BAD INFLUENCE

HOW WELL-CONNECTED CEOs CAN NEGATIVELY AFFECT MERGERS & ACQUISITIONS

by CAROL MILANO

CEOs with extensive business and social contacts are often admired for their influence and expertise. Their network of connections is usually considered beneficial, both for themselves and the companies they helm. But is all of that really as valuable as it seems? In a merger or acquisition, some experts say those connections may actually do more harm than good.

Highly-connected CEOs "initiate mergers and acquisitions more frequently than CEOs with fewer connections," said Tomas Jandik, associate professor of finance at the University of Arkansas' Walton College of Business. "They can use their influence to pursue activities regardless of potentially negative impact for shareholders, and they tend to pursue acquisitions in deals more likely to destroy value."

Last year, Jandik and his colleagues, Kathy Fogel of Suffolk University and Rwan El-Khatib of Zayed University in the United Arab Emirates, set out to determine whether CEO connections could be tied to merger and acquisition results. "Decades of social sciences research shows that [having extensive connections] affects an individual's influence and power within any social network," Jandik said. "We thought that studying