

**Discussion of Bakke-Kronlund-Mahmudi-Virani:  
Growth-promoting bonuses and M&A**  
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# Summary

Firms with more executive incentives linked to sales

- make more acquisitions;
- especially if it allows them to just beat the target;
- especially small ones, with cash, and in related industries;
- these have lower CARs.

Executives

- receive large-enough bonuses for the increase in size to offset the effect of value destruction.

# Executive compensation bits- intention

- Are these effects intended or unintended?
  - Do boards react by cutting the incentives?
  - Do the firms exit from those targets soon?
  - Perhaps growth is intended, but firms over pay: compare to same acquirer's deals
- What did the board want to incentivize?
  - Show industry split and a bit of competition characteristics for Table 6
  - Reversal of previous strategy? Discontinuities in bonus/ capex / cost cutting
- What is the alternative? Capex? Does it take too long?
  - Seems that firms with sales-related boni have lower Capex, but perhaps reversal, see above
- Firms large enough to export
  - Entry? Buying regional firms to enter?

## M&A bits - timing

- Does this cause waves?
  - How large is this to begin with (in terms of deal volume)?
- Or does it spread out acquisitions across years and flatten the waves?
  - Does a just-beating acquisition forecast fewer deals in the next year?
  - How quickly do those acquisitions get done?
- Do firms in the same industry ratchet up their incentives?

# Identification

Triple DiD: Exporting firms x US Dollar exchange rate x size-related bonus

- Great idea in terms of exclusion restriction
- Why this is not an IV:
  - How much would sales suffer from exchange rates?
  - Here we have the perfect counterfactual:
    - Exporting firms x exchange rate for sample without size-related bonus
    - That effect x size-related bonus should then affect acquisitions
- Why this should not be a DiD:
  - Magnitude should be in terms of acquisition per sales drop
- Not IV but also not DiD, simple structural GMM

# Thank you for giving me this paper to discuss

- Already very well-executed and written
- More potential