International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. IX, Issue 5, May 2021

http://ijecm.co.uk/

ACQUIRERS' FIRMS EVALUATION OF STARTUPS EXITS: DOESN´T HUBRIS THEORY APPLIES FOR ISRAEL?

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Abstract

In the last years, FAMGA tech giants (such as Google, Facebook, Amazon, Microsoft and Apple) have collectively made over 800 acquisitions, even amid the Covid-19 pandemic. This article analyzes the factors that contribute to M&A success but from the acquirers point of view, since extended research has been done mostly from the target firm position. Hubris theory hypothesis that as a result of M&A process the value of target firms rises, whilst the value of bidding firm decreases. Therefore, shareholders of the acquirer company suffer a negative wealth effect. Adopting the methodology of qualitative research, will be presented four cases study of Israeli Hi-Tech startups companies founded after 2010 and acquired along 2017-2018 by US firms listed on NYSE and Nasdaq. The main finding is an immediate purchaser company stock price increase, reflecting acquirers' firm shareholders profit, which controverts Hubris Theory. Acquirer's current and potential stockholders reward listed corporations after each Hi-tech startup acquisition (contrasting the uncertain results of general M&As) as they believe this is one of the best available ways to achieve new technologies. The market is confident that this kind of M&A will be successful when it is possible to recognize the presence of signals, reflected by some crucial

variables. There are at least eight factors that explain better a sustainable acquirer´s post-M&A yearly average stock price increase: 1) the acquirer is a US listed firm, 2) the CEO is not the acquirer´s Board chair, 3) the acquirer company is leaded by a Board of Directors as independent as professional, 4) the acquirer engaged in an overseas M&A process, 5) target firm is much smaller than the acquirer's size, 6) both firms' core business is related to the Hi-Tech industry, 7) acquirer's goal was to purchase new patents, products and/or to integrate target´s firm staff, 8) the deal is part of a M&A wave such as the current one in Israel.
Keywords: Startups, M&A, success, Hubris Theory

INTRODUCTION

Several determinant factors are considered when large US listed companies purchase Israeli Hi-Tech Startups, such as patents, new technology and staff integration, as stated in their Investors Relations brochures. There might be also some undisclosed strategic objectives, for instance to impede future competition, that remains veiled. Over the past two decades, Israeli companies raised just USD$10 billion on Wall Street, compared to the USD$380 billion that changed hands as part of M&As.

This research will wider the scarce available literature centered in the acquirer's position. Maybe not all the acquisitions of Israeli startup companies perceived as very successful exits actually delivered the result the buyers were hoping for. This study will evaluate if added value was created too for the acquirer company and their stockholders as a result of the Israeli startup acquisition and will identify some factors that influence this process.

Actas, De Brot & Roll (2009) explain Hubris Theory very simple: decision makers in acquiring firms pay too much for their targets on average. Hubris hypothesis predicts that, around a takeover, the combined value of the target and bidder firms should fall, while the value of the bidding firm should decrease, and the value of the target should increase. According to Hayward & Hambrick the relationship between CEO hubris and premiums is further strengthened when Board of Director's vigilance is lacking (e.g. high proportion of inside Directors and the CEO is also the board chair). On average, they found losses in acquiring firms' shareholder wealth following M&A.

Raj & Forsyth (2003) examined the performance of bidders with a hubris management during a takeover bid in the United Kingdom during the 90's. Their results show that hubris bidders significantly lose on the announcement of the bid.

Petit & Bollaert (2012) sustain the literature fails to provide a precise definition of CEO hubris and is mostly silent on how to prevent it.

Liu and Wang (2013) sustain that acquirer large Board size impacts negatively the post-acquisition performance while nuclear ownership structure by the opposite has a positive influence.

There is an extended available bibliography related to the acquired startup staff retention, new products, services, processes, new markets and technology integration.

Barkema & Vermeulen (1998) examined whether firms expand internationally through startups or acquisitions. Their findings show that multinational diversity leads to foreign startups rather than acquisitions.

Brouthers & Brouthers' (2000) findings suggest that organizations which have developed strong intangible capabilities may be able to more readily leverage these capabilities through greenfield startups.

Ranf & Lors (2002) assessed how the nature of the acquired firms' knowledge-based resources, as well as multiple dimensions of acquisition implementation, have both independent and interactive effects on the successful appropriation of technologies and capabilities by the acquirer.

Gavious & Schwartz (2009) sustain that investors may perceive firms with a continuous increase in sales as those that are able to transfer through the technology adoption lifecycle, which the main factor affecting value-relevance is a firm's degree of market penetration.

As per Cohen (2011), sometimes as a part of the integration process the buyer nominates the acquired team management to take control over its own business and manage it. Carbone (2011) sustains that not all deals deliver the anticipated benefits, mostly due to an unfruitful integration process.

Moreover, Cohen (2012) studied in depth Israeli hi-tech startups acquisitions by international corporations finding that acquired company and its technologies were fully integrated into the buyer core business and within a short period of time started to generate a positive cash flow.

Almor, Tarba & Margalit's (2013) research findings show that maturing technology-based global corporations can increase their chances of survival by acquiring other firms, allowing them to continue increasing their sales and to expand and upgrade their product line.

The study by Brueller, Ellis, Sege & Carmelli (2015) examined the effects of timing in high-tech acquisitions by analyzing how deviation from routines affects the value captured by the acquirer as well as the price paid. They examined the context of information and communication technology acquisitions in which multinational technology incumbents are known to habitually acquire product-related capabilities to facilitate their entry into new product domains. The paper highlighted the role of routines in managing technology acquisitions of multinationals and tests the hypothesis that smaller deviations in terms of target-maturity and acquisition-timing lead to superior outcomes for acquirers. Their findings indicate positive relationships between stricter iterations of routines and superior outcomes.

According to Kelly & Ma (2016) during any acquisition, key talent retention post-acquisition describes what startup talent values most.

Zaks (2016) claims that is necessary to differentiate between general M&As and those involving technology startups acquisition, since the combination of the drive, the dynamic process and the human capital capabilities which characterize the latter, is expected to result in a more successful result than was reported.

As per Getz & Goldberg (2016), the main reason behind the current acquisition wave of US listed companies in Israel is that many successful startups in the Hi-tech industry sector have been established, creating a large pool of people who understand the field well, which strengthens the flow of ideas.

Biazzo (2017) sustain that the main exit strategy for a startup is to sell the company to a larger company for profit, generally leaving their business standing without affecting the work of executives and employees.

Trapczynski , Zaks & Polowcyk's (2018) research conclude that trust from acquired firm

managers positively affects acquisition success, although trust from the acquiring company (expressed with the autonomy that it leaves to the acquired firm) is not a significant predictor of acquisition success.

Polowcyk & Trapczynsky (2018) argue that the communication climate is a crucial influencing post-acquisition performance factor. They also found that effective knowledge transfer to the acquired company is an essential determinant of success.

Dashti & Schwartz (2018) empirical study, based on 402 Israeli startups M&A between 2002–2009, conclude that foreign stakeholders increase the likelihood of success of the startup exit via overseas acquisition.

Zaks, Polowcyk & Trapczynski (2018) sustain that when foreign listed companies acquires Israeli Hi-Tech startups investing in strategic thinking were more appreciated by the stockholder (current and potential) than when focused on the technology alone. Same opinion is shared by Kolbet at 2019's Startup Nation Central.

HYPOTHESIS

To identify the crucial characteristics that explain the contribution grade obtained by the deal, many variables must be considered, since for a M&A there are also several veiled determinant factors.

For the acquirer, the level of success as a result of an acquisition cannot always be quantified. Some M&A main goal might be to block a competitor (for instance in order to impede the release of new patents or products), therefore, to stop a negative Ebitda trend must be also duly recognized as a post-acquisition achievement.

For the acquirer firm shareholders, the M&A gain might be reflected by its stock price increase and/or by the consolidated earnings trend since commonly the price to be paid for the acquisition of a large corporation is X times its own Ebitda.

Controverting Hubris Theory, our general hypothesis is the existence of added value for the acquirer firm stockholders, as a result of various factors related to both involved companies. The gain will be reflected by a bidding firm post-M&A as immediate as sustainable yearly average stock price increase, not easily attributed to other factors.

METHODOLOGY

To ensure there is a value increase as a direct consequence of the M&A and not as a result of a market or industry trend, a comparative analysis with similar companies is presented. The two peer groups of the four case studies are: 1) medical products manufactures companies, and 2) software & cyber security developer firms.

The added value is considered as the *dependent variable* and is expressed by several perspectives, such as:

1.The yearly average share price one year after the acquisition vis the previous M&A one.

2.The grade to which technologies/knowledge were fully integrated into the buyer core business.

3. Target firm staff retention and integration into the acquiring firm.

4.The contribution to increasing productivity and to expanding to new markets.

5.The contribution to the development of new products and/or services.

The *independent variables* represent various features: The size of the acquirer company compared to the target firm, both firms in the same core business, etc.

Of the acquired company we took in count its grade of maturity since are firms founded after 2010, but startups that have already revenues before the M&A took place.

The following operational variables are considered in order to compare the situation before and after the M&A process:

Dependent variables:

a. Yearly Average Stock Price the 2 years previous the M&A announcement , the year of the acquisition announcement and 2 years after.

b. R&D budget one year before the M&A, the year the acquisition as announced and 1 year after

c. Total Revenues the year before the M&A, the year of the acquisition announcement and 1 year after

d. Gross Profit the year before the M&A, the year of the acquisition was announced and 1 year after

e. Ebitda the tax year before the M&A, the year of the acquisition announcement and 1 year after.

f. Recovery of the investment explained by Ebitda trend change 1 year after vis the year before the M&A was announced.

Acquirer firm independent variables:

a-Same Core business industry of the target company , b- Overseas M&A, c- the CEO is not the board chair, d- Independent and professional Board of Directors decided the M&A, e- R&D Staff and f- Acquirer firm size is much larger than the target one.

Acquired firm characteristics:

a- Foundation year after 2010, b- Hi-Tech Industry, c- Based in Israel, d- Exit´s year.

Case studies

To determinate if the acquisition of an Israeli Startup was a good deal from the acquirer's point of view, it seems required to consider at least 2 years after the M&A was completed.

In this research, four case studies were selected among Israeli startup firms that have been founded after 2010 (we consider companies as startups up to 8 years old) and acquired between 2017 to 2018 (since there are at least 2 years of audited available data) by US companies listed at NYSE or Nasdaq. In pursuit of generalization these four cases were chosen since they represent:

a- Two low investments of USD$100 and USD$250 million, one medium size investment of USD$400 million and one very high of USD$3.260 million.
b- One bidden firm was just 5 times the target one, but the other three cases were 59, 67 and up to 1086 times bigger.
c- Two companies that sell products and two that sell services.
d- No other M&A process was engaged by the acquirer firm at least 1 year before of after the analyzed acquisition, excepting Medtronic who purchased two Israeli Startups in

the same year, being this precisely the reason why it was selected, in order to analyze the influence of each acquisition.

e- There were not special events such as new patents or products released along the considered period that explain major values vary, excepting the M&A.

Anyway, to duly sustain companies' figures changes are mainly explained by the acquisition we also made a comparison vis the sectorial S&P 500 yearly average stock price trend (separated by industries) along the same period of time.

From the United States SEC database we obtained the Annual Reports of each company. It is able to compare the stock price of the listed company just before the acquisition vis the current one, assuming there are no further M&A operations or other factors that explain better the vary.

From websites, interviews and brochures destined to the shareholders and to potential investors, we can check if the aims declared at the acquisition moment (for instance: expansion to new markets, synergies, new products, new technologies, staff integration, among many others variables) were finally reached, to measure their achievement grade.

The following is the case study list:

1- Edwards Lifesciences, in 2017 had a USD$23,6 billion market cap when acquired ValtechCardio for USD$400 million. (59 times firms size gap).
2- KLA-Tencor Corporation, in 2018 with a USD$16.6 billion market cap acquired Orbotech for USD$3.3 billion. (5 times smaller).
3- Check Point Software, in 2018 had a USD$16.7 billion market cap when acquired Dome9 for app USD$250 million, including shares and options. (67 times firms size gap).
4- Medtronic, in 2018 with a USD$108,6 billion market cap acquired Nutrino for USD$100 million. (1.086 times smaller).

Type of Research, Methods & Procedures

Our objective is to assess the level of success achieved by US companies listed in NYSE or Nasdaq that have acquired in 2017-2018 Hi-tech Israeli startups focused in their own industry, founded after 2010 and already showing revenues. In the four case studies for the acquirers it was their very first year making acquisitions in Israel, and the M&A was decided by their expert Board of Directors, being technology and staff's integration announced as one of their main objectives.

The information released (to shareholders, authorities and to the market) when the M&A was announced should be confronted vis the actual scenario, assessing the level of achievement.

As argued by Moskovicz (2018), Yin sustains that case studies are often applied to understanding the areas of organizational functioning that are not well documented and which are difficult to investigate through distant contact with organizations.

This particular research is aligned with Ghauri (2004), because it is expected to provide insights into an issue or a particular management situation since it is an events investigation.

Accordingly, it requires to consider the situations accruing at the time when the particular event took place. With this backdrop, a comparative case study method has been applied in this research, valuating if an added value was created in different companies as a direct result of their Israeli startup acquisition, with a similar aim and approach.

Silverman (2017) claims that an adequate selection of cases ensures the possibility of legitimate generalization and theory development. *Representative sampling* is an available method within the qualitative framework for the selection of cases that contain related characteristics. Therefore, the sample must be representative or typical, as described by Merkens.

This research model has been conceived to provide the basis of the analysis for the case studies undertaken, as to be discussed later in the paper, to assess the later creation of added value for the acquirer company as a fundamental explanation of the current M&A wave trend related to Israeli startups.

Secondary data, used in this study, refers to the information available even before starting the research, coming from different sources previously detailed, (such as websites, publications, Audit Reviews, Stock Exchange Reports and brochures, among others) forms the basis for this research. There are extended available data previous each M&A regarding acquirers firms CEO's statements about their aims, as well the information released to the market related to their post-M&A achievements.

According to Simons (2009), the use of these kind of documents in case study research enriches the context and contributes to the analysis, providing clues regarding the participating firms.

In this study, qualitative research (text) has been combined with quantitative data (figures) with the objective of enhancing the understanding of the complex evaluation if the M&A was successful for the acquirer company.

EMPIRICAL FINDINGS & DISCUSSIONS

The aim is to identify from the available information practical concrete measures that represent each of the categories of variables that were presented.

In the following tables "0" is the year of the M&A announcement, 2017 for Edwards Life Sciences case and 2018 for all the rest.

Table 1: Dependent Variable: Yearly Average Stock Price 2 years before the M&A, the year of the acquisition announcement and 2 years after. Year 0 is

Acquirer Company	YASP -2	YASP -1	YASP 0	YASP +1	YASP +2	% gap +1 vis -1	% gap +2 vis -2	*Sectorial +2 vis -2
Edwards Life S.	33	35,6	47,4	66,6	76	87,1%	130,3%	68,3%
KLA-Tencor	71,8	97,2	105	133	190,4	36,8%	165,2%	241,5%
CheckPoint S.	80,9	106,1	106,3	114,5	114,2	7,9%	41,2%	241,5%
Medtronic	80,5	81,4	88	98,9	103,1	21,5%	28,1%	68,3%
*S&P 500, Health Care and Information Technology sectors, data provided by Barchart.com								

Table 2: Dependent Variable: R&D amount one year before the M&A, the year the acquisition was announced and 1 year after

Acquirer Company	R&D -1	R&D 0	R&D 1	% Gap 0 vis -1	% Gap 1 vis 0
Edwards Life S.	443	552	622	24,6%	12,7%
KLA-Tencor	526	608	711	15,6%	16,9%
CheckPoint S.	192	211	239	9,9%	13,3%
Medtronic	2193	2256	2330	2,9%	3,3%

Table 3: Dependent Variable: Total revenues previous the M&A, the year of the acquisition announcement and one year after.

Acquirer Company	Revenues -1	Revenues 0	Revenues +1	% Gap 0 vis -1	% Gap +1 vis -0
Edwards Life S.	2963	3435	3722	15,9%	8,4%
KLA-Tencor	3480	4036	4568	16,0%	13,2%
CheckPoint S.	1854	916	1994	-50,6%	117,7%
Medtronic	29710	29953	30557	0,8%	2,0%

Table 4: Dependent Variable: Gross profit before the M&A, the year of the acquisition was announced and one year after.

Acquirer Company	G. Profit -1	G. Profit 0	G. Profit +1	% Gap 0 vis -1	% Gap +1 vis 0
Edwards Life S.	2166	2560	2783	18,2%	8,7%
KLA-Tencor	2193	2590	2699	18,1%	4,2%
CheckPoint S.	1642	1715	1779	4,4%	3,7%
Medtronic	20416	20886	21402	2,3%	2,5%

Table 5: Dependent Variable: Ebitda the tax year before the M&A,
the year of the acquisition announcement and one year after.

Acquirer Company	Ebitda -1	Ebitda 0	Ebitda +1	% Gap 0 vis -1	% Gap +1 vis 0
Edwards Life S.	884	1001	1155	13,2%	15,4%
KLA-Tencor	1337	1603	1623	19,9%	1,2%
CheckPoint S.	961	948	908	-1,4%	-4,2%
Medtronic	8300	9284	8927	11,9%	-3,8%

Table 6: Dependent Variable: Recovery of the investment explained by Ebitda´s trend

Acquirer Company	Investment	Ebitda -1 vis -2	Ebitda 0 vis -1	Ebitda +1 vis 0	Ebitda +2 vis 1	Inv- Ebitda trend gaps
Edwards Life S.	400	709-561=148	884-709=175	1001-709=292	1155-709=446	26+144+298=468
			175-148=26	292-148=144	446-148=298	468-400=68
KLA-Tencor	3260	1337-1027=310	1603-1337=266	1623-1603=20	2107-1623=484	-56-290+174=172
			266-310=-56	20-310=-290	484-310=174	-172-3260=-3452
CheckPoint S.	250	961-890=71	948-961=-13	908-948=-40	878-908=-30	-347-250=-597
			-13-71=-82	-40-71=-111	-30-71=-101	-82-111-101=347
Medtronic	100	8300-8210=90	9284-8300=984	8927-9287=984	7454-8927=-1473	890-450-1563=-1123
			984-90=890	-360-90=-450	-1473-90=-1563	100-1123=-1023

Once Edwards Lifesciences USD$400 million investment was announced, stock price was immediately incremented, reflecting a gain of more than USD$12 billion for the shareholders (calculating 631 million of outstanding stocks and their USD$19,2 price increase), showing an amazing stock price increment of 130% at the second year after the M&A compared to a 68% rise in the S&P Heatlh Care sector along these five years.

Can be sustained that Edwards Life Sciences recovered the investment along the second year, as a result of a USD$468 million incremental gap vis the price of USD$400 million paid for Valtec.

There is no further information regarding other previous purchases or later investments that explain this scenario but the own companie's performance trend plus the M&A process.

After KLA-Tencor Corp USD$3,26 billion investment was announced, stock price was incremented, reflecting a gain of more than USD$4,4 billion for the shareholders (calculating 158 million of outstanding stocks and their USD$28 price increase).

It is remarkable than although the M&A was announced in 2018, the acquisition was put on hold due legal restrains until February 2019, therefore 2019 should be considered for Ebitda calculation as the real M&A´s year, as an acquisition announcement impacts immediately the stock price but not current performance outcomes.

Once Check Point Software made an investment of app USD$250 million (including cash, stocks and options), its stock price was incremented only 8% on the first year post-M&A. The accumulate price increase between year +2 vis -2 was 42% but the S&P 500 Information Technology sector was 241%, that means six times higher. One explanation is that this acquisition is considered as a very long term investment, then just 2 years is not an appropriate period of time to evaluate its level of success.

Anyway, for the shareholders the price increase of USD$8 once the M&A was announced multiplied by 152 million of outstanding shares reflects an immediate (and sustainable up to date) gain of USD$1,2 billion, nearby five times the investment.

It seems very important to remark that after the M&A, Check Point repurchased 12% of its own stocks, decreasing the number of outstanding shares from 159 to 140 millions. The annual historic repurchase trend of Check Point was about 2%.

Their Ebitda trend after the acquisition is still decreasing as before the M&A. Despite the previous the investors seem confident with the situation since the share price is constantly growing. It seem like the assumption of the market is that, as aforesaid, we are facing just the early stages of a very long term investment.

After Medtronic USD$100 million investment was announced, stock price was incremented reflecting a gain of more than USD$14,9 billion for the shareholders (calculating 1.351 million of outstanding stocks and their USD$11 price increase).

Certainly these figures are not well explained by the USD$100 million paid for Nutrino, as it represents less than 1% of the Medtronic's annual Ebitda.

In fact, this was a direct consequence of the Medtonic acquisition of a company called Mazor Robotics the same year, also Israeli, for a final amount of $1,7 billion.

The existence of added value for the four mentioned acquirer firms was determined by various factors related to both companies involved in each M&A process. This gain is mostly reflected by an as immediate as sustainable yearly average stock price increase post M&A.

The aforesaid, up to the variables and factors involved in the M&A (already detailed) that impact the level of success.

LIMITATIONS OF THE RESEARCH

Only four companies were analyzed on this preliminary study, therefore a generalization is not properly valid.

A sub-sectorial S&P 500 division is strongly recommended for future research as, for instance, medical equipment supply companies are not perfectly comparable with labs.

In the four case study the accumulated post-merger R&D expenditure was higher than the previous sum of both companies, but we cannot sustain it only obeys to integration since the increase trend before the M&A was even higher, and there are more variables involved. Moreover, It is necessary to remark that not all the characteristics of each firm were considered due research paper's extension restrains.

Acquirer´s Business Plans aims that remain undisclosed (certainly not announced in the Investor Relations Brochures) should be further analyzed, in order to provide a more accurate basis of achievements regarding new products, markets, technologies, etc.

In our study we made focus on the acquirer shareholders gain, but there are more interested actors involved in any M&A transaction, such as suppliers, banks, customers, potential investors, etc.

CONCLUSIONS & RECOMMENDATIONS

The hypothesis was the existence of immediate added value for the acquirer firm stockholders, as a result of various factors related to both involved companies.

The available empirical data gathered was compared against the hypothesis, making possible to confirm its rational justification. The gain, as shown, was reflected by a bidding firm post-M&A sustainable yearly average stock price increase, not attributed to other factors.

There is an interaction between the independent variables and the dependent variables, specially the yearly average stock price.

Like sometime variables are hard to define but easy to recognize, in this research it is possible to identify in the four case studies analyzed some factors that permanently appear, explaining better the post-M&A acquirer's stock price immediate increase.

The main finding is an immediate purchaser firm stock price increase, reflecting acquirers' firm shareholders profit, which controverts Hubris theory. Acquirer stockholders reward listed companies after each Hi-tech startup acquisition (contrasting the uncertain results of general M&As) as they believe this is one of the best available ways to achieve new technologies. The market is confident that this kind of M&A will be successful when is possible to identify the presence of signals, reflected by some crucial variables.

At least we have found eight necessary but not sufficient conditions always present in the cases studied that explain better the sustainable acquirer´s post-M&A yearly average stock price increase: 1) the acquirer is a US NYSE/Nasdaq listed firm, 2) the CEO is not the acquirer´s Board chair, 3) the acquirer company is leaded by a Board of Directors as independent as professional, 4) the acquirer engages in an international M&A process, 5) target startup is much smaller than the acquirer's size, 6) both firms' core business is related to the Hi-tech industry, 7) acquirer's goal is to purchase new patents, products and/or to integrate target firm staff, 8) the deal is part of a M&A wave such as the current one in Israel.

As aforesaid, there are some indirect hidden aims that only the Board of Director and top-level managers know (pitifully there is no chance to find it out on their Reports). Several technology companies have been acquired due strategic reasons, mainly to prevent future competition. Must be remembered that there are stated as well undeclared goals.

A listed company should be more transparent. Since this study investigates events, it is recommendable to limit the findings to specific circumstances.

More often than recognized, companies announces geographical expansions or diversification just as fireworks, when no better outcomes are expected.

There´s a lot of unveiled confidential information regarding any Business Plan behind an acquisition, this makes it difficult to defend some assumptions. Anyway, it is proven that in the four cases, just by announcing an M&A, the stock price raises.

When the CEO announces in an Investors Relation Brochure about new products or services to be launched, the forecasted incomes or profits to be obtained remains undisclosed. The acquirer commonly reveals only plans that already started or when the probability of goal achievement is very high.

The market rewards these M&A since they are confident the process was duly evaluated by the Board, being the retention of the management one of the crucial predictors of post-M&A success level.

Maybe some *unsuccessful* acquisitions are in fact achieving the desired goals, although the calculated recovery investment period is longer than expected by an outsider.

We have only studied 2 years (up to date) after the 2017-2018 Israeli acquisition wave, but a more extended period should be considered in future research. On the other hand, as much as the period of time covered is longer, there are more involved variables and interactions between them, not to mention the fact that scenario and circumstances are everlasting changing.

As well known, the 4 M&A cases were very successful exits for the startups, but we have proved the existence of added value also for the acquirer firm, determined by various factors related to both companies, some of them previously mentioned, being the gain reflected by a sustainable yearly average stock price increase post M&A.

The yearly average stock price gap is not the unique variable, certainly there are more factors impacting the M&A level of success and interacting between them, not sufficiently studied along the entire process.

The added value for the shareholders reflected by an as immediate as persistent stock price increase that allows to recover the investment proves not just the high level of success for the acquirers of the analyzed cases, but also explains the current acquisition wave of Israeli startups considered as a very attractive springboard.

Further research is required as well a larger list of firms, to provide a stronger base to validate a generalization and as a tool to analyze each case study particularities, since there is *not just one explanation* for the success or failure in creating added value for the acquirer company as a direct result of the M&A transaction.

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APPENDIX

Data Sources List:

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- Macrotrends.net
- US Securities and Exchange Commission, SEC Edgar database
- AnnualReports.com
- NYSE database
- Nasdaq database
- IVC online
- Barchart.com
- Startupnationcentral.org
- Innovationisrael.org.il
- gkigroup.com
- Companies reports, public documents, brochures and interviews