

# Effects of foreign takeovers

Firm-level evidence

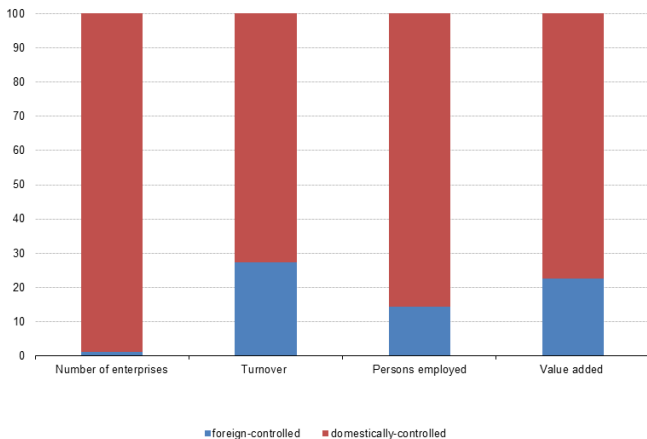
Joel Stiebale

(DICE, Heinrich Heine University Düsseldorf)

Economic Patriotism, National Champions and Merger Control

Bruegel, Brussels, November 12, 2014

# Facts about foreign-owned firms in EU-28



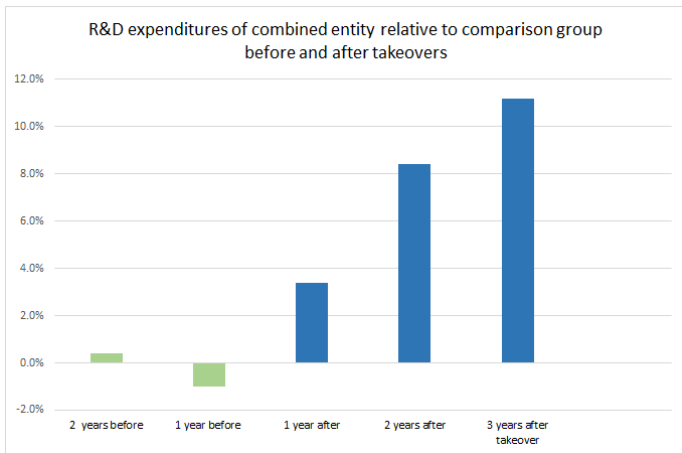
Source: Eurostat (2014), Foreign affiliates statistics for the year 2011

- Foreign-owned firms (and multinationals in general) are more productive than comparable firms in the same industry. This could be due to "cherry picking"
- But several studies report average post-acquisition productivity improvements in acquired firms
  - e.g. of 3% to 10% over 3 to 5 years for acquired firms in the US, the UK and Sweden (Chen, 2011; Conyon et al., 2002; Karpaty, 2007)
- And sometimes there are "vertical spillovers" from foreign-owned firms to other industries (e.g. Javorcik, 2004)
- There is also evidence that acquiring benefit in terms of higher productivity and growth (e.g. Bertrand and Capron, 2014; Stiebale and Trax, 2011)

- There is evidence that foreign acquisitions lead to increases in average wages in acquired firms (e.g. Girma and Görg, 2007)
- This seems to be mainly driven by the creation of high skilled jobs (e.g. Hijzen et al., 2013)
- Not much evidence for increased job insecurity after foreign acquisitions (e.g. Almeida, 2007)

- A lot of foreign acquisitions take place in high-tech industries - what about the effects on R&D and innovation?
- The evidence is mixed and varies e.g. across countries, industries and innovation indicators
- There is some evidence of decreased innovation activity after M&As in specific R&D-intensive industries (e.g. pharmaceuticals), but this is true for both domestic and international transactions
- The global effects of international M&As on R&D and innovation seem to be positive in many cases

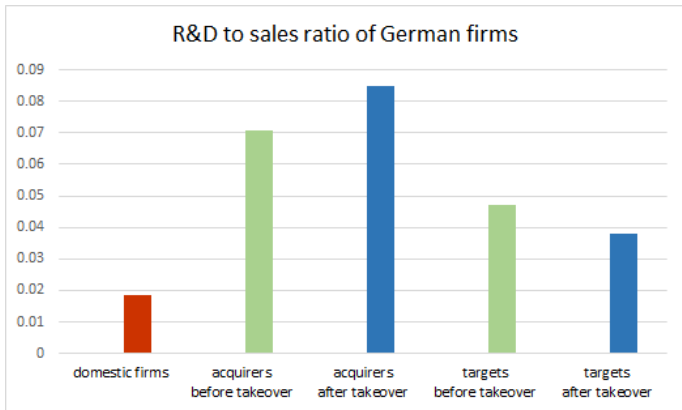
# R&D activities of the combined entity after international M&As within Europe



Source: Own calculations based on Bureau van Dijk's Orbis database and the R&D scoreboard.

- The overall positive effects are often accompanied by restructuring and relocation of R&D
- Mainly if acquirers invest in small and relatively less R&D intensive firms
- However, target firms often adopt new products, machines, and production techniques because of improved market access (e.g. Guadalupe et al., 2012).

# Some evidence from German SMEs



Source: Own calculations based on Bureau van Dijk's Amadeus database and survey data among German SMEs.



- Not many reasons to favor domestic over foreign ownership in terms of productivity, employment and wages
- Foreign acquisitions may sometimes lead to a reduction of R&D activities in target firms but often have positive effects on global innovation

**Thank you very much for your attention**

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