Marriage to the Same Kind: Organizational Political Ideology and Mergers and Acquisitions*

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INTRODUCTION

Merger and acquisition (M&A) activity has grown significantly in recent years, with reported deal values well above historical averages (Kengelbach et al., 2017). A key challenge for managers involved in M&As is to retain employees post-merger (Ernst & Vitt, 2000; Younge, Tong, & Fleming, 2015). Studies have shown that employee turnover post-merger has important implications for the M&A, for instance, it compromises transfer of know-how (Ahammad, Tarba, Liu, & Glaister, 2016), integration (Ernst & Vitt, 2000), and the overall performance of the merger (Ahammad et al., 2016).

To understand why employees leave post-merger, a stream of research has examined the effect of culture; surmising that employees leave the merger mainly because cultural differences create identification issues, which in turn, trigger conflicts and reduce commitment within the newly formed organization (Cho, Lee, & Kim, 2014; Van Knippenberg, Van Knippenberg, Monden, & de Lima, 2002). In this vein, studies have examined how effective communication and other methods of active human resource management post-merger, such as creating shared organizational values, can reduce conflicts and employee turnover (Birkinshaw, Bresman, & Håkanson, 2000).

Despite the risks in mergers that arise from employee turnover, the literature has not adequately explored how managers can proactively work *before* the M&A announcement to reduce the probability of losing employees (Younge et al., 2015). Yet managers at the acquiring firm should be motivated to manage the risk of employee turnover post-merger early on in the acquisition process because the firm undertakes significant commitment at the stage of bidding for the target company. A few studies have recognized that managers try to deal with M&A risks proactively (Coff, 1999, 2002), and more to the point, Younge et al. (2015) have found that anticipated employee departure from a focal firm had a negative effect on the likelihood of the firm becoming an acquisition target. Their study, however, did not deal with the

underlying organizational challenge of addressing deep-seated value differences between the merging workforces. Yet, anecdotal evidence suggests that managers do consider organizational values in their ex-ante assessment. For example, the CEO of Lincoln Electric discussed the company's unique culture that contributed to productivity, and how decisions about potential acquisitions considered the prospect for implementing a similar culture (Hastings, 1999). Therefore, from a theoretical, as well as a practitioner standpoint, examining merging organizations' compatibility in terms of their *value profiles* prior to the merger could help ensure employee fit with the newly formed organization and prevent attrition. However, research is lacking in this area, because unless some stable, apriori gauge of values relevant to an individual's self-concept are identified, it will be difficult to study how value profiles factor into merger considerations.

Recent literature and anecdotal evidence, however, suggest that employees whose *political ideology* is at odds with the political ideology of their organization are more likely to leave their company. Political ideology, in an organizational context, is defined as the prevailing values amongst organizational members on how society and micro-societies, such as the organization, should operate, and it includes convictions on what outcomes are desirable, and how they should be achieved (Gupta, Briscoe, & Hambrick, 2017). Specifically, Bermiss and McDonald (2018) draw on Person-Organization (P-O) fit, defined as the conguence between individual employee values and those of the organization (Chatman, 1991), to argue that when employees experience misfit in political ideology they are more likely to leave. These researchers find that employees whose political ideology is more conservative than the firm's are more likely to leave the firm; moreover, employees who experience misfit are more likely to join firms that exhibit ideologies closer to their own. Separately, press articles highlight ideological conflict within organizations; for example, there are reports in the press of employees revolting against their employers' social practices, conflicts amongst employees

due to different political ideologies, and differential treatment of employees by employers (Fortson, 2018; Kuchler, 2018).

Motivated by this evidence, this study introduces to the M&A literature the idea of organizational political ideology matching; suggesting that managers at the acquiring firm become aware that potential mismatching of the merging organizations' political ideologies can hinder employee retention post-merger, and therefore they avoid such mergers. Organizational political ideology is different from organizational culture, in that the latter is largely invented, discovered, or developed by a given group (Schein, 1990), whereas the former is extra-organizational – imported by employees into an organization as it is reflective of their personal values, and is therefore relatively coherent and stable. As a result, unlike organizational culture, which can be engineered post-merger to foster a common identity between the merging organizations , organizational political ideology cannot be contrived (Jost, Federico, & Napier, 2009). In addition, studies have supported that culture is multilevel; formed by the co-existence of national, industrial, organizational, functional and professional cultures (Teerikangas & Very, 2006). Drawing on this literature we suggest that organizational political ideology is another layer of culture that operates at the societal level, and therefore, sits on top of organizational culture. This is because political ideology deals with the higher order social values of the individual, which are innate, develop early in life, and are stable over time (Jost et al., 2009). Consequently, political ideology is likely to be a deeply rooted part of individuals' orientations, and thus, differences between merging organizations may easily create P-O misfit.

The idea that M&As are influenced by the ideological leanings of the merging organizations raises an important research question: 'Does similarity of the political ideologies of the merging organizations affect merger likelihood?'. To shed light on this research question this paper draws on the literature on P-O fit (Chatman, 1989, 1991) and the research on political

ideology (Chin, Hambrick, & Treviño, 2013; Gupta et al., 2017; Jost et al., 2009) to posit that, given the importance of a matching organizational ideology for retaining employees, managers of the acquiring firm are more likely to bid for likeminded partner organizations, given that other important factors for the M&A are met. To elaborate on the logic that drives the main relationship, we suggest that the strength of the relationship of similar political ideology between the merging organizations and the likelihood of announcement should be stronger when the political ideology in the acquiring organization is more homogeneous, since this may imply that ideology matters more to employees. Moreover, we suggest that managers may be more motivated to seek matching ideologies in mergers of firms with higher human-capital intensity, because retention of employees is much more critical in such mergers.

This study makes several contributions. First, we integrate P-O fit literature with political ideology literature to introduce the concept of organizational political ideology into the debate over the influence of organizational values on M&As. We suggest that managers consider ideological matching when bidding for an M&A target because social perspectives have material repercussions on perceptions of P-O fit and employee turnover (Bermiss & McDonald, 2018; Sacco & Schmitt, 2005). This matching perspective is necessary for extending the theoretical application of political ideology to settings of inter-organizational partnerships where employees become part of a new organization. To date, the literature on organizational political ideology has been mainly concerned with internal issues such as equality and CSR. Second, our approach extends the literature on the cultural perspective of M&As, which attempts to gauge the potential compatibilities between two merger partners (Riad, 2005). By delving deeper into the issue of cultural problematics (Angwin & Vaara, 2005), we are able to go beyond traditional organizational cultural differences to search for a new concept (political ideology) to explain M&A difficulties. We contend that, since political ideology, by definition,

is rooted in individuals' core concept and deals with higher order social beliefs, it is a more difficult aspect of incompatibility to manage post-merger.

BACKGROUND AND HYPOTHESES

Research that has examined the impact of M&As on *employees* has largely shown that cultural mismatch is detrimental because it creates organizational identification issues (Rottig & Reus, 2018; Van Knippenberg et al., 2002). Organizational identification signifies the attachment of employees to their organizations (Herrbach, 2006), and manifests itself in a variety of sometimes non-conscious prosocial behaviors toward the organization (Cho et al., 2014). If one's self-concept is partially based on one's organizational membership, theoretically it stands to reason that one will participate in the activities of that organization because such participation clarifies and affirms the self-concept (Cho et al., 2014). Conversely, if employees dis-identify with the merged entity due to cultural mismatch, this will lead to negative affect, lowered commitment (Fugate, Kinicki, & Scheck, 2002; Terry, Carey, & Callan, 2001) and greater turnover (Cho et al., 2014).

Relatedly, notions of person-organization fit are particularly prominent in discussions on employee dissatisfaction and pressures to leave (Bermiss & McDonald, 2018). Whilst M&A research generally does not refer explicitly to P-O fit, P-O fit belongs to the larger genre of interactional organizational research, and individuals' identification with their organizations can be construed to be a part of this. For example, models of P-O fit (Chatman, 1989, 1991) examine how (in)congruence between a person's values and those of the organization impacts a variety of organizational outcomes (Bermiss & McDonald, 2018, p. 2183). Employees who experience P-O misfit may feel unwelcome and experience alienation which leads to dissatisfaction, withdrawal and departure (Chatman, 1989). Moreover, P-O fit can be shaped by congruence in political ideology (Dutton, Dukerich, & Harquail, 1994), and misfit can lead to employee turnover (Bermiss & McDonald, 2018).

The concern about ideological fit is heightened in M&As because political ideology is found to be stable and enduring regardless of context (Block & Block, 2006). In the research on political ideology, there is consensus that people adhere to certain political ideas due to their intrinsic relational, epistemic, and existential needs, and therefore, ideology cannot simply be contrived by membership in groups, such as by position in society or through organizational membership (Jost, 2006). Political ideology is, in fact, a complex compendium of heredity, childhood influences and temperament, situational and dispositional variability in social, cognitive, and motivational needs to reduce uncertainty, and, at the same time, tends to be rooted in a corresponding value system which is part of the broader society (Gupta et al., 2017; Jost et al., 2009). Therefore, according to research, individuals exhibit either a proclivity toward a liberal stance or conservative orientation (Jost et al., 2009). Conservatives (liberals) tend to be more (less) supportive of inequality, mistrustful (trustful) of human nature, disciplinary (less disciplinary) toward norm violators, and have greater (less) personal need for order and closure (Jost et al., 2009; Tetlock, Vieider, Patil, & Grant, 2013). Such inclinations have implications on a whole host of social issues, including marriage, the family unit, the role of government, the work ethic, and capitalism, amongst others (Jost, Nosek, & Gosling, 2008).

Additionally, and more to the purpose of this study, ideologies are likely to endure within organizations through the processes of attraction-selection-attrition (Schneider, 1987). Research on attraction-selection-attrition processes has shown that employees are attracted to and remain in organizations that resonate with their personal leanings (Chatman, 1991). The alternative, person-organization misfit, often leads to negative employee work experiences that increase attrition likelihood (Bermiss & McDonald, 2018; Sacco & Schmitt, 2005). Therefore these evolutionary processes may in many organizations give rise to distinct political ideologies, shifting firms' practices and structures in the direction of the dominant ideology (Schneider, 1987).

Organizational political ideology similarity and M&A announcements

Building on research which shows that political ideology substantially contributes to (mis-)fit perceptions in organizations (Johnson & Roberto, 2018; Roth, Goldberg, & Thatcher, 2017), we note that social values are part of the self- concept, and individuals look to their organization to reinforce these values (Besharov, 2014). M&As should amplify misfit issues when political ideologies in the merging organizations are widely disparate, because these M&As dilute the dominant ideology in the merging organizations by juxtaposing inimical beliefs which may be uncomfortable for employees in both organizations (Van Knippenberg et al., 2002). Ideology serves as a "guide for action" for organizational members in deciding whether to accept (or not) certain practices or policies. Therefore, when the ideologies of the merging organizations are widely disparate, contrasting social beliefs on issues that occupy every-day life in the work environment, such as gender or minority equality, or effort-pay practices, may be perceived by employees as differences that are difficult to traverse (Dutton et al., 1994). This results in a lack of social cohesion which emanates from employees not sharing similar values (Tsui, Egan, & O'Reilly, 1992).

At the same time, ideological differences are also deep-level in nature and as such are divisive and much harder to bridge (Swigart, Anantharaman, Williamson, & Grandey, 2020). This is supported by prior work on P-O fit which has demonstrated that individuals who deviate from the prevailing ideological environment in organizations feel stronger hostility and alienation from their colleagues (Chatman, 1991; Duarte et al., 2015; Sacco & Schmitt, 2005). For example, Duarte et al. (2015) reported that conservative-leaning graduate students in liberal leaning academic organizations faced intense hostility and ridicule that forced them to stay "in the closet" regarding their political beliefs, or else they had to leave. Given such costs, it is conceivable that employees who do not fit-in in a merger may try to adapt to the organizational ideology of the newly formed organization in some superficial way. However, studies have

shown that maintaining such facades of conformity leads to more exhaustion, withdrawal cognitions (Bermiss & McDonald, 2018; Swigart et al., 2020), and turnover (Bermiss & McDonald, 2018). Indeed, Bermiss and McDonald (2018) argued that employees experiencing misfit regard it as detrimental to their sense of social cohesion and well-being within their organization, and eventually leave the firm.

Conversely, similarity of political ideology between merging organizations should predispose employees to stay because employees will share the same political ideology with the newly formed organization. To the extent that political ideology was a reason for an individual joining their organization, according to the ASA model, these employees should still experience fit with the newly formed organization. P-O fit should improve job satisfaction and commitment since employees can engage in a meaningful way with the newly formed organization (Kristof-Brown, Zimmerman, & Johnson, 2005). For example, findings show that such strong identification between colleagues fosters feelings of closeness and enriches social interactions (Dokko, Kane, & Tortoriello, 2014; Wilson, Boyer O'Leary, Metiu, & Jett, 2008).

Managers, through socialization processes and their familiarity with mid- and low-level executive proposals (Briscoe & Joshi, 2017; Gupta et al., 2017) may be aware that organizational political ideology is important for employees, and that preserving it may help with post-merger retention. This is consistent with research which shows that managers adopt certain practices or policies in line with the collective (Gupta & Briscoe, 2019; Gupta et al., 2017). For example, Gupta et al. (2017) have discussed how political ideology develops in some organizations into a prevailing and salient system, and that, employees in liberal leaning organizations will tend to propose, promote and approve CSR initiatives because they share stronger views about the company's responsibilities toward stakeholders.

To the extent that managers are aware that P-O misfit in ideology may lead to employee turnover post-merger, they may proactively try to manage this risk. As we discussed, previous

studies have shown that acquirers take proactive actions to protect the merger (Coff, 1999, 2002), and in particular, Younge et al. (2015) indicated that firms tend to avoid acquisitions when they anticipate high employee turnover after the merger. Consequently, since organizational political ideology is salient and a mismatch can create significant problems for the M&A through employee departures, managers may proactively try to manage this risk by bidding for organizations that are ideologically similar to their own. Therefore, we expect that:

H1: The probability of announcement of a merger increases when the merging firms have more similar organizational political ideologies.

Homogeneity in ideology among employees within the organization should imply that ideology matters more for employees than when ideology is heterogeneous. Drawing on the ASA model (Schneider, 1987), we argue that homogeneity in ideology within the organization develops because ideology acts as a magnet for similarly minded people. Organizations *can* drift toward member homogenization because individuals are attracted to places where current members and policies suit them (Gupta et al., 2017). Where homogeneity in organizational ideological leaning arises, this would be reinforced over time by further homogenizing evolutionary processes (Gupta & Briscoe, 2019). As Gupta et al. (2017) assert, the clustering of individuals with similar political ideology within an organization and their ongoing interactions will give rise to a prevailing system of political ideology-related beliefs that is more salient to insiders and even, to a certain extent, to outsiders. Conversely, if ideology is more heterogeneous within the acquiring organization, this would imply that people are less attracted to that organization on the basis of ideology.

Consequently, we assert that when ideology matters more for employees, as shown by the degree of homogeneity of ideology within the organization, managers tend to take greater notice of this as a factor, because, as we have discussed, employees through their actions create managerial perceptions about the organization's social preferences (Gupta et al., 2017). In such

a scenario, organizational political ideology may be more pertinent to corporate decision-making. Indeed, researchers note that managers, due to their cognitive limitations, tend to pay more or less attention to organizational conditions depending on the circumstance (Cyert & March, 1963). This stream of literature suggests that organizational context fundamentally shapes the decision criteria that managers consider and prioritize (Gupta & Briscoe, 2019).

Therefore, to the extent that managers become more aware that employees draw on political ideology to identify with their organization, and that this factor increases employee retention, acquirers with more homogeneous ideology are more likely to announce mergers with targets with similar political ideology. By contrast, when political ideology is more heterogeneous, P-O political ideological misfit after the merger may not be perceived as important, which may lead to less concerns about employee turnover as a result of political ideology differences. Therefore, acquirers may be less likely to seek targets with similar organizational political ideology. According, we posit that:

H2: The positive relationship between the similar organizational political ideologies of the merging firms and the probability of announcement of a merger will be strengthened when the political ideology within the acquiring organization is more homogeneous.

As we have discussed, in an M&A, employee retention is important for transfer of know-how (Ahammad et al., 2016; Coff, 1999). Nevertheless, when high human-capital intensive firms are involved in the merger, employee retention becomes even more important for two reasons. First, human-capital intensive firms tend to rely heavily on “knowledge workers” for running the firm’s operations and depend on these employees to transfer know-how to the merger in key areas such as production and marketing (Coff, 1999). These are employees with a high level of education, and whose work involves complex tasks, such as handling abstract information in contexts of non-routine problem solving (Davenport, 2013). Second, knowledge workers have greater opportunity for employment outside of their firm because of the skills

and know-how they have gleaned over the years from a rigorous education system, as well as the proprietary knowledge that they may have gained from the focal firm. Therefore, employee attrition may deter to a greater extent the transfer of know-how, creating a greater knowledge vacuum in critical functions of the merger that involve tacit knowledge, such as the production function (Tan & Rider, 2017).

Stakeholder theorists, such as Clarkson (1995), argue that managers will tend to take employee preferences into account particularly when the corporation is very dependent on this crucial stakeholder group, and retaining these employees is deemed critical for the firm. Therefore, to the extent that mergers with similar political ideologies create P-O fit and increase employee retention post-merger, firms may more vigorously seek to retain employees in more human-capital intensive mergers, and therefore, are more likely to choose a target firm with similar political ideology. By contrast, in less human capital-intensive mergers firms may pay less attention to similar political ideology in choosing a partner because employees may find it more difficult to leave the merger, and in addition, the difficulty of transferring know-how, and the loss of know-how due to employee attrition may be less important for the merger. Accordingly, we assert that:

H3: The positive relationship between the similar organizational political ideologies of the merging firms and the probability of announcement of a merger will be strengthened the higher the human-capital intensity of the merging firms.

METHODS

Research Design

To test our hypotheses we model a choice problem (McFadden (1973). To construct meaningful alternatives to actual M&A pairs ideally, we need to know what alternative target firms were considered by the acquirer. Nevertheless, this information is not available and as a second-best alternative we seek to identify hypothetical pairs that match the characteristics of

the actual M&A, as well as the characteristics of the acquirer and the target. To achieve this, we first identified actual M&A pairs, and then, we performed a matching procedure to identify meaningful hypothetical M&A pairs (i.e. pairs of companies that could have proceeded with an M&A, but did not). The matching procedure, as described in detail in the next section, was performed along two dimensions: (i) Actual M&A pair characteristics, and (ii) Acquirer and target firm characteristics. Finally, we employed conditional logistic regression analysis to model the probability of being an actual rather than a hypothetical M&A deal (McFadden, 1973). This approach is suitable for our setting because it uses variation only among the actual M&As and their *corresponding* hypothetical M&A deals, conditional on the likelihood of control variables.

Actual and hypothetical M&A pairing sample

To construct our actual M&A pair sample, we used multiple sources of data. First, we identified M&A deals announced during the period 1996-2014 from Thomson Financials' Security Data Corporation (SDC) database. We excluded M&A deals that did not satisfy the following requirements: (i) M&As that were not coded as mergers, acquisitions of majority interest, or acquisitions of assets, (ii) M&As that were not considered as friendly, (iii) M&As where the acquirer company did not obtain control of the target shares (i.e. at least 51% of the target shares) or had control of the target shares prior to the deal, (iv) M&As where either the acquirer's or the target's CUSIP/TICKER could not be matched with Standard and Poor's ExecuComp, and (v) M&As where either the acquirer or the target are not US based. Second, we used the Center for Research in Security Prices (CRSP) database to identify historical names of firms and ExecuComp database to identify firms' executives, and then, merged this information with the Database on Ideology, Money, and Elections (DIME) (Bonica, 2016). DIME provides a unique contributor ID that was constructed using a record linkage algorithm (Bonica, 2014). This ID eases the process of retrieving political donations of all

firm's employees by accurately matching all the employees of each firm. Finally, we obtained firms' financial information from Standard and Poor's Compustat Annual and Segment database. The final sample consists of 479 actual M&As with available financial information, and information about employees' political donations.

To construct our hypothetical M&A pair sample we used a matching procedure. First, we included a time-related condition because actual M&As cluster in specific periods of time (Harford, 2005). In addition, to avoid M&A confounding effects, we required that firms did not engage in an M&A deal during either the corresponding fiscal year or the year before the M&A announcement. Second, like Rogan and Sorenson (2014) we used coarsened exact matching (CEM) to identify hypothetical M&A pairs that exhibit similar *pair characteristics* relative to the actual M&A pair. According to Iacus, King, and Porro (2012), CEM dominates other common techniques that match based on observables. Pair characteristics are informed by prior literature and include the product similarity score (Hoberg & Phillips, 2010), the distance between acquirer and target headquarters (Ragozzino & Reuer, 2011), the difference between acquirer and target size (Rhodes-Kropf & Robinson, 2008), and the difference between acquirer and target market-to-book ratio (Rhodes-Kropf & Robinson, 2008). For each actual M&A pair, we chose as eligible hypothetical M&A pairs the ones that belong to the same strata. Pair characteristics concerning political ideology are left out of the matching procedure in order to examine their direct effects. Finally, among the eligible hypothetical M&A pairs we used another CEM algorithm to find hypothetical acquirer and target firms that exhibit similar *firm characteristics*. To avoid covariate imbalance problems between actual and matched hypothetical M&A pairs we chose a parsimonious model and included as covariates the size and the market-to-book ratio. We separately used CEM algorithm for (i) actual acquirer and hypothetical acquirer and (ii) actual target and hypothetical target. Among the eligible hypothetical M&A pairs we then selected all the pairs where the acquirer (target) also belonged

to the corresponding acquirer (target) strata. There is no hard rule that oversees the selection of matched hypothetical M&A pairs, but generally fewer hypothetical M&A pairs per actual M&A pair produce larger standard errors. Thus, following Rogan and Sorenson (2014), we randomly selected up to ten hypothetical M&A pairs. When the eligible hypothetical M&A pairs were less than ten, we selected all the firms. Our results remain robust when using fewer matched hypothetical M&A pairs, such as, three pairs per actual M&A pair. The final sample consisted of 2,899 hypothetical M&A pairs.

Variables and measurement

The unit of analysis is the M&A pair, which consists of actual M&A pairs and hypothetical M&A pairs.

Dependent Variable

To investigate the role of organizational political ideology on M&A pairing we used a dichotomous variable (*Actual M&A Dummy*) that enabled us to compare the similarity of organizational political ideology in actual M&A pairs with hypothetical M&A pairs. We measure the dependent variable at year *t* and the main explanatory variables, the moderator variables and the control variables at year *t-1*.

Main explanatory variable

M&As with similar organizational political ideology. We have used the measure developed by Gupta et al. (2017) because this measure is shown to exhibit coherence when aggregated at firm level. Specifically the scores are reliable across different parts of the organization, and, in line with the ASA model, the scores are stable over time (Gupta et al. (2017). The measure utilizes four-dimensions of the organization's political ideology based on the political donations made by each firm's employees to Democratic and Republican parties, their candidates and associated political action committees (PACs), as recorded in DIME. It worth noting that donations made by the CEO and the top management team (TMT), as identified in

Execucomp, are not included when constructing this measure. A separate measure of CEO/TMT is described below and is included as a control variable. The key dimensions of the measure were the following: (i) total amount given to the Democratic Party (in dollars) divided by the total amount given to both parties; (ii) number of donations to the Democratic Party, divided by the number given to both parties; (iii) number of unique employee donors to the Democratic Party, divided by the number of employee donors to both parties; and (iv) number of unique Democratic recipients of donation, divided by the number of all unique recipients. Each dimension ranges from 0, more conservatism, to 1, more liberalism. We estimated the measure at the organization level using employee data from the five most recent election cycles (*organizational political ideology*). We chose five election cycles to alleviate biases from incidental or token behaviors (Chin et al., 2013). Nevertheless, our findings remain qualitatively similar if we had instead chosen two election cycles, which is the shortest window used by previous studies (Cooper, Gulen, & Ovtchinnikov, 2010; Gupta et al., 2017). Finally, we estimated the similarity of organizational political ideology as the absolute difference of the organizational political ideology between the M&A acquirer and its target multiplied by -1 (s|*Organizational political ideology*|), whether actual or hypothetical. We multiplied by -1 so that larger values indicate greater similarity.

Moderator variables

Acquirer's organizational political ideology homogeneity. Homogeneity of political ideology within the organization implies that employees largely adopt similar ideology. Therefore, we measured the homogeneity of an acquirer's organizational political ideology using the coefficient of variation, defined as the standard deviation of each individual employee political ideology score deflated by the average score among all employees. We multiplied the measure by -1 so that larger values indicate greater homogeneity (*Acquirer's organizational political ideology homogeneity*). Because the measure of organizational political ideology includes two

dimensions (iii and iv) which are meaningless when measuring ideology at employee level, the individual employee political ideology score was constructed by adopting the approach of Chin et al. (2013). Specifically, we constructed a four-dimensional measure of employee's political ideology by using the contributions of each employee in the last ten years. The four dimensions are the following: (i) number of donations to the Democratic party, divided by the number of donations to both parties; (ii) total dollar amount given to the Democratic party divided by the total amount given to both parties; (iii) the number of years (over the 10-year window) the employee made donations to the Democratic party divided by the number of years donations were made to either party; and (iv) number of unique Democratic donation recipients, divided by the number of all unique recipients. The individual employee political ideology score was the average of these dimensions.

M&A human-capital intensity. Similar to Gupta et al. (2017), we assumed that human-capital intensity is predominantly positively related to the average employee pay. Thus, we created a proxy of M&A human-capital intensity using the average employee's pay between acquirer and target. The employee's pay is defined as the ratio of staff and related expenses to the number of employees. If the ratio was missing, we used a predictive linear regression to impute missing data. Specifically, the dependent variable was the employee expense deflated by the number of employees and the antecedents of employee compensation were based on the organizational and environmental contexts of the firm. Concerning organizational context, we included income statement items such as cost of goods sold and the selling, general and administrative expenses that capture information about an organization's total expenses. In addition, because larger firms may pay employees more (Brown & Medoff, 1989) we also controlled for firm size using total sales. All variables are deflated by the number of employees.

An organization's environmental context may also influence employee compensation in an indirect way, for instance, through an analysis of factors such as demand and supply of

labor, economic conditions, and cost of living. Because such factors change across different environmental conditions, some of the organizational context's relationships with employee compensation will not be stable; rather, they will vary across time. To control for the indirect impact of an organization's environmental context in the model, we (i) estimate the model on a yearly basis, (ii) interacted each independent variable with industry dummies, and (iii) include state fixed effects, based on the location of an organization's headquarters. Estimating the model on a yearly basis controls for the instability among coefficient estimates (i.e., the coefficient of cost of goods sold, selling, general and administrative expenses, sales, and size vary across time), which may arise due to changes in the environmental context. In addition, interacting the independent variables with industry dummies enable us to further capture unique aspects that characterize each industry. Finally, we included state fixed effects controls for time-invariant state heterogeneity. For instance, demand and supply of labor and the cost of living are expected to be more homogeneous among same state organizations.

Using this approach, we estimated the regression model and evaluated the coefficient estimates using information for each firm to estimate a predicted employee compensation as a fraction of the number of employees. Generally, the model performed very well, the average coefficient estimates of the independent variables across all the years/industries were positive, as expected, and the average adjusted R^2 was 0.78. Finally, we imputed missing employee's pay with the predicted employee's compensation as a fraction of the number of employees.

Control Variables

We control for various M&A pair characteristics: The similarity in political ideology of the TMTs at the acquiring and target firms, because TMT political ideology similarity is seen as an attribute that supports similar *decision-making style* (Swigart et al., 2020), which results in cohesiveness at the executive suite (Forbes & Milliken, 1999). However, this logic is conceptually different from our theory on organizational ideological similarity, which regards

political ideology as another level of culture that sits on top of organizational culture, and that ideological differences between merging organizations are persistent and hard to re-engineer, and thus would create P-O (mis)fit in the M&A. Therefore, to be theoretically consistent, and concentrate on P-O (mis)fit in M&As, we use TMT political ideology similarity as a control. We measured the similarity between the two TMTs' political ideology as the absolute difference in TMT's political ideology between the M&A acquirer and its target multiplied by -1 ($s|TMT\ political\ ideology|$). Other control variables included the product similarity score (Hoberg & Phillips, 2010), the difference between acquirer and target size (Rhodes-Kropf & Robinson, 2008), the difference between acquirer and target profitability (Capron & Shen, 2007), the difference between acquirer and target market-to-book ratio (Rhodes-Kropf & Robinson, 2008), the difference in distance between acquirer and target headquarters (Ragozzino & Reuer, 2011), and the difference between acquirer and target in the rights to work in a state (John, Knyazeva, & Knyazeva, 2015).

Additionally, we controlled for the following firm-level variables (for both the acquirer and target): Firm size (*Size*), defined as the natural logarithm of total assets; Firm profitability (*ROA*), defined as the ratio of earnings before interest and tax to total assets; Cash holdings (*Cash*), defined as the ratio of cash and short-term investments to total assets; Leverage (*Leverage*), defined as the ratio of long-term and current debt to total assets; Market-to-book ratio (*Market-to-Book*), defined as the ratio of the market value of assets to the book value of assets; Research and development (*R&D Expenses*), defined as the ratio of research and development expenses to sales; Advertising (*Advertising Expenses*), defined as the ratio of advertising expenses to sales.

Empirical analysis

Table 1 displays the descriptive statistics of the acquirer and target firms and the M&A pair characteristics for both the actual M&As and hypothetical M&As. Table 2 shows the

correlations of the M&A pair characteristics. Most of the variables exhibit the expected correlations. To test the impact of multicollinearity on the estimation process, we calculated the variance inflation factors (VIFs) values and the condition indices (Hair, 2009). None of these measures supported the existence of multicollinearity among the independent variables, including the interaction terms. Specifically, the highest VIF was 2.49, which is well below 10 (Menard, 2008). The highest value of the condition index was 4.23, which is well below 30.

Insert Tables 1 and 2 about here

M&A pairing likelihood

Table 3 shows the results of the conditional logistic regression. Model 1 is a baseline model that includes all the control variables. As expected, similarity in TMTs' political ideology is positive (0.43) and significant ($p = 0.060$). Moreover, consistent with prior literature, many other controls exhibit a significant effect on the likelihood of M&A pairing. Hypothesis 1 predicts that the probability of announcement of a merger increases when the merging firms have more similar organizational political ideologies. As shown in Model 2, the coefficient associated with the similarity of organizational political ideology is positive (0.26) and significant ($p < 0.001$). Thus, actual M&A pairs exhibit greater similarity of organizational political ideology than do hypothetical M&A pairs. To gain understanding of the economic importance of this result, we calculated the odds ratio for a one-unit increase in the similarity of organizational political ideology after setting all the control variables to zero i.e. setting them equal to their standardized mean. The results show that the odds of M&A pairing is 1.297, implying that a one unit increase in the similarity of organizational political ideology increases the probability of actual M&A pair by 29.7%. Thus, Hypothesis 1 is supported.

Model 3 includes an interaction term of similar organizational political ideology with the acquirer's organizational political ideology homogeneity. Hypothesis 2 predicts that the positive relationship between the similarity of the organizational political ideology in the merging firms and the probability of a merger will be strengthened the more homogeneous the organizational political ideology of the acquirer. The results in Model 3 show that the interaction term is positively related to the probability of actual M&A pairs in relation to the hypothetical M&A pairs (0.26) and significant ($p = 0.001$). Figure 1 displays the change in the probability of an actual M&A pair at a certain time as a function of similar organizational political ideology at different levels of the acquirer's organizational political ideology. When the acquirer's organizational political ideology is homogeneous (one standard deviation above the mean), it intensifies the positive relationship between the similarity of the organizational political ideology and the actual M&A pairing. No such effect exists when the acquirer's organizational political ideology is low (one standard deviation below the mean). Thus, Hypothesis 2 is supported.

Models 4 includes an interaction term of similar organizational political ideology with the human-capital intensity of the merging firms. As shown, the interaction term is positive (0.15) and statistically significant ($p = 0.012$). To further investigate this finding, in Figure 2, we plotted the change in the likelihood of an actual M&A pair as a function of similar organizational political ideology at high and low levels of human-capital intensity of the merging firms. At low levels of similarity of organizational political ideology of the merging firms, high human-capital intensive firms are less likely to merge compared to low human-capital intensive firms. In addition, at high levels of similarity of organizational political ideology of the merging firms, the two lines converge, indicating that human capital intensity has no effect on the main relationship. These findings confirm hypothesis 3 which states that the main relationship will be strengthened the higher the human-capital intensity of the merging

firms. Nevertheless, findings show that the probability of announcement is bounded at high levels of similarity of organizational political ideology, probably because employees are more likely to stay post-merger when political ideology of the merging firms is similar, and therefore, the influence of human capital intensity is less noticeable.

Finally, Model 5 presents the results of the full model. The results continue to support Hypotheses 1-3 and imply that organizational political ideology matters for merger announcements mostly when the acquirer's organizational political ideology is homogeneous and in the presence of high human capital intensity of the merging firms.

Insert Table 3, Figures 1 and 2 about here

ROBUSTNESS

Alternative matching

Our results rely on the proper identification of hypothetical M&A pairs. Therefore, as a robustness check, we pair each acquiring firm with matched hypothetical target firms. Specifically, we used CEM algorithm to find hypothetical target firms that exhibit similar size and market-to-book ratio and geographic distance between headquarters relative to the actual M&A target firms. The advantage of this matching approach is that it enables us to control for acquirer fixed factors, which may affect target selection; an example of such a factor is the acquirer acquisition experience. The results shown in Panel A of Table 4 (in the spirit of Model 2 of Table 2) are not sensitive to acquirer fixed factors.

Insert Table 4 about here

Alternative explanation

Scholars have argued that the social structure in which the organization is embedded plays an important role in M&A decisions (Cai & Sevilir, 2012). In addition, it is also possible that organizational political ideology is a product of the external social structure in which the organization is embedded. Therefore, our results could be an artifact of social structure and not organizational political ideology. One approach to deal with this issue, is to consider the information from organizational political ideology that is orthogonal (i.e., unique) to information from social structure; that is, to remove from the organizational political ideology the variation that is common with social structure. If the orthogonalized organizational political ideology still matters for the M&A likelihood, it will reinforce our conclusion that organizational political ideology contains unique information, unrelated to social structure, which is important in M&A likelihoods. To implement this idea, we estimated a linear regression model where the dependent variable is the similarity in organizational political ideology and the independent variables are factors that capture the social structure in which the firm is embedded. Assuming that social structure captures direct and indirect relationships within the firm's environment (Gulati, 1995), we used factors such as interlocked directors (Gulati, 1995), political networks (Park & Rethemeyer, 2012), geographic distance between headquarters (Sorenson & Audia, 2000), state pair fixed effects and M&A deal fixed effects. We defined interlocked directors as directors that were serving in at least one of the boards of the merging firms during the M&A announcement year and had served before on the board of the other paired firm. These directors were identified using data provided by Coles, Daniel, and Naveen (2014). We measured political networks using donations to the same candidates by (i) executives (TMT including CEO) and (ii) political action committees (PACs). Specifically, political executive networks are set to 1 when the TMTs, including the CEOs, of the M&A pairs made at least one donation to the same candidate during the five election cycles prior to the M&A announcement, and zero otherwise. Likewise, PACs networks are set to 1 when the

PACs of the M&A pairs made at least one donation to the same candidate during the five election cycles prior to the M&A announcement, and zero otherwise. To avoid counting coincidental donations to the same recipient we excluded donations made in presidential elections and donations made to PACs.

The objective of this model was to decompose the variation of similarity in organizational political ideology into a predicted component, conditional on social structure, and an unexpected component (i.e., the residual of this regression) which is the variation in similarity in organizational political ideology that is orthogonal to the social structure (i.e., not explained by social structure). We then used the orthogonalized organizational political ideology and re-ran Models 2 and 5 of Table 2. As shown in Panel B of Table 4, the results remain qualitatively similar attesting that we capture a unique organizational political ideology effect on M&A likelihoods.

In addition, we tested the robustness of our results using an alternative measure of organizational political ideology. Specifically, we used Bonica's (2016) individual political ideology scores, which are based on their contributions over time, to re-calculate organizational political ideology. Finally, we examined whether the effect of similarity of organizational political ideology on M&A likelihood is a recent phenomenon, driven by the overwhelming coverage of press on issues related to political ideology and polarization in recent years, or if it has been as salient to employees in the earlier period of our sample. Untabulated results, which are available upon request, show a similar effect on M&A likelihood using the alternative measure of organizational political ideology. In addition, the organizational political ideology effect is not a recent phenomenon, but prevails throughout the sample period.

ADDITIONAL ANALYSIS

Our basic theoretical premise is that managers choose targets with similar organizational political ideology in order to increase employee retention after the merger. We implicitly

investigate this premise by running a regression model on the sample of actual completed M&As. The dependent variable was the employee retention rate, defined as the number of employees at the merged firm three years after the merger minus the sum of the number of employees at the acquirer and target one year prior to the merger, scaled by the number of employees at the acquirer and target one year prior to the merger. The main independent variable is the similarity in organizational political ideology of the merging organizations. Control variables include M&A pair, acquirer and target characteristics.

It is possible that the characteristics of M&As with high vs low similarity in organizational political ideology may differ. If so, linear control variables may be inadequate, and any relationship between the similarity of organizational political ideology and employee retention may be due to biases arising from non-linear effects of control variables. We address this empirical challenge by employing an Entropy Balancing (EB) technique that re-weights control group observations such as mean, standard deviation and skewness of the covariates from the control group to become similar to those of the treatment group (Hainmueller, 2012). We defined as treatment group M&As with high similarity in organizational political ideology (i.e., above the mean values) and used an EB technique to identify continuous weights for the control group that balance the covariates efficiently. Then we performed a weighted OLS regression.

The results are shown in Table 5. In Model 1, the coefficient estimate of the similarity of organizational political ideology is positive (0.12) and significant ($p = 0.026$). The economic impact of this is that, a one-unit increase in the similarity of organizational political ideology increases employee retention by 12.56%. Because the dependent variable, as constructed, does not consider fluctuations of the economy across time, we also used as a dependent variable an industry-adjusted retention rate. The results in Model 2 continue to support the view that the

similarity of organizational political ideology is an important factor that influences employee retention.

DISCUSSION AND CONCLUSION

This study seeks to answer the research question, 'Does similarity of the political ideologies of the merging organizations affect merger likelihood?'. The findings provide support for a positive relationship between the similarity of organizational political ideologies and the likelihood of an actual M&A announcement relative to a hypothetical M&A announcement. In addition, we find that this relationship is strengthened (i) when the political ideology within the acquiring firm is more homogeneous, and (ii) when the merging organizations are more human-capital intensive. Moreover, additional analysis shows that similarity of organizational political ideology of the merging firms positively affects employee retention post-merger, which supports the logic that acquirers choose targets with similar organizational political ideology in order to reduce the risk of employee turnover after the merger.

This study contributes to the emerging literature on organizational political ideology and the literature on organizational values in M&As. We integrate the literature on political ideology and P-O fit to enrich the literature on the influence of organizational values on M&As. Previous studies that have examined P-O fit in political ideology have focused on employee relationships within the organization (for a meta-analysis see Kristof-Brown et al. (2005)). Moreover, another stream of literature has scrutinized the impact of organizational political ideology on firm decisions concerning internal matters, such as corporate social responsibility initiatives (Chin et al., 2013; Gupta et al., 2017). The idea of political ideology matching, in this study, extends the theoretical application of organizational political ideology to M&As, and also possibly to other inter-organizational partnerships where large numbers of employees move across organizational boundaries and integrate with employees from another organization, such as in joint ventures or in outsourcing arrangements. Likewise, in these types

of partnership employees may experience P-O political ideological misfit. Therefore, to the extent that these partnerships encompass senior management involvement in decision-making and are contractually committing (Mudambi & Venzin, 2010), managers may pro-actively act to protect against employee turnover.

In addition, our theoretical approach offers a more nuanced perspective on M&A misfit since we recognize the numerous facets of values that characterize the organizational encounter between two firms participating in an M&A and how ideological matching affects acquisition bids (refer also to Teerikangas and Very (2006)). In asserting that political ideology is imported into the organization, and is a set of higher order social values that are deeply rooted in individuals' belief systems, we assert that political ideology is a source for P-O identification in mergers. Hence, we contribute to studies which note that greater complexity than hitherto believed characterizes the organizational encounter between the two firms participating in an M&A (Teerikangas & Very, 2006). This theoretical approach extends the literature on the cultural perspective of M&As, which has tended to focus greatly on the influence of organizational culture at the post-merger stage (Stahl & Voigt, 2008).

Moreover, research is silent on the way in which organizational values influence M&A announcements, because in the early stages of the merger process there is little information to allow for any accurate diagnosis of organizational values (Teerikangas & Very, 2006). Findings show that acquirers bid for targets with similar ideology, which may suggest that managers in the acquiring firm make an effort, before the merger, to find a partner who has a matching ideology. Therefore, by studying the relationship between ideological similarity and M&A announcements, our study contributes to the understanding of factors that influence the choice of target firms. The extant literature focuses mostly on the strategic synergies and financial implications apparent at this stage of the M&A process, but pays scant attention to organizational issues (Larsson & Finkelstein, 1999).

Furthermore, we contribute to the literature on organizational identity (Anteby & Molnár, 2012; Corley & Gioia, 2004; Storgaard, Tienari, Piekkari, & Michailova, 2020) by showing that maintenance of organizational identity is no accident, but rather, is preserved by actors, such as top managers, in their effort to realize their objectives (Storgaard et al., 2020). For example, Collet, Carnabuci, Ertug, and Zou (2020) show how ideological similarity with the majority enables actors to perpetuate their ideas. In this study we show that acquirers choose targets with similar political ideology in their effort to hold the M&A together.

Finally, our findings have implications for managers. The strong ideological orientations of some organizations, and the need for employees in these organizations to voice their social beliefs and pursue advocacy in accordance with these beliefs, despite the risk of alienating workers who do not subscribe to their ideology (Smith & Korschun, 2018), may indicate how significant it is to consider P-O ideology fit in M&As, which involve the creation of a new organization. This inference is supported by our findings, which show that mergers with more similar organizational political ideologies are associated with higher employee retention. Consequently, managers who are concerned about employee turnover after the merger may consider the similarity of the organizational political ideology of the target before bidding.

As with all empirical studies, ours has its limitations. Our study assumes a two-party system, and a clear matching of parties to ideologies, which may not be apparent in certain countries. As a result, the applicability of our empirical findings should be extended with caution beyond US firms since the operationalization of political ideology is based on employee contribution data which are available in the US. However, given that the ideological terms ‘left’ (corresponding to liberal) and ‘right’ (corresponding to conservative) have consistent meaning across space and time, and that this assumption is substantiated in a variety of national contexts (Di Tella & MacCulloch, 2005), our theoretical arguments can, to some

extent, be generalized. Nevertheless, more research is needed on M&As in different country contexts using different kinds of operationalizations of political ideology.

In addition, in this study, we have measured political ideology following the methodology of Gupta et al. (2017) and we have validated the results using Bonica's (2016) CFscores. Both measures use employee donations to political parties. Although it is true that some political giving is motivated by a desire for influence, prior studies overall, conclude that donations from individuals are motivated by personal ideology (Bonica, 2014). Thus, we assert that the use of political donation data, especially when it is examined over an extended period, should yield a valid indicator of one's political ideology. Nevertheless, we acknowledge that political ideology is a complex psychological construct (Chin et al., 2013), and therefore our gauge may be less than precise. More direct observations through surveys and experiments may unveil new information on the part played by organizational political ideology in managerial decisions. Such data should also help to explicate the mechanisms supporting the link between political ideological values and managerial perceptions. Future work might therefore also harness the use of additional data sources to supplement our measure of political ideology, such as by looking at speeches by, interviews with, or surveys and media reports of top management teams (Chin et al., 2013).

Moreover, we recommend that future research examine additional contextual factors that determine when political ideology is more salient at the individual or organizational level, and therefore, when political ideology may be a bigger factor in target selection (Swigart et al., 2020). In line with this, research may ascertain the circumstances under which misfits are better enabled to manage their dissimilarity within the newly formed organization, and therefore, reduce the risks of employee turnover post-merger (Edwards, Caplan, & Van Harrison, 1998). For example, studies suggest that misfits preserve a positive sense of self by choosing with which organizational values to identify (Besharov, 2014). Such research would also extend the

literature on political ideology post-merger, and enrich the literature on managing cultural differences (Stahl & Voigt, 2008). In addition, the concept of organizational ideological matching is relevant in many corporate contexts, since (mis-)matching of ideologies may influence employees' perceptions of cultural fit when employees from different organizations come to work together (Van Knippenberg et al., 2002). Consequently, future studies may examine political ideology matching within the perspective of P-O fit to other areas of corporate partnership where employees move across organizational boundaries, such as with respect to joint ventures and outsourcing arrangements.

An intriguing question raised by our findings is that, if managers are aware that differing ideologies of merging workforces will lead to turnover, why would they still persist in such M&As? Other than for strategic synergies and financial advantages, one other explanation may be that clustering of likeminded people may give rise to the expression of extreme ideologies, whereby some employees may express extreme views and alienate other employees. Indeed, ideologically motivated insults and attacks in the workplace are on the rise (Davydoff, 2018). Therefore, it could be that managers, through the means of M&A, are motivated to "rid their house" of extreme elements. We encourage other researchers to conduct more research to verify this intriguing supposition.

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Table 1. Summary statistics

	Sample of M&As			Sample of Hypothetical M&As			t-test value
	Mean	SD	Median	Mean	SD	Median	
Acquirer characteristics							
Organizational political ideology	0.479	0.109	0.500	0.478	0.128	0.500	0.128
Organizational political ideology homogeneity	-0.929	0.593	-0.902	-1.001	0.642	-0.938	2.427
Human capital intensity	67.134	34.110	62.582	70.301	41.051	62.735	-1.825
TMT political ideology	0.350	0.255	0.369	0.350	0.268	0.386	-0.026
Size	8.925	1.523	8.940	8.838	1.453	8.940	1.157
ROA	0.137	0.075	0.134	0.118	0.077	0.114	5.178
Cash	0.117	0.152	0.055	0.124	0.151	0.061	-0.928
Leverage	0.239	0.158	0.224	0.240	0.173	0.226	-0.196
Market-to-Book	2.146	1.502	1.686	1.879	1.392	1.427	3.637
R&D Expenses	0.039	0.068	0.000	0.040	0.075	0.000	-0.061
Advertising Expenses	0.009	0.019	0.000	0.008	0.018	0.000	0.662
Target characteristics							
Organizational political ideology	0.486	0.093	0.500	0.484	0.099	0.500	0.431
Human capital intensity	67.159	35.470	60.897	69.171	38.506	62.062	-1.136
TMT political ideology	0.356	0.250	0.500	0.384	0.275	0.500	-2.214
Size	7.332	1.568	7.197	7.460	1.628	7.481	-1.648
ROA	0.122	0.092	0.122	0.106	0.095	0.106	3.557
Cash	0.158	0.187	0.070	0.147	0.181	0.066	1.258
Leverage	0.232	0.186	0.222	0.218	0.181	0.196	1.580
Market-to-Book	1.955	1.318	1.495	1.774	1.191	1.350	2.825
R&D Expenses	0.051	0.095	0.000	0.046	0.098	0.000	1.018
Advertising Expenses	0.009	0.020	0.000	0.007	0.018	0.000	1.326
M&A characteristics							
s|Organizational political ideology|	-0.074	0.104	-0.027	-0.094	0.123	-0.023	2.987
Human capital intensity	67.007	30.936	61.313	69.759	34.228	63.616	-1.776
s|TMT political ideology|	-0.256	0.227	-0.211	-0.269	0.237	-0.250	1.152
Product similarity	0.137	0.070	0.134	0.133	0.065	0.132	1.771
s|Size|	-1.718	1.357	-1.422	-1.633	1.256	-1.271	-1.282
s|ROA|	-0.063	0.094	-0.033	-0.069	0.116	-0.035	1.248
s|Market-to-Book|	-0.822	1.294	-0.348	-0.727	1.194	-0.327	-1.504
s|Geographic|	-0.183	0.201	-0.105	-0.176	0.190	-0.105	-0.632
s|Right to work|	0.271	0.445	0.000	0.281	0.450	0.000	-0.458

Note: The sample of actual M&A announcements consists of 479 observations. The sample of Hypothetical M&As consists of 2,899 observations.

Table 2. Pearson Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
M&A characteristics																		
1. Actual M&A Dummy	1																	
2. **s**|Organizational political ideology|	0.045**	1																
3. Acquirer's organizational political ideology homogeneity	0.035*	0.160***	1															
4. Human capital intensity	-0.044*	-0.074***	0.099***	1														
5. **s**|TMT political ideology|	0.034*	0.035*	0.045**	-0.002	1													
Acquirer characteristics																		
6. Size	0.016	-0.296***	-0.185***	0.282***	-0.019	1												
7. ROA	0.091***	-0.024	-0.072***	-0.297***	-0.040*	-0.189***	1											
8. Cash	-0.024	0.025	0.220***	0.188***	0.001	-0.261***	0.034*	1										
9. Leverage	-0.002	0.020	-0.094***	-0.108***	0.008	0.097***	-0.041*	-0.432***	1									
10. Market-to-Book	0.097***	0.011	0.094***	-0.149***	0.006	-0.305***	0.527***	0.455***	-0.301***	1								
11. R&D Expenses	0.013	0.040*	0.170***	0.155***	-0.003	-0.240***	0.071***	0.661***	-0.312***	0.506***	1							
12. Advertising Expenses	0.001	-0.080***	0.054**	-0.081***	-0.012	0.043*	0.104***	0.144***	-0.130***	0.175***	0.076***	1						
Target characteristics																		
13. Size	-0.027	-0.185***	-0.134***	0.209***	-0.006	0.561***	-0.255***	-0.335***	0.178***	-0.397***	-0.384***	-0.040*	1					
14. ROA	0.062***	-0.069***	-0.064***	-0.256***	-0.023	-0.064***	0.327***	-0.067***	0.072***	0.146***	-0.033†	0.022	0.010	1				
15. Cash	0.026	0.067***	0.178***	0.144***	-0.024	-0.258***	0.103***	0.514***	-0.281***	0.408***	0.546***	0.071***	-0.495***	-0.107***	1			
16. Leverage	0.026	-0.036*	-0.118***	-0.078***	0.002	0.135***	-0.010	-0.302***	0.328***	-0.221***	-0.270***	-0.070***	0.341***	0.025	-0.486***	1		
17. Market-to-Book	0.061***	-0.004	0.085***	-0.108***	0.002	-0.230***	0.292***	0.318***	-0.152***	0.552***	0.397***	0.097***	-0.389***	0.327***	0.461***	-0.272***	1	
18. R&D Expenses	0.033†	0.085***	0.167***	0.142***	-0.003	-0.269***	0.100***	0.523***	-0.238***	0.432***	0.687***	0.027	-0.469***	-0.191***	0.700***	-0.346***	0.424***	1
19. Advertising Expenses	0.027	-0.038*	0.045**	-0.078***	-0.028	0.009	0.020	0.070***	-0.114***	0.104***	-0.009	0.286***	-0.010	0.002	0.074***	-0.107***	0.092***	-0.011

Note: N = 3,378

† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$ (two-tailed tests)

Table 3. Conditional logistic regression of the probability of being an actual merger

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Acquirer characteristics					
Size	-0.195	-0.136	-0.151	-0.138	-0.151
	(0.241)	(0.243)	(0.244)	(0.243)	(0.244)
ROA	0.250**	0.244**	0.235**	0.238**	0.230**
	(0.082)	(0.081)	(0.082)	(0.082)	(0.082)
Cash	-0.195*	-0.193*	-0.190*	-0.191*	-0.187*
	(0.095)	(0.094)	(0.094)	(0.094)	(0.094)
Leverage	0.027	0.017	0.015	0.016	0.012
	(0.060)	(0.060)	(0.060)	(0.060)	(0.060)
Market-to-Book	0.252*	0.285**	0.291**	0.287**	0.293**
	(0.100)	(0.106)	(0.106)	(0.105)	(0.106)
R&D Expenses	-0.039	-0.044	-0.041	-0.045	-0.043
	(0.090)	(0.088)	(0.088)	(0.088)	(0.089)
Advertising Expenses	-0.042	-0.038	-0.031	-0.036	-0.029
	(0.059)	(0.059)	(0.059)	(0.058)	(0.059)
Target characteristics					
Size	0.333	0.368	0.372	0.369	0.369
	(0.260)	(0.263)	(0.264)	(0.263)	(0.264)
ROA	0.147*	0.156*	0.161*	0.156*	0.161*
	(0.072)	(0.073)	(0.074)	(0.073)	(0.074)
Cash	0.095	0.103	0.108	0.101	0.105
	(0.093)	(0.093)	(0.093)	(0.093)	(0.093)
Leverage	0.177**	0.182**	0.187***	0.178**	0.182**
	(0.056)	(0.057)	(0.057)	(0.057)	(0.057)
Market-to-Book	-0.052	-0.055	-0.055	-0.050	-0.051
	(0.097)	(0.100)	(0.100)	(0.100)	(0.100)
R&D Expenses	0.121	0.122	0.119	0.119	0.117
	(0.077)	(0.079)	(0.079)	(0.079)	(0.079)
Advertising Expenses	0.001	0.001	-0.001	-0.004	-0.005
	(0.049)	(0.049)	(0.049)	(0.049)	(0.050)
M&A characteristics					
s|TMT political ideology|	0.428†	0.422†	0.403†	0.396†	0.382†
	(0.228)	(0.227)	(0.227)	(0.227)	(0.227)
Acquirer's organizational political ideology homogeneity	0.023	0.050	-0.104	0.046	-0.104
	(0.030)	(0.032)	(0.065)	(0.032)	(0.065)
Human capital intensity	-0.380***	-0.400***	-0.398***	-0.425***	-0.423***
	(0.089)	(0.091)	(0.091)	(0.091)	(0.092)
s|Organizational political ideology|		0.261***	0.248***	0.298***	0.284***
		(0.059)	(0.060)	(0.061)	(0.061)
s|Organizational political ideology| **x** Acquirer's organizational political ideology homogeneity			0.260***		0.252**
			(0.077)		(0.078)
s|Organizational political ideology| **x** Human capital intensity				0.151*	0.152*
				(0.060)	(0.064)
Max-rescaled R^2	0.045	0.056	0.059	0.059	0.061
Walt X^2	73***	98***	107***	107***	113***

Note: N = 3,378. Robust standard errors are reported in parenthesis.

† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$ (two-tailed tests)

Table 4. Robustness Checks

Panel A. Alternative matching		
Variables	Model 1	Model 2
Target characteristics		
Size	-0.788†	-0.749†
	(0.435)	(0.435)
ROA	0.089	0.083
	(0.084)	(0.084)
Cash	-0.044	-0.036
	(0.104)	(0.105)
Leverage	-0.006	-0.008
	(0.076)	(0.075)
Market-to-Book	-0.121	-0.129
	(0.095)	(0.096)
R&D Expenses	0.209*	0.202*
	(0.091)	(0.092)
Advertising Expenses	0.091	0.100†
	(0.057)	(0.058)
M&A characteristics		
s|TMT political ideology|	0.630*	0.616†
	(0.321)	(0.321)
Human capital intensity	-0.160†	-0.213*
	(0.097)	(0.100)
s|Organizational political ideology|	0.690***	0.778***
	(0.109)	(0.115)
s|Organizational political ideology| **x** Acquirer's organizational political ideology homogeneity		0.250*
		(0.107)
s|Organizational political ideology| **x** Human capital intensity		0.192*
		(0.099)
Max-rescaled R^2	0.064	0.073
Walt X^2	56***	59***

Panel B. Alternative Explanation		
Variables	Model 1	Model 2
Acquirer's organizational political ideology homogeneity	0.054	-0.123**
	(0.033)	(0.046)
Human capital intensity	-0.415***	-0.452***
	(0.094)	(0.094)
Residual of **s**|Organizational political ideology|	0.243***	0.279***
	(0.053)	(0.055)
Residual of **s**|Organizational political ideology| **x** Acquirer's organizational political ideology homogeneity		0.275***
		(0.053)
Residual of **s**|Organizational political ideology| **x** Human capital intensity		0.139*
		(0.057)
Acquirer characteristics' controls	Yes	Yes
Target characteristics' controls	Yes	Yes
Max-rescaled R^2	0.058	0.066
Walt X^2	98***	132***

Note: For Panel A, N = 3, 003; For Panel B, N = 3,378. Robust standard errors are reported in parenthesis.
† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$ (two-tailed tests)

Table 5: Weighted OLS regression on employee retention rates

Variables	Employee Retention Rate Model 1	Industry Adjusted Employee Retention Rate Model 2
Constant	0.073 (0.052)	-0.225 (0.465)
Acquirer characteristics		
Size	0.060 (0.086)	0.482 (0.491)
ROA	-0.186* (0.081)	-0.531 (0.466)
Cash	0.045 (0.094)	-0.875 (0.539)
Leverage	0.004 (0.075)	-0.256 (0.427)
Market-to-Book	0.394*** (0.085)	0.768 (0.488)
R&D Expenses	-0.326*** (0.095)	0.618 (0.540)
Advertising Expenses	-0.071 (0.074)	-0.259 (0.423)
Target characteristics		
Size	-0.083 (0.095)	-0.301 (0.541)
ROA	0.205* (0.093)	-0.173 (0.530)
Cash	-0.101 (0.100)	-0.372 (0.571)
Leverage	-0.040 (0.075)	0.101 (0.428)
Market-to-Book	-0.062 (0.094)	0.437 (0.538)
R&D Expenses	0.308** (0.106)	-0.425 (0.605)
Advertising Expenses	0.012 (0.077)	-0.127 (0.439)
M&A characteristics		
s|TMT political ideology|	-0.272 (0.271)	-0.403** (0.155)
Acquirer's organizational political ideology homogeneity	0.073 (0.065)	0.447 (0.370)
Human capital intensity	0.026 (0.070)	-0.594 (0.397)
s|Organizational political ideology|	0.126* (0.056)	0.864** (0.322)
R^2	0.173	0.118
F-test	6.38***	5.04**

Note: N = 436. Robust standard errors are reported in parenthesis.
† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$ (two-tailed tests)

Figure 1 – Plot of the interaction effect of similarity in organizational political ideology and Coefficient of variation of acquirer's organizational political ideology on the likelihood of M&A announcement.

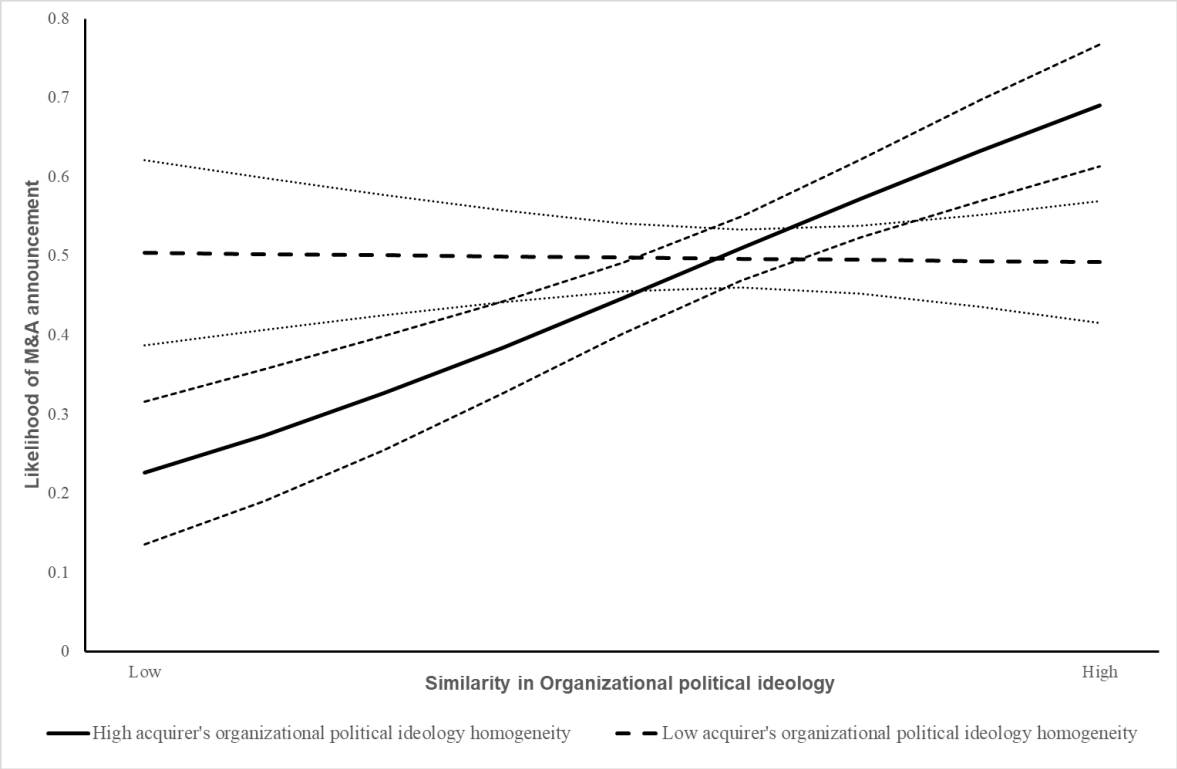
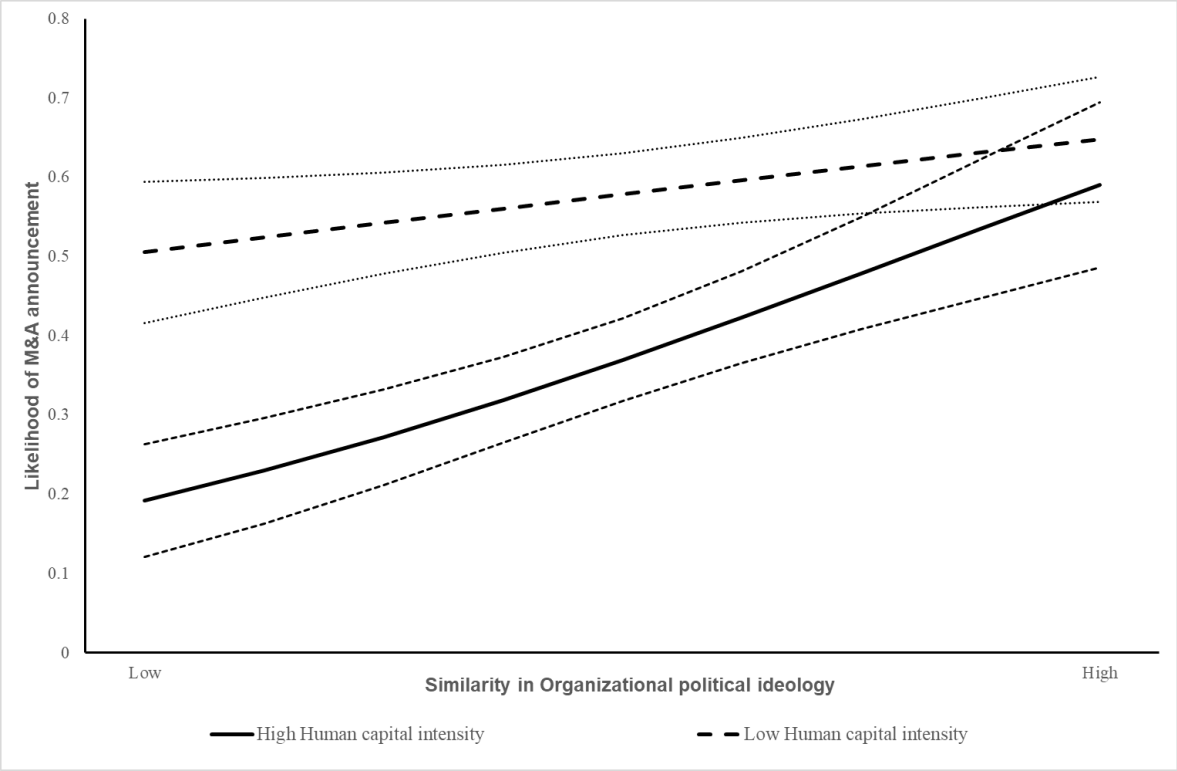


Figure 2 – Plot of the interaction effect of similarity in organizational political ideology and Human-Capital Intensity on the likelihood of M&A announcement



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