leave your mark on an industry; if you want to change the landscape, you have to do it and you have to do it quickly. One reason M&As at this stage may stand a better chance of working is because they are doing the deal for the right reasons."

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Notes to editors:

The MARC Team, led by Professor Scott Moeller, conducted this comprehensive study in collaboration with Allen & Overy, Credit Suisse and FT/Mergermarket

MARC – Mergers & Acquisitions Research Centre

MARC is the Mergers and Acquisitions Research Centre at Cass Business School, City University London – the first research centre at a major business school to pursue focussed leading-edge research into the global mergers and acquisitions industry,

MARC blends the expertise of M&A accountants, bankers, lawyers consultants and other key market participants with the academic excellence of Cass to provide fresh insights into the world of deal making.

Cass Business School

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Cass has the largest faculties of Finance and Actuarial Science and Insurance in Europe. It is ranked in the top 10 UK business schools for business, management and finance research and 90% of the research output is internationally significant.

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