AN ABSTRACT OF THE THESIS OF

Scott M. Morgan for the degree of Honors Baccalaureate of Science in Business Administration presented on May 29, 2009. Title: The Impact of Corporate Social Responsibility on Mergers and Acquisitions.

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This study examines the effects of corporate social responsibility (CSR) on merger and acquisitions (M&A). Using data from Kinder, Lyndeberg, and Domini (KLD) Research Analytics and Thomson's Securities Data Corporation's (SDC) Platinum Database, we empirically test if CSR scores effect a firm's propensity to pursue M&A activity. Specifically, I examine how individual elements of CSR ratings (i.e. community relations, corporate governance, diversity, employee relations, environmental practices, and product quality and safety) might directly influence this relationship. The second part of this study examines the problems associated with integration that commonly arise during corporate acquisitions. We attempt to determine what dimensions of CSR increase integration periods by looking at the differences in bidder and target CSR scores.

Key Words: Business, Mergers and Acquisitions, Corporate Social Responsibility, Stakeholder, Integration Period, Speed of Integration

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The Impact of Corporate Social Responsibility on Mergers and Acquisitions

by

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A PROJECT

submitted to

Oregon State University

University Honors College

in partial fulfillment of
the requirements for the
degree of

Honors Baccalaureate of Science in Business Administration (Honors Associate)

Presented May 29, 2009
Commencement June 2009

Honors Baccalaureate of Science in Business Administration project of Scott M. Morgan presented on May 29, 2009.

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I understand that my project will become part of the permanent collection of Oregon State University, University Honors College. My signature below authorizes release of my project to any reader upon request.

Scott M. Morgan, Author

ACKNOWLEDGMENTS

This project could not have been completed without the help of the dedicated College of Business Faculty who agreed to assist my honors thesis. I would like to thank my mentor and committee chair Professor Donald Neubaum for his guidance in formulating our initial project concept, as well as his professionalism and guidance throughout the research process. Thanks to my co-mentor and committee member, Professor Prem Mathew, for his enthusiasm and insight on this project. I am especially grateful for his persistence in obtaining our merger and acquisition data while I was interning in San Francisco and on student exchange in Vienna, Austria during the Summer and Fall of 2009. Thanks to my third committee member Madeleine Romero, for acting as an advisor for this project and providing support throughout my undergraduate tenure. The College of Business is fortunate to have these three outstanding faculty members and I consider myself extremely privileged to have worked with them during classes and throughout the completion of this project.

I would like to acknowledge Doctor John Becker Blease of Washington State University for generously providing M&A information from the SDC Platinum Database. Also, I would like to thank the Honors College staff for being a valuable informational resource during this process.

Finally, I am in debt to my family and friends for their support throughout my entire education. Thanks to my mother and father for their never ending support and for allowing me to achieve everything I have by providing me the resources to attend Oregon State University. Thanks to Barbara and Frank Girolami, for motivating me to pursue the Honors College and for their invaluable advice throughout my time in school. Thanks to my older brother, Ryan, for being an outlet during my frequent moments of high stress. Lastly, thanks to all of my friends from Tacoma and Oregon State University (especially my brothers of the Sigma Chi Fraternity).

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INTRODUCTION

The recent corporate scandals and “mega mergers” of the last few years have brought new light to the subject of corporate social responsibility. Exposures of wrongdoing at Enron, Tyco, World Com, Bear Sterns, AIG and the highly publicized merger disasters of companies like AOL and Time Warner (and many other failed attempts) have pulled the issue of corporate responsibility and stakeholder satisfaction into the public view like never before. Between bankruptcy filings and the collapse of publicly traded firms, an estimated $5 trillion in shareholder value disappeared from 1999 to 2002 (Wang & Xie, 2009). These incidents have led many to wonder how corporate social responsibility (CSR) is being incorporated into strategic decision making processes. CSR can be defined as the continuing commitment of businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Göbbels, 2002). Positive CSR practices are seen as an important antidote to corporate misdeeds and can build trust among stakeholders. As the significance of CSR on business practices is becoming increasingly important, its influence in mergers and acquisitions (M&A) remains unclear. Some companies believe stakeholder practices do not play into M&A decisions (Waddock & Graves, 2006). Others believe that CSR is essential to long-term value creation which can be negatively impacted by the disruptive nature of M&A activities (Chase, Burns, & Claypool, 1997).

Milton Friedman (1970) posited that the primary objective of a firm is to create value for its shareholders. One common method of creating this value is by growing profitably (Buckley & Ghauri, 2002). This growth can be achieved either through the development of new offerings or enlarging capacity of existing products (Walter & Barney, 1990). M&A have become a popular solution in achieving growth for companies around the world thanks to globalization, liberalization, technological developments and intensity in business environments. The synergistic gains from M&As can result in more efficient management, economies of scale, more profitable use of assets, increased market power, and the use of complementary resources (Takechi, 2006). M&A is widely considered an indispensable strategic tool for expanding product portfolios, entering new markets, acquiring new technologies and building organizations with greater power and resources to compete in global environments.

The past two decades have seen substantial increases in the volume of M&A. Despite the purpose of M&A being aimed at enhancing the shareholder's wealth, between 50% and 70% of these activities ultimately fail (Maksimovic & Phillips, 2001). Empirical studies show that bidding company shareholders lose approximately 10% of their value in the years following M&A deals (Croson, Gomes ,Mcginn & Noth, 2004). Further illustrating this point, acquiring shareholders lost $0.12 around deal announcements per dollar spent on acquisitions for a total loss of $240 billion from 1998 to 2001(Hackbarth & Morellec, 2008). Generally, M&As fail to create value for acquiring shareholders. But because researchers cite various causes, there has yet to be a definitive explanation as to why this is (Schwert, 2000).

Economics and finance literature focus on the economic performance improvement that result from M&A activities (Lambrecht, 2004). These motives suggest M&As occur because of anticipated economic gains of merging two companies. Studies have shown that the size of the bidding firm, dollar value of the deal, type of acquisition, industry, and length of integration periods each have significant impacts of the financial performance following merger announcements (Parvinen & Tikkanen, 2007). Most prior research has shown that executives pursue M&A activity in hopes of improving financial performance through synergistic gains, cross-selling, achieving economies of scale, tax advantages, geographic diversification, resource transfer, and vertical integration (Bernile, Lyandres & Zhdanov, 2006). More recently, industry diversification, manager's hubris, empire building, and executive compensation have been found to be additional motives behind M&A (Dixon & Nelson, 2005).

The strategic management literature focuses more on determinants of successful and unsuccessful M&As, proposing various cultural and organizational differences to explain post-M&A successes and failures (Seth, 1990). Recent work suggests that companies most successful at creating long-term shareholder value tend to be frequent, steady acquirers that maintain a constant program of transactions through both economic booms and busts (Moeller, Schlinemann & Stulz, 2005). Rovit, Harding and Lemire

(2004) attribute this outperformance of frequent acquirers to the establishment of organizational capability and an institutionalized M&A process (i.e., learning from experience).

Few studies have considered how CSR, as a composite measure or in its separate dimensions, influences either the decision to pursue M&A activity or its effect on the integration of companies. Homburg and Bucerius (2006) found that the speed of integration is positively associated with low external and high internal similarities of merging companies. With the exception of Waddock and Graves (2006), M&A researchers have overlooked the influence of CSR on M&A. No prior M&A study has considered how the different aspects of CSR might influence a firm's propensity to engage in these activities, as well as its effect on the integration period of merging the firms.

The purpose of this thesis is to increase our understanding of CSR as a determinant in M&A pursuits and post-announcement processes. As discussed above, there are a number of intangible, strategic motives that lead a company to acquiring another firm or being acquired themselves. First, we analyze how CSR scores might effect a firm's propensity to engage in M&A activity. We propose that the CSR strengths and concerns directly effect this relationship. The dimensions used to evaluate a company's socio-economic strengths and concerns are their community relations, corporate governance, employee relations, environmental consciousness, and product/service characteristics. The CSR scores will be identified and their significance in determining the likelihood of a company to pursue M&A will be calculated using logistic regression methods. This is a binary statistical technique considered powerful when the research purpose is to determine the likelihood of an event or the probability of its occurrence (Schwert, 2000).

By studying the saliency of different stakeholders, and by introducing CSR as an influence in these M&A decisions, this paper contributes to the literature by offering a unique prospective on how CSR effects M&A. While there has been substantial research mainly focused on CSR's relationship with firm financial performance, this paper examines the direct relationship that individual measures of CSR have on M&A.

My research also aims at providing an improved understanding of the role of CSR as a determinant of M&A integration speed. M&A integration speed can be defined as the shortness of time period needed to complete the intended integration of systems, structures, activities, and processes of two companies (Homburg & Bucerius, 2006). We use CSR strength and concern scores to represent disparities between merging companies' systems, cultures, value, principles, policies, standards and procedures. More specifically, we argue that larger disparities in CSR scores represent greater differences in bidder and target company stakeholder related practices. Because CSR stems from corporate decision making (Turban & Greening, 1997), we suggest that larger disparities between CSR scores create additional complexities and uncertainties when combing firm resources and philosophies. This in turn leads to longer integration periods. We use multiple regression to analyze this relationship.

The next section of my thesis introduces the study's theory and hypotheses. This is followed by an empirical study of companies rated by Kinder, Lyndeberg and Domini Research Analytics Incorporated (KLD) that test these hypothesized relationships. The final section reviews the key findings and discusses their implications for managerial practices and future research.

THEORY AND HYPOTHESES

Corporations in the 21st century face a number of colliding forces in product and capital markets, and as well as in the political and competitive environments in which they operate. With the growing scrutiny of business operations, organizations are being driven to satisfy the expectations of key stakeholders in order to thrive. In the case of M&A activity, the ability to listen to corporate stakeholders is not merely a useful management skill; it is a competitive necessity. M&A provides a means to improve competitive positioning and cost reduction, but it hasn’t been common to find executives analyzing the implications of these actions for employees, the surrounding communities, or other constituencies.

Corporate Social Responsibility (CSR)

The corporate world is facing the notion of CSR wherever it turns these days. On a wide range of issues, corporations are encouraged to behave socially responsible (Cohen & Prusak, 2000). The World Business Council on Sustainable Development (WBCSD) defines CSR as “the continuing commitment by businesses to behave ethically and contribute to the economic development while improving the quality of life of their workforce and their families as well as of the community and society at large” (Watts & Holmes, 1999, p. 42). Carroll (1999) asserts that firms categorize approaches to CSR. Socially responsible activity was categorized as (1) related to products, jobs, and economic growth; (2) related to societal expectations; and (3) related to activities aimed at improving the social environment of the firm (Committee for Economic Development, 1971). In both of these cases the second tier required the ability to recognize and internalize social expectations and the third tier required the competence to engage with external stakeholders on issues and concerns. KLD uses a combination of surveys, financial statements, articles in the popular press and academic journals, and government reports to calculate and measure a firm's CSR. They use this data to assess the "strengths" and "concerns" regarding the dimensions of CSR (Siegel & Vitaliano, 2007).

The International Business Report (2008) emphasized the adoption of ethical business practices as fundamental to success. Results from the study cite the need to attract and retain high quality staff to meet current and future demands as the main dynamic driving corporate responsibility. Regardless of underpinning motives, CSR credentials are becoming a priority for firms to compete as stakeholders place greater importance on the satisfaction of their concerns (Watts & Holmes, 1999).

M&A and Stakeholders

M&A are largely considered disruptive workplace events. While the results vary, roughly half of M&A activities fail to meet their financial projections (Maksimovic & Phillips, 2001). While there is general consensus that M&A activities increase the wealth of target company shareholders because of high premiums paid, empirical studies show that acquiring firms do not experience an increase in post-acquisition financial profitability. Between 1991 to 2002, acquiring firm shareholders lost an aggregate $216 billion, more than 50 times the $4 billion they lost from 1980 to 1991 (Moeller, Schlingemann & Stulz, 2005). The majority of acquiring-firm losses took place between

1998 and 2003, roughly the time period of this study. After gaining $24 billion from 1991 to 1997, bidder shareholders lost $240 billion from 1998 through 2002.

Samuelson and Birchard (1999) advocate for a human consideration in M&A transactions, as employees and other stakeholders can be drastically affected. While executives shape and control their firms' strategic agenda, their powers are not absolute. Major stakeholders such as investors, employees, customers, suppliers and the community often challenge senior management (Useem, 1993; 1996). The theory of stakeholder salience helps explain conditions under which key stakeholders gain and exercise power on executives (Neubaum & Zahra, 2006). Listening, understanding, and responding to the interest of different stakeholders is not just about being charitable or responsible; it is part of thinking about business activities in a way that recognizes the interdependence of commercial and social objectives, encouraging executives to address them together. As the volume of M&A increases, significant levels of ethical and moral criticism are being leveled against firms that pursue corporate acquisitions because of their external costs not borne by the acquiring firm (Chase, Burns & Claypool, 1997).

Corporate Social Responsibility and Likelihood to Pursue M&A

The ethicality of M&A is based not only on the effect on which they have on firm stock price, but also on the effects the activity will have on all stakeholders (Donaldson, 1995). This includes direct claimants such as shareholders, customers, suppliers, and employees, and indirect claimants such as competitors, local communities, the general public and affected governments (Eells & Walton, 1961). Hanly (1992) argues that firms must recognize these obligations as they have a general duty not to harm them. He further asserts that the inclusion of all stakeholders in strategic decision making is a "framework from which to approach moral evaluations of corporate practices." Werther and Chandler (2006) suggest that CSR is a conceptual screen through which strategic and tactical decisions are evaluated for their impacts on the firm's various stakeholders. Clearly, as the importance of CSR rises, various stakeholders will wield greater power and influence over senior managers' decisions (Gedajlovic & Shapiro, 2002).

As Heal (2005) described, CSR can be interpreted as a solution to problems associated with social costs. KLD evaluates firms along 13 different categories of CSR strengths or concerns (weaknesses). Within each of these categories are items to which KLD assigns a '1' or '0' according to whether or not a firm meets a certain criteria. Most prior research treats CSR concerns as an inverse of CSR (Van Alstyne, 2005). For example, a firm is socially responsible if it has limited CEO compensation and irresponsible if it does not. We suggest that the two are not merely opposite reflections of each other, but they are separate and related constructs. As suggested by Strike, Gao and Bansal (2006), corporations are simultaneously able to be responsible and irresponsible. There is much empirical support for the notion that societies penalize companies that are perceived to conduct business in ways that conflict with social values (Sharfman, 1996). This is particularly true when inconsistencies arise between the pursuit of corporate profits and the achievement of social goals. In cases where the inconsistencies are large and there is sufficient public awareness, it is advantageous for companies to anticipate the social pressures (Kotchen & Moon, 2007) and take a proactive stance toward lessoning the potential conflict. This suggests that when companies are perceived as having CSR concerns, they have an incentive to act more socially responsible by offsetting actions that are perceived to be socially irresponsible.

Both CSR strength and concern scores provide a degree of awareness to managers. Companies with high CSR strengths pursue social activities that consumers, employees and investors value and have integrated these activities into its profit maximizing objectives (Waddock & Graves, 1997). Likewise, high CSR concerns in particular areas are more salient to stakeholders and therefore cause greater efforts on the part of companies to lessen potential conflicts by accounting for them in corporate strategies, even if they do not directly alleviate them through related programs (Yoon, Yeosun, Gurbhan-Canli & Schwarz, 2006). Since M&A activities often go against stakeholder interests by creating uncertainty, companies who have higher strength scores are less likely to pursue such activities that could damage their stakeholder relationships. But as previously mentioned, firms can be both corporately responsible and irresponsible at the same time (Strike, Gao & Bansal, 2006). Thus, companies with high concern scores are more likely to pursue M&A activities. This is because firms with high concern scores are less worried about the wants and desires of their stakeholders. But these directional relationships are not absolute. In some cases, companies with high strength scores in certain areas will be more likely to pursue M&A, while companies with high concern scores in certain areas will be less likely to pursue M&A.

Dimensions of CSR and M&A Propensity

A common practice in academic literature is the aggregation of the KLD ratings into a total, or net, CSR score by subtracting the concerns from the strengths (Frooman, Zietsma & McKnight, 2008). If the difference is non-negative, then the firm is defined as being socially responsible. A drawback of this measure is that it equally weights all strengths and concerns, as well as each social dimension. But, stakeholder management is not only about maintaining positive relationships with key stakeholders, but also about mitigating down-side risk, such as avoidance of serious problems like labor issues or environmental concerns. In this study, I view the CSR measure separately instead of the unitary measure because different dimensions of CSR strengths and concerns may have different relationships with M&A propensity. The following section disaggregates the separate measures for each issue area and presents my hypotheses regarding the effect of each dimension of CSR on M&A propensity.

Community Relations. Corporate giving plays a major role in charitable contributions around the globe. As firms pursue M&A activity, management attention is absorbed and significant transaction costs are created (Groshen & Grothe, 1989). Nonprofit organizations are left with concerns surrounding their sources of corporate charitable contributions, as these disruptive pursuits consume corporate resources. This is of particular concern in local regions where a business operates. Companies create and maintain jobs and facilities, request or put into place community-related infrastructure, pay taxes, provide a source of leaders for local non-profit boards and civic associations, and support community philanthropic and volunteer programs (Burke, 1999).

M&A can interfere with innovative, community-related corporate practices such as civic involvement and giving programs (Waddock & Graves, 2006). Corporate giving, volunteer and community relations programs generally reside at a headquarter's campus. In the case of mergers, one head quarters could be closed (Burke, 1999) and the community of the target firm could experience a reduction in positive corporate community involvement. The relationship between social and financial performance is mutually reinforcing, creating a "virtuous cycle" that benefits not only the firm but also employees, customers, and the community (Lantos, 2002).

Companies with high CSR strengths are aware of their role and impact in communities and will make decisions that will minimize harming these relationships. Conversely, companies with high community concern scores identify less with their communities and typically do not consider these issues when making strategic decisions. Given this, we suggest the following hypotheses:

> Hypothesis 1(a) and 1(b)**:** CSR effects the likelihood to pursue M&A such that: (a) companies with high community strength scores are less likely to pursue M&A; and (b) companies with high community concern scores are more likely to pursue M&A.

Corporate Governance. M&A are among the largest and most readily observable forms of corporate investment. These investments also tend to intensify the inherent conflicts of interest between manager and shareholders in large public corporations (Berle & Means, 1933). As a result, managers do not always make shareholder value-maximizing acquisitions; sometimes they extract private benefits at the expense of shareholders (Parvinen & Tikkanen, 2007). Jensen's (1986) free cash flow hypothesis argues that managers realize large personal gains from empire building and predicts firms with abundant cash flows but few profitable investment opportunities are more likely to make value destroying acquisitions than return excess cash flows to shareholders.

Sound corporate governance mechanisms provide managers with the proper incentives to maximize firm value by restricting self-serving pursuits. Evidence from Wang and Xie (2009) suggests that managers who face more pressure from corporate controls tend to make better acquisition decisions. As M&A is generally associated with unfavorable wealth implications, without incentives to improve their own self-welfare, managers will be reluctant to pursue these activities. Conversely, poor governance reflects a culture where employees are not involved in the business decisions and procedures do not exist to align board and CEO incentives.

High corporate governance strength scores indicate the presence of mechanisms that ensure the alignment of interests across upper management and stakeholders. Therefore, these companies will be reluctant to pursue M&A as they do not want to damage these relationships. High CSR concern scores in this category indicate top management giving low priority and attention to addressing the concerns of stakeholders. Because the proper systems are not in place to align board and CEO incentives with those of stakeholders, they will be more likely to pursue M&A because the governance mechanisms which might otherwise curb these actions are absent. These observations suggest the following hypotheses:

> Hypothesis1(c) and 1(d): CSR effects the likelihood to pursue M&A such that: (c) companies with high corporate governance strength scores are less likely to pursue M&A; and (d) companies with high corporate governance concern scores are more likely to pursue M&A.

Diversity. Employee diversity is widely held to be a possible source of strategic advantage for U.S. companies. Prior research suggests that cultural diversity within companies can potentially contribute to a firm's competitive advantage despite the attendant conflicts (Chakrabarti, Jayaraman, & Mukherjee, 2004). The rationale is that companies with progressive practices will attract a better workforce and will have potential advantages in creativity, problem-solving, and capacity to cope with change (Chase, Burns, & Claypool, 1997). For example, gender studies have shown that women bring a different dimension to corporate decision making that improves corporate governance and protects shareholder interests. Furthermore, Chu (2008) found that the likelihood of an M&A deal turning into a hostile tender offer falls by 2% when the Chief Executive Officer is a minority or woman.

Managerial decisions regarding selection, retention, and promotion have been made on the basis of diversity criteria. While many companies do not have explicit quotas or targets, there is strong pressure on corporate managers to move in this direction

(Mcquire, Dow & Argheyd, 2003). Likewise, increasing globalization means that diverse organizations may be better equipped to deal with many cultures within which facilities are located. (Waddock & Graves, 2006). Companies with high diversity strength scores value diversity among employees and have programs that support such practices. In the context of our study, these companies may view M&A as a vehicle for expanding these practices and are more likely to pursue such activities. Firms valuing diversity are likely to be less insular and more willing to be open and accepting of acquired firms' people and practices. Conversely, high concern scores in this category indicate that management does not want to disturb the corporate culture by bringing in new employees, thus will pursue fewer acquisitions. These observations suggest the following hypotheses:

> Hypothesis 1(e) and 1(f): CSR effects the likelihood to pursue M&A such that: (e) companies with high diversity strengths scores are more likely to pursue M&A; and (f) companies with high diversity concern scores are less likely to pursue M&A

Employee Relations. Many companies focused exclusively on the tangible products and financial goals of M&A fail to recognize that human capital risks and opportunities are critical to achieving their objectives. Dixon and Nelson (2005) acknowledged that the human capital aspect is essential to success, and that is the legal, finance, and human resource departments drive strategic work and integration processes. Researchers have narrowed their focus on the issues surrounding the human capital impact on M&A success, with new information being developed in the area of employee morale and turnover (Heal, 2004).

M&A represents organizational change for many different employee groups, making regular communication with key stakeholders, most notably employees, crucial (Gerpott, 1995). Some workers from acquiring companies feel excited about the new challenges that integration brings while others tend to be worried with issues such as job security and their future careers with the organization (Chambers & Honeycutt, 2009). Low morale reduces M&A success by gradually destroying employees' commitment, hurting the product or service offered, and alienating the clients and customers the organization servers. High turnover also results from M&A, reducing the chances for success by employees leaving an organization, taking with them their knowledge and abilities to contribute to the goals, profits and performance of the company (Dixon & Nelson, 2005). Congruently, high turnover during M&A has been shown to cause decreases in productivity among remaining employees, further contributing to moral issues (Agrawl & Jaffe, 2000).

Nguyen and Kleiner (2003) highlighted these points in the case of Hewlett Packard (HP) announcing its merger with Compaq. Employees become more focused on securing their jobs instead of serving customers and HP consequently lost clients to other competitors. Due to the difficulties of managing such broad networks of relationships, M&A can be disruptive and overly complex to both firms' employees. Managers who are cognizant of these negative implications to stakeholders will be reluctant to pursue such troublesome activities.

High CSR employee relations strength scores can be largely attributed to greater attention and provision of information on health and safety, staff development processes and provisions for employee welfare. Companies with high strength scores in this category are less likely to pursue M&A because they do not wish to damage these practices by complicating them through the acquisition of new employees. High employee relation concern scores infer that managers inherently do not take employees' concerns into consideration when making strategic decisions and thus are not concerned about the disruptive nature of M&A. This increases the likelihood of these companies to pursue M&A. These observations suggest the following hypotheses:

> Hypothesis 1(g) and 1(h): CSR effects the likelihood to pursue M&A such that: (g) companies with high employee relations strength scores are less likely to pursue M&A; and (h) companies with high employee relations concern scores are more likely to pursue M&A.

Environment. The identification of environmental liabilities in M&A was historically a case of looking at existing pollution, such as soil or water contamination, and the value of the liability involved complexities and uncertainties about how much it might cost to remediate (Aktas & de Bodt, 2004). Despite the growing strength of CSR programs, there is evidence that shows most companies do not take further environmental management issues into account when undertaking M&A. According to a survey conducted by KPMG UK LCC (2008), nearly one-third of major European companies discovered health, safety, social, and environmental issues after completing M&A transactions, even though 3 out of 5 companies had completed an environmental due diligence assessment.

Buyers should examine a target's processes and controls supporting their sustainability claims. This may involve the use of public domain searches and business intelligence tools to compare and contrast assertions in press releases, their Web site, and in financial statements. Unfortunately, such information does not often align (Zollo & Singh, 2007). Acquiring companies need to know whether they are taking on sustainability problems or opportunities. Without the proper controls for reviewing these external claims, an acquirer might find itself incurring massive containment costs once a deal is complete (Wang & Xie, 2009).

Companies with high environmental strengths are aware of their environmental impact and are less likely to pursue M&A because of the inherent lack of transparency in a target's environmental practice claims. High CSR concern scores in this category show that the company is less concerned their environmental impacts and generally do not recognize the environment as a business concern. Thus, these companies will pursue M&A more aggressively and not be deterred by any environmental concerns that may await them. Thus:

> Hypothesis 1 (i) and 1(j): CSR effects the likelihood to pursue M&A such that: (i) companies with high environment strength scores are less likely to pursue M&A;

and (j) companies with high environment concern scores are more likely to pursue M&A.

Product Characteristics. Rapid technological changes and the shortening of product life cycles are pressuring firms to source technologies externally (Gantumur & Stephen, 2007). Companies will often prefer M&A to other cooperative approaches of network building such as joint ventures because M&A provides an immediate presence in new markets (Roeller, Stenneck & Verboven, 2001). Firms that are considered strong in this category tend to have high quality products, are leaders of R&D (within their respective industries), use innovative-practices, and provide products or services that benefit the economically disadvantaged.

Companies with high CSR product strength scores already possess superior products or services, which reduces their incentive to pursue costly M&A. Thus, companies with high strength scores in this category are less likely to pursue M&A. Companies with high CSR product concern scores lack these characteristics (poor product quality, lagging R&D, etc.). Thus, companies with high concerns in this category are more likely to pursue M&A to reduce this score by assimilating external knowledge, expanding R&D practices and exploit it to improve their product portfolios. Given this:

Hypothesis 1(k) and 1(l): CSR effects the likelihood to pursue M&A such that: (k) companies with high product strength scores are less likely to pursue M&A;

and (l) companies with high product concern scores are more likely to pursue M&A.

CSR and the Speed of M&A Integration

Integration Speed and M&A. M&A failure is frequently attributed to the inability to achieve the intended objectives in a time interval that makes the deal worthwhile from an economic view (Homburg & Bucerius, 2006). According to a PriceWaterhouseCooper's M&A Integration Survey Report (2008), the early and timely execution of fundamental integration initiatives is directly related to capturing deal value. Prior research has found that speed of integration on M&A success is most beneficial in the case of low external and high internal relatedness of the bidder and target firms (Buckley & Ghauri, 2002). In this study, we assume that speed is generally beneficial for M&A success as it alleviates uncertainty among stakeholders of combining firms.

CSR and Integration Speed. The key difficulties and challenges of the integration process are creating the appropriate atmosphere that supports the process (Bradao, 1992). As much as 85% of failed M&A can be attributed to an inability to manage the practical challenges of cultural integration (Miller, 2000). Dealing effectively with people issues in M&A is a key to successful integration. While senior executives ultimately plan and monitor M&A projects, the integration should be seen as a company-wide effort.

Against this background, this portion of our study is aimed at providing an improved understanding of the role of CSR on M&A integration speed. Because of the large potential impact of M&A on organizational cultures, managers will try to create and manipulate culture in ways consistent with corporate profits and success. These efforts at creating uniform values, beliefs, and behaviors are often futile because culture, especially in complex organizations, is difficult to manage from the top (Martin, 2002; Parker, 2000; Turner, 1999). Strong cultures often produce highly identified employers, which may then lead to highly committed workers (Barker, 1999; Tompkins & Cheney, 1983).

Different cultures are harder to combine because the members of the merging organizations are often heavily invested in their current corporate values and, thus, more resistant to efforts aimed at replacing those guiding principles with a new set (Vaara, 2002). Our key argument is that the merging of different cultures impedes integration speed. We use the difference between bidder and target CSR scores to represent the disparities of the two companies' cultures in M&A activity. Larger differences represent a greater degree of unrelatedness, which in turn will increase the length of integration periods. These observations lead us to present the following hypothesis:

> Hypothesis 2: Greater differences between bidder and target CSR strength and concern scores will result in longer integration periods.

STUDY OVERVIEW

In order to empirically test these hypotheses, data for the study was assembled from two primary sources: KLD Research Analytics and the Thomson's Securities Data Corporation's (SDC) Platinum Database. We use logistic regression to test Hypothesis 1(a) through (l) and multiple regression to test Hypothesis 2.

Primary Data Sources

KLD Analytics. Stakeholder related practices were measured as a CSR score, a rating developed by KLD Analytics. The KLD Social Ratings is published by KLD Research & Analytics, which is a Boston-based consulting firm that specializes in measuring corporate social performance. The KLD Social Ratings data is a very influential measure of corporate social performance, and many investment managers refer to KLD recommendations when making decisions that require social screening (Hopkins, 2003). The data are also the most frequently cited source of corporate social performance within academic literature (Rovit, Harding & Lemire, 2004). KLD's database consists of more than 1,000 publicly traded corporations, each of which has been screened across a broad range of social issues. Each company is rated as neutral (no rating), concern or strength, or major concern or major strength with each of either screening categories. KLD rates in eight socially relevant categories, but only six are generally used in research (Hillman & Keim, 2001). We obtained CSR scores on public U.S. companies during 1998.

Appendix A lists all of the KLD indicator variables and categorizes them in their corresponding issue area.

The five dimensions used for this study were community relations, corporate governance, diversity, employee relations, environment, and product characteristics. The other areas measured by KLD (e.g. production of alcohol/tobacco or involvement in the nuclear energy) are not scaled and therefore are difficult to score (Ruf, Muralidhar, & Paul 1993). These areas are also not included in this study. We analyze CSR in its different dimensions as opposed to one composite score. Viewing CSR as a total score does not account for corporations' ability to be both responsible and irresponsible at the same time (Strike, Gao, & Bansal 2006). Combing the KLD scores seems to ignore this reality as high scores on a couple dimensions could wash out the effects of a serious stakeholder violation.

Thompson's SDC Platinum. The SDC Platinum Database contains historical details on company initial public offerings (IPOs), mergers and acquisitions, poison pills, and advisor information on deals. I obtained a listing of all public M&A transactions that were announced between December 31, 1997 and December 31, 2003. The list provided data regarding announcement and effective dates, ownership percentages (pre- and post-transaction), deal values as well as detailed information on the bidding and target companies.

Hypothesis 1

In order to test Hypothesis 1 (a) through (l), we used logistic regression to determine individual CSR scores' affects on a company's propensity to pursue M&A activity.

Study Sample. The sample for the first hypothesis contained 658 publicly traded U.S. companies with CSR ratings from 1998. We needed to first determine how many transactions during the study's time period that were carried out by firms in the KLD ratings matrix. To find these transactions we used the information provided in the SDC Platinum Database. We obtained a list of 57,367 M&A deals for foreign and domestic companies with initial announcements during time period of December 31, 1997 to December 31, 2003. To be included in the final sample, the following conditions must have been satisfied:

1. The announcement date was between December 31, 1997 and December 31 2003;
2. The acquirer controlled less than 51% of the shares of the target before the announcement date; and obtained greater than 51% of the target shares following the announcement;
3. The bidding company had to be based in the United States;
4. Financial performance data on the acquirer was available from Research Insight.

From the total population of transactions that were announced during this time period, KLD rated companies that satisfied the above requirements were responsible for 1,635 M&A announcements. The final sample consisted of 237 publicly traded companies that had performed no M&A and 422 that had performed one or more M&A transaction. Table 1 provides the yearly distribution of the M&A activity in the sample and Table 2 shows M&A activity across the different industries in the sample. Additional information regarding companies and M&A frequency can be found in Appendix B and C.

Dependent Variable. In this study, the prediction of M&A activity was performed via a binary choice model (0: No M&A activity, 1: M&A activity). The independent variables illustrate the characteristics of enterprises in our sample.

Independent Variables. The independent variables used were the KLD strength and concern measures. Each issue area has a number of strength and concern items, where a binary measure indicates the presence or absence of that particular strength or concern. For example, the community category contains seven strength items (charitable giving, innovative giving, non-U.S charitable giving, support for housing, support for education, volunteer programs, and other strengths) and four concern items (investment controversies, negative economic impact, tax disputes, and other concerns). To construct variables for overall strengths and concerns, we separately summed all the 0-1 strength and 0-1 concern items. We followed this procedure to create strength and concern variables for different dimensions corresponding to the different issues areas in the KLD data. Lastly, we divided these scores by the number of items in each area to create weightings for each screen. Our logistic regression model separately tested strengths and concerns to obtain their individual effect on a firm's M&A propensity.

Controls. The analysis includes several control variables, which were obtained using Standard and Poor's Research Insight, a product extension of COMPUSTAT. Company size was measured using the number of total employees. Research has shown that the frequency of M&A activity is positively associated with firm size (Homburg & Bucerius, 2006), which could possibly influence a firm's responsiveness to CSR. Consistent with prior research, I took the natural log of the company size variable because of the large variation between companies in the data.

Some industry-level factors have also been shown to explain variation in M&A frequency across industries because of different competitive environments, strategic management styles, and industry wide performance (Harford, 1999). These are especially notable in both R&D intensive and heavily consolidated industries such as telecommunications (Moeller, Schlingemann, & Stulz 2005). Therefore, we included in the model dummy variables to control for industry at the one digit SIC level.

Lastly, we controlled for past financial performance. The financial performance measure used was a firm's yearly return on assets. The logic for this control is that past financial performance has been shown to be positively associated with a firm's M&A frequency (Roviet, Harding & Lemire, 2004).

Hypothesis 2

To test the second hypothesis, I used multiple regression to determine the effect CSR score differences have on the integration periods between bidder and target companies.

Study Sample. For the second hypothesis, we started with the original sample of 1,635 announced M&A activities by KLD companies. In order to test CSR's impact on integration periods, the sample had to be further narrowed to include only M&A announcements where the bidder and target firms both had CSR scores. We were left with 264 M&A transactions. In order to determine the length of integration periods, we calculated the differences between announcement date and effective date. This information is shown in Appendix D.

Dependent Variable. The dependent variable in Hypothesis 2 is the length of the integration period of two merger companies. For purposes of this study, I define integration period as the total number of days between the announcement and the effective dates as provided by the SDC Platinum Database. Past research has shown that shorter time periods between announcement and effective dates in M& A activity lead to an increased likelihood for success (Tetenbaum, 1999). I took the natural log of integration days because of the large variations between company integration periods in the data.

Independent Variables. We use the differences in bidder and target company CSR scores as the independent variable for Hypothesis 2. Using the 1998 KLD data we subtracted each category of bidder strengths from target strengths for all companies included in the sample for Hypothesis 2. This procedure was followed out for each CSR category concern score as well. Scores with negative signs were included, representing the target company having the greater of the two ratings.

Controls. We again controlled for the bidder and target industries at the one digit SIC level. As Homburg and Bucerius found in their 2006 study, a low level of external relatedness is frequent in M&A deals where the two companies are in separate industries. Potential integration impediments from this include repositioning of the acquired firms' product or service offering, sales structure, reduction of sales and distribution offices, and customer service (Bragado, 1992). These complications between firms in different industries have been shown to lengthen post merger integration periods and could distort CSR's effect on integration speed.

I also controlled for the dollar amount of each transaction as prior research has suggested that larger deals can impede integration (Capron & Hulland, 1999). Specifically, as the public scrutinizes larger deals, additional pressure is placed on stakeholders to ensure the deal's success. This, in turn, can detour them from effectively performing during transitional periods (Liu & Taffler, 2008). Also, higher deal amounts (i.e. premiums) reduce firms' cash flows in the form of payments, absorbing resources that could otherwise go towards integration processes. I took the natural log of deal size because of the large variation between transactions in the data.

RESULTS

Hypothesis 1 Testing: CSR and the Propensity to Pursue M&A

Logistic regression analysis tested Hypothesis 1 (a) through (l). A total of 534 firms remained in the sample after companies with missing financial data were eliminated. Table 3 presents the means, standard deviations, and correlations among the variables for the 1998 CSR strengths and concerns data, respectively. Statistics for industry dummy variables are not shown. In regards to descriptive data, return on assets is not correlated with most of the KLD categories. Number of employees is moderately correlated with corporate governance concerns, diversity strengths and environmental concerns ($p<0.001$). Diversity strengths are highly correlated ($p<0.001$) with community strengths, indicating that companies paying attention to diversity are also paying attention to community relations (Waddock & Graves, 2006). Environmental concerns are also highly correlated ($p<0.001$) with community concerns, suggesting that companies not paying attention to environmental concerns are also not paying attention to community concerns.

Table 4 presents the results of the logistic regression analysis using M&A propensity as the dependent variable and CSR strength and concern scores as the independent variables, controlling for size (natural log of total employees), and industry (industry controls are omitted from the table). Following is a report of the regression results and whether they support Hypothesis 1.

Community Relations. The effect of CSR community strength on M&A propensity is negative but not significant. The effect of CSR community related concerns was also negative but not significant. Therefore, the results for both Hypothesis 1(a) and 1(b) are in the expected direction but are not significant.

Corporate Governance. Hypothesis 1(b) addressed corporate governance strengths and propensity to engage in M&A while Hypothesis 1(c) addressed corporate governance concerns and a company's propensity to pursue M&A. The effect of CSR corporate governance strengths on M&A propensity was negative and significant (b= -0.512, p<0.10). Corporate governance concerns was found to have a positive and significant effect on a firm's propensity to pursue M&A (b=0.364, p<0.10). Therefore, both results are in the expected direction and Hypothesis 1(c) and 1(d) are supported.

Diversity. Hypothesis 1(e) posited that high CSR diversity strengths scores will increase the likelihood of a company to pursue M&A activity. We found this relationship to be positive and significant (b=0.328, p<0.05). This is in the expected direction and supports Hypothesis 1(e). Hypothesis 1(f) proposed that high CSR diversity concern scores will decrease the likelihood of a company to pursue M&A activity. We find that diversity concern scores are positively but not significantly associated with M&A propensity. This result is contrary to our original prediction, therefore Hypothesis 1(f) is not supported by the empirical test results.

Employee Relations. Hypothesis 1(g) proposed that high CSR employee relations strength scores will decrease the likelihood of M&A activity. This prediction was not supported by the coefficient's direction (*b*=0.058) and was not significant. Hypothesis 1(h) posited that high employee relations concern scores will increase the likelihood of M&A activity. The relationship was found to be positive (*b*=0.089) but insignificant. Thus, Hypothesis 1(g) and 1(h) are not supported.

Environment. Hypothesis 1(i) suggested that high environmental strength scores will decrease M&A propensity. The empirical test shows that this prediction is not supported, as we found the relationship to be positive and not significant. Hypothesis 1(j) speculated that high environmental concern scores will increase the likelihood of a company to pursue M&A. This variable was found to be in the correct direction but was not statistically significant. Thus, both Hypothesis 1(i) and 1(j) are not supported.

Product Characteristics. As stated in the theory section, I expected companies with high product strength scores to be less likely to pursue in M&A activity. This prediction was found to be significant (p<0.10) and directionally correct (*b*=-0.443). We also theorized that companies with high product concern scores are more likely to pursue M&A activity. The results show that our directional assumption was correct but was not statistically significant. Thus, Hypothesis 1(k) is supported but Hypothesis 1(l) is not.

Based on these results, four out of the twelve propositions put forth in Hypothesis 1 received support. Industry controls all had negative and insignificant coefficients. There is, however, a fairly consistent pattern of concern scores (not statistically significant) to positively effect a company's likelihood to pursue M&A.

Hypothesis 2 Testing: CSR Differences and M&A Integration Speed

Our second hypothesis proposed that differences in bidder and target strength and concern scores should be significantly and positively associated with integration periods. Assuming CSR ratings capture aspects of relatedness between firms, we tested our hypothesis for ten settings with respect to score differences. Table 5 reports descriptive statistics and the correlation matrix for the data used in the study. A total of 239 companies remained in the sample after removing transactions where the bidder and target were missing financial data. Statistics for the dummy variables are not shown. The correlation table indicates that the dependent variable is highly correlated with the deal value, indicating the importance of controlling for size in the assessment of the relationship between CSR differences and integration speed. Diagnostics of the independent variables indicate that multi-collinearity was not an issue. Several of our explanatory variables are also correlated with each other. Differences in employee strengths are highly correlated with diversity strengths as are differences in environmental strengths and corporate governance strengths ($p<0.001$). Environmental concern differences and community concern differences had the highest significant correlation among variables ($p<0.001$). Multiple regression was used to test Hypothesis 2 in order to identify the net influence of each variable on integration speed (Zollo & Singh, 2004).

Using the log of total number of days between announcement and effective dates as the dependent variable, I performed a regression analysis with the differences between bidder and target strength (and concern) scores from the 1998 KLD data as independent variables. As the data in Table 6 shows, the control variable had a positive and significant effect on integration length (p<0.001). The empirical test weakly supports the hypothesis that greater differences in CSR scores will result in longer periods of integration. The differences in bidder and target community concern scores has a significant and positive relationship with integration period days (b=0.904, p<0.05). Our strongest results appear between the differences in environmental strength scores, which was positively associated with integration days and was the most significant variable in the predicted direction (b=0.77, p<0.05). Both of these results support our second hypothesis.

The remainder of the empirical results are generally insignificant or not in the predicted direction. Larger differences in corporate governance strength scores had a significant relationship with integration days (p<0.05), but not in the predicted direction (b=-0.82). Coefficients for differences in corporate governance concern, diversity concern, employee strength, and environmental concern scores are in the predicted directions, but were insignificant. We also found insignificant and negative coefficients for differences in diversity strengths and employee concerns. To test the robustness of the effects of the industry type on M&A, we used dummy variable in the regression equations reported in Table 6. The transportation, telephone and utilities industries had significant and positive coefficients (p<0.001). All other industries were insignificant.

Two of the ten coefficients were in the expected direction and significant ($p<0.05$). Greater differences in bidder and target corporate governance strength scores were significant ($p<0.05$), suggesting larger disparities actually decrease integration time periods. The majority of the empirical test does not support Hypothesis 2. Both sets of results provide interesting implications for future research which will be discussed further in the subsequent section. Tables 7 and 8 provide summaries of our hypotheses and their outcomes.

DISCUSSION

Using a sample of 1,635 deals from 1997 to 2003, we empirically investigated CSR and its impact on M&As. We focused on two issues: 1) CSR's influence on a company's propensity to pursue M&A and 2) the impact of CSR on integration periods following deal announcements.

Summary

CSR and M&A Propensity. Previous research has focused on the impact of M&A on innovative corporate stakeholder practices (Waddock and Graves, 2006). In contrast, my research analyzed the causal relationship of corporate social responsibility on M&A propensity. I supported past claims that the construct of social responsibility should be decomposed into its negative and positive aspects. By doing so, I hypothesized how the individual dimensions of CSR strength and concern scores could independently influence management's decisions regarding M&A.

The first finding is that companies with high corporate governance strength scores are less likely to engage in M&A activity. Realizing the existence of CEO and board member behavioral bias in M&A decision making, firms that emphasize sound governance mechanisms (e.g. limited compensation and employee stock ownership plans) are better able to hold executives accountable to stakeholders. Since M&A are damaging to stakeholder relationships, managers in firms with high corporate governance scores are less likely to pursue M&A. Additionally, high corporate governance concerns were found to positively and significantly effect a company's M&A propensity. There is much empirical evidence that suggests that in the absence of corporate controls, CEOs exhibit more overconfidence (Sudarsanam & Huang, 2006). This leads to overconfident CEOs being more likely to conduct M&As for personal gains (Morck, Shleifer & Vishny, 1990) and in hopes of reducing their corporate governance concerns by identifying targets with stronger practices rather than reform corporate governance itself.

We also found companies with high diversity strength scores to be more likely to pursue M&A. While differences in culture may lead to problems in post-merger integration (Birkinshaw, Bresman & Hakanson, 2000), mergers between firms with disparate cultures potentially arm the acquirer with higher synergies that help in their functioning in the global marketplace (Brock, 2005). As higher degrees of cultural differences have been shown to have a positive impact on M&A performance (Subrahmanyam, 2007), our study suggests companies that value these differences may view M&As as opportunities to contribute to firm competitive advantage.

Lastly, we found that companies with high product strengths are less likely to pursue M&A. Firms with strong internal funds to finance R&D, superior technological capabilities and product offerings have less incentive to engage in M&A as they are generally negative experiences for stakeholders. Product extension mergers, in particular, create uncertainty among customers of the merging firm (Gerpott, 1995). This uncertainty arises from changes in prices, reassessment of joint customer portfolios (which can result in the decision to no longer serve some customers/segments), quality of products or services, contact persons and customer service (Walter & Barney, 1990).

Dissatisfaction, restraint, and defection, which are harmful to M&A success, are likely consequences of this uncertainty (Clark & Ofek, 1994). Companies with product strengths, therefore, avoid this uncertainty by engaging in fewer M&A.

CSR and the Speed of M&A Integration. The second matter I addressed concerning M&A was CSR and its effect on integration speed. It has been argued that the speed of integration depends on the magnitude of relatedness between merging firms prior to the merger or acquisition (Homburg & Bucerius, 2006). Management of acquiring organizations face complex challenges when merging systems, cultures, values, principles, policies, standards and procedures. We used the differences in CSR scores to represent disparities between these aspects of corporations. To the best of my knowledge, this study is the first to empirically test the effects that differences between bidder and target CSR scores have on integration speed. The results are generally in the predicted direction but not statistically significant. The few results that are significant are relatively strong.

Our first finding was that larger differences in community concern scores significantly increased the length of integration. The difference between community related concerns represent a disparity in how firms negatively impact communities; one of the firms has a *greater negative* impact than the other. CSR concern scores in this category capture negative impacts of company actions on communities and is widely believed to be one of two dimensions of social responsibility that is the most salient (Kotchen & Moon, 2007). Public scrutiny of the deal may lead to less support from employees and customers of the company with fewer community concerns, impeding the integration of the firms.

We also found that larger disparities in environmental strength scores significantly increased the length of integration. CSR strength scores in this category include beneficial products and services, pollution prevention, recycling and the use alternative fuels (Ruf, Muralidhar, & Paul 1993). The difference in this category suggests while both entities are environmentally responsible, one commits greater resources than the other to related programs. Research from Rajand and Forsyth (2002) found that companies are prone to take "necessary steps" in takeovers to ensure company performance post-acquisition by reducing expenditures in non-operational related areas. Waddock and Graves (2006) support this claim, suggesting that the net impact of a merger might eliminate some progressive stakeholder-related practices because of cost-reduction measures. Because environmental strengths are believed to be highly salient (along with community concern scores) the increase in integration period could be attributed to less support from employee and other external stakeholders (especially activists) as managers consider post-takeover cost restructuring.

Lastly, we found that larger differences in corporate governance strength scores decrease the length of integration. Perhaps this result is not surprising given that companies with strong corporate governance more easily absorb firms with weaker corporate governance (Waddock & Graves, 2006). While this is contrary to our hypothesis, it provides an interesting area for future research.

Limitations

A number of restrictions of our study should be mentioned. First, our study sample was restricted by using a single year of CSR data, causing us to assume that CSR scores remain fixed over time. As CSR scores have been observed to change in both the short and long-term (Kotchen & Moon, 2007), a longer timeframe might yield different insights into the relationships examined in this paper.

For our second hypothesis, the difference between announcement and effective dates may not be the most suitable definition of the integration period measure. Homburn and Bucerius (2006) defined speed of integration as “the shortness of time period needed to complete the intended integration of systems, structures, activities, and processes of the two companies.” We are unsure if our definition captures all of these elements accurately. Furthermore, we assumed that CSR scores accurately account for stakeholder practices and subtracting these scores would allow us to measure the cultural disparity between acquirer and target companies. Company stakeholder-related practices may not be entirely accounted for in CSR strength and concern scores across the five categories (Sharfman, 1996). This raises questions as to the validity of the measure to accurately represent the cultural disparity between firms.

The legitimacy of the KLD ratings themselves is a highly debated and scrutinized topic (Hillman & Keim, 2001) as researchers attempt to measure the “soft” variables of companies that go beyond standard business operations. It is difficult to construct a truly representative CSR measure due to its complexity and because measurements of a single dimension provide limited prospective on how well a company is actually performing (Carroll, 1999). There are many definitions of CSR that consistently refer to five dimensions, but until researchers are able to agree on a theoretical construct of CSR, KLD ratings appear to be the best available data for measuring CSR (Hillman & Keim, 2001).

Implications for Future Research

Much remains to be learned about the relationship between CSR and M&A. Researchers should explore CSR's role in strategic M&A decisions across different industries. Are CSR's effects on M&A propensity more apparent in particular industries? It also seems promising to further study the role of CSR as a success factor in integration speed. Kotchen and Moon (2007) divide CSR into external CSR (e.g. environmental issues such as pollution) and internal CSR (e.g. employee issues such as hiring practices) as well as strengths and concerns. It would be particularly interesting to explore the impact of CSR on post integration speed by examining different types of CSR activities in terms of internal and external CSR. Additionally, future studies should focus on CSR differences and post integration speed by taking into consideration which company (bidder or target) has the higher scores. Are integration periods longer when the bidding companies have a lower score? Or do lower target scores impede integration speed? Our results for Hypothesis 2 cannot offer definitive insight into this matter because our regression analysis does not illuminate the direction of causality (acquirer or target having the superior CSR score).

Vermeulen and Barkema (2002) suggested future research should address the question of integration speed in different cultural contexts. Our study was focused on U.S. firms, where there is less labor regulation than other countries. Uncertainty among employees may be less relevant in other countries or regions with higher labor regulations, such as Central Europe or Asia. A final issue that requires further analyses are the financial outcomes of M&A activities in the context of CSR. When a company pursues M&A to remedy concerns, does this have a positive impact on financial performance measures? This could provide better insight into the relationships supported in Hypothesis 1, as well as contribute to literature that has examined CSR and firm performance. Lastly, much remains to be studied regarding CSR and stock price reactions throughout the phases of M&A. Specifically, CSR might help explain abnormal returns surrounding acquisition announcements.

Implications for Management

The determination of what leads a company to become a target is a source of great interest to companies, academics and M&A professionals alike (Sudarsanam & Huang, 2006). The knowledge of firms' characteristics that increase the probability of an acquisition, and the development of prediction models based on these characteristics could be of particular interest to policy makers. Using CSR scores, they could identify potential targets in advance and design regulations to avoid undesirable acquisitions in order to protect stakeholder interests. For example, if a potential acquirer/target candidate has high corporate governance concerns, this should signal to the opposite company that the candidate is possibly pursuing the deal in attempts to offset this weakness. Given situations where M&A candidates have high diversity strengths, managers should determine if their firm would be an appropriate fit with a company that has progressive hiring and employee practices. When the M&A candidate has areas of strength in corporate governance or product characteristics, this signals to the opposite manager that the potential M&A is not driven by CSR related issues and could be more desirable.

We also suggest that before engaging in M&A, managers should take into consideration potential integration problems. As M&A often fail to deliver because of these issues, organizations need to assess the differences in corporate cultures and practices that could slow integration. Special attention should be given to differences in community relations as well as environmental practices, as these are the most salient (Kotchen & Moon, 2007) and could significantly increase integration periods. While these issues should not render a prospective deal entirely undesirable, careful planning of their continuation (or elimination) in the combined entity must be clearly communicated pre-merger to reduce complications and uncertainty among stakeholders.

On a fundamental level, our basic managerial recommendation is to carefully reflect on the beneficial and detrimental impacts that M&A has on all stakeholders before pursuing such actions.

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TABLE 1

M&A Announcement Distribution by Year (N=1,635)

Year	M&A Announcements	Proportion
1998	286	17%
1999	406	25%
2000	360	22%
2001	262	16%
2002	205	13%
2003	116	7%
Total	1635	

Sources: KLD Analytics and Thomson's
SDC Platinum Database

TABLE 2

Industry Sample M&A Distribution by Year (N=1,635)

SIC Codes	Category	1998	1999	2000	2001	2002	2003	Total
1000-1999	Mining & Construction	26	14	16	15	7	8	86
2000-2999	Food, Paper, Chemicals & Pharmaceuticals	39	50	45	33	26	39	232
3000-3999	Refinin, Heavy Mfg, Computer, Auto, Aerospace	117	118	82	105	57	49	584
4000-4999	Transportion Services, Telephone, Utilities	60	89	42	43	25	9	268
5000-5999	Wholesale & Retail	31	26	8	13	11	6	95
6000-6999	Bank & Financial Services	56	42	27	34	17	17	193
7000-7999	Hotel & Entertainment	22	33	26	24	21	10	136
8000-8999	Hospital Management	6	10	7	4	8	6	41

Sources: KLD Analytics and Thomson's
SDC Platinum Database

TABLE 3

Means, Standard Deviations and Intercorrelations[a] Among Variables in the Data Set (N=534)

	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
1.Average ROA	13.60	28.48													
2.Employees (log)	2.62	1.54	0.01												
3.Community Strength	0.40	0.72	-0.03	0.12 **											
4.Community Concern	0.10	0.32	-0.05	-0.09 *	0.08 *										
5.Corporate Governance Strength	0.14	0.38	-0.11 *	-0.15 ***	0.06	-0.03									
6.Corporate Governance Concern	0.49	0.55	-0.08	0.24 ***	0.07	0.06	-0.11 **								
7.Diversity Strength	0.80	1.10	-0.04	0.19 ***	0.43 ***	0.05	0.10 **	0.13 **							
8.Diversity Concern	0.21	0.41	-0.08 *	-0.11 **	-0.02	0.04	-0.01	-0.01	-0.13 **						
9.Employee Strength	0.51	0.75	0.00	-0.01	0.05	0.09	0.10 *	0.11 **	0.15 ***	-0.02					
10.Employee Concern	0.22	0.46	-0.04	0.08 *	0.03	0.15 ***	-0.01	0.06	0.05	0.06	-0.06				
11.Environmental Strength	0.27	0.51	-0.07	0.03	0.06	0.18 ***	0.18 ***	0.03	0.10 **	-0.08 *	0.19 ***	0.07 *			
12.Environmental Concern	0.39	0.87	-0.01	0.21 ***	0.40	0.47 ***	0.00	0.10 **	0.07	-0.06	0.16 ***	0.22 ***	0.22 ***		
13.Product Strength	0.19	0.42	-0.10 *	0.07	0.05	0.00	0.14 ***	0.06	0.15 ***	0.01	0.22 ***	-0.03	0.14 ***	0.00	
14.Product Concern	0.32	0.64	0.05	0.03 ***	0.10 **	0.29 ***	-0.07	0.24 ***	0.13 **	0.03	0.00	0.14 ***	0.06	0.33 ***	0.00

Note: a. One-tailed Correlations

ROA=Return on Assets

*p <0.05

**p <0.01

***p <0.001

TABLE 4

Logistic Regression: Corporate Social Responsibility and M&A Propensity

The dependent variable is Y, a binary variable, which equals "1" if the firm announced at least one deal in a specific firm during the period of December 31, 1997 to December 31, 2003 and "0" otherwise. Size is the natural logarithm of total employees. Average ROA is the average return on assets for all companies in the KLD rating matrix during the December 31, 1997 to December 31, 2002 time period. Community strength has a maximum possible score of 6. Corporate governance strength has a maximum score possible of 3. Diversity strength has a maximum possible score of 8. Employee relations strength has a maximum possible score of 5. Environmental strength has a maximum possible score of 5. Product strength has a maximum possible score of 4. Community concern has a maximum possible score of 3. Corporate governance concern has a maximum possible score of 3. Diversity concern has a maximum possible score of 3. Employee relations concern has a maximum possible score of 5. Environmental concern has a maximum possible score of 6. Product concern has a maximum possible score of 4. We report regression results based on using CSR strengths and concerns as a determinant on M&A propensity. This table shows results in the form of coefficients.

Dependent variable: M&A Transactions	**Model**	
Constant	20.084	
Size (log Employee)	0.238	**
Average ROA	-0.004	
Community Strength	-0.07	
Community Concern	0.065	
Corporate Governance Strength	-0.521	†
Corporate Governance Concern	0.364	†
Diversity Strength	0.328	*
Diversity Concern	-0.298	
Employee Strength	0.058	
Employee Concern	0.089	
Environmental Strength	0.388	
Environmental Concern	0.153	
Product Strength	-0.443	†
Product Concern	0.133	
N	534	
Cox & Snell R Square	0.074	
Nagelkerke R Squared	0.112	

†$p<0.10$ *$p<0.05$ **$p<0.01$ ***$p<0.001$

TABLE 5

Means, Standard Deviations and Intercorrelations[a] Among Variables in the Data Set (N=239)

	M	SD	1	2	3	4	5	6	7	8	9	10	11
1. Days (Log)	4.553	0.91											
2. VALUE (log market capitalization)	6.744	2.26	0.55										
3. Bidder Community Strength minus Target Community Strength Scores	0.010	0.16	0.00	0.05									
4. Bidder Community Concern minus Target Community Concern Scores	0.006	0.12	0.14 *	0.07	0.01								
5. Bidder Corporate Governance Strength minus Target Corporate Governance Strength Scores	-0.009	0.11	-0.04	0.04	0.06	0.01							
6. Bidder Corporate Governance Concern minus Target Corporate Governance Concern Scores	0.079	0.25	0.09	0.07	0.03	0.19 **	-0.06						
7. Bidder Diversity Strength minus Target Diversity Strength Scores	-0.005	0.21	-0.04	0.05	0.41 ***	0.14 *	0.21 **	-0.01					
8. Bidder Diversity Concern minus Target Diversity Concern Scores	0.004	0.17	0.00	0.01	0.12 *	-0.14 *	-0.11 *	0.04	-0.06				
9. Bidder Employee Strength minus Target Employee Strength Scores	0.025	0.19	0.01	0.06	0.12 *	0.00	0.16 **	0.03	0.33 ***	-0.04			
10. Bidder Employee Concern minus Target Employee Concern Scores	0.007	0.13	0.01	0.06	0.07	0.01	0.05	0.07	0.00	0.22 ***	-0.03		
11. Bidder Environmental Strength minus Target Environmental Strength Scores	-0.014	0.14	0.10	0.04	-0.10	0.03	0.37 ***	0.07	0.05	-0.09	0.20 *	0.04	
12. Bidder Enviornmental Concern minus Target Environmental Concern Scores	0.027	0.22	0.10 *	0.11	-0.01	0.48 ***	0.11 *	0.25 ***	0.16 **	-0.13 *	0.07	0.12 *	0.05

Note: a. One-tailed Correlations

**p* <0.05
***p* <0.01
****p* <0.001

TABLE 6

Multiple Regression: The Impact of CSR Differences on M&A Integration Periods

The dependent variable is the number of total number of days between announcement and effective dates during M&A transactions announced between December 31, 1997 and December 31, 2003. We take the natural log of days because of large variations in the data. Deal is measured by the dollar amount of the transaction. We take the natural logarithm of deal value because of the large variations in the data. The difference between community strength scores has a possible range of -6 to +6. The difference between community concern scores has a possible range of -3 to +3. The difference between corporate governance strength scores has a possible range of -3 to +3. The difference between corporate governance concern score has a possible range of -3 to +3. The difference between diversity strength scores has a possible range of -8 to +8. The difference between diversity concern scores has a possible range of -3 to +3. The difference between employee relations strength scores has a possible range of -5 to +5. The difference between employee relations concern scores has a possible range of -5 to +5. The difference between environmental strength scores has a possible range of -5 to +5. The difference between environmental concern scores has a possible range of -6 to +6. We present differences in CSR scores and their effects on increasing and decreasing integration periods in the form of coefficients.

Dependent Variable: Integration Days (Log)	**Model**	
Constant	2.99	***
Deal Size (Log Value)	0.20	***
Bidder Community Strength minus Target Community Strength	-0.01	
Bidder Community Concern minus Target Community Concern	0.90	*
Bidder Corporate Governance Strength minus Target Corporate Governance Strength	-0.83	*
Bidder Corporate Governance Concern minus Target Corporate Governance Concern	0.11	
Bidder Diversity Strength minus Target Diversity Strength	-0.22	
Bidder Diversity Concern minus Target Diversity Concern	0.05	
Bidder Employee Strength minus Target Employee Strength	0.00	
Bidder Employee Concern minus Target Employee Concern	-0.08	
Bidder Environment Strength minus Target Environment Strength	0.77	*
Bidder Environment Concern minus Target Environment Concern	0.04	
R-Squared	0.42	
F-Value	8.80	
Adjusted R-Squared	0.37	
Unstandardized regression coefficients are shown		
*p<0.05 **p<0.01 ***p<0.001		

TABLE 7

Summary of Hypothesis 1 Results

		Proposed	Effect	Tested Coefficient
$H1_a$: High Community Strength	$\longrightarrow$	(-)	M&A	-0.07
$H1_b$: High Community Concern	$\longrightarrow$	(+)	M&A	0.065
$H1_c$: High Corporate Governance Strength	$\longrightarrow$	(-)	M&A	-0.521 †
$H1_d$: High Corporate Governance Concern	$\longrightarrow$	(+)	M&A	0.364 †
$H1_e$: High Diversity Strength	$\longrightarrow$	(+)	M&A	0.328 *
$H1_f$: High Diversity Concern	$\longrightarrow$	(-)	M&A	-0.298
$H1_g$: High Employee Strength	$\longrightarrow$	(-)	M&A	0.058
$H1_h$: High Employee Concern	$\longrightarrow$	(+)	M&A	0.089
$H1_i$: High Environmental Strength	$\longrightarrow$	(-)	M&A	0.388
$H1_j$: High Environmental Concern	$\longrightarrow$	(+)	M&A	0.153
$H1_k$: High Product Strength	$\longrightarrow$	(-)	M&A	-0.443 †
$H1_l$: High Product Concern	$\longrightarrow$	(+)	M&A	0.133

†p<0.10

*p<0.05

TABLE 8

Summary of Hypothesis 2 Results

H2: Greater Differences in CSR Scores → Increase in Integration Periods

Greater Differences in:	Proposed Effect	Tested Coefficient
Community Strength Scores →	(+) Integration Periods	-0.01
Community Concern Scores →	(+) Integration Periods	0.90*
Corporate Governance Strength Scores →	(+) Integration Periods	-0.83*
Corporate Governance Concern Scores →	(+) Integration Periods	0.11
Diversity Strength Scores →	(+) Integration Periods	-0.22
Diversity Concern Scores →	(+) Integration Periods	0.05
Employee Strength Scores →	(+) Integration Periods	0.00
Employee Concern Scores →	(+) Integration Periods	-0.08
Environmental Strength Scores →	(+) Integration Periods	0.77*
Environmental Concern Scores →	(+) Integration Periods	0.04

*p<0.05

APPENDIX A

KLD Social Issue Rating Definitions

Source: http://www.KLD.com

Community Strengths(COMstr)

Charitable Giving- The company has consistently given over 1.5% of trailing three-year net earnings before taxes to charity, or has otherwise been notably generous in its giving. Innovative Giving- The company has a notably innovative giving program that supports non-profi t organizations, particularly those promoting self-sufficiency among the economically disadvantaged. Companies that permit non-traditional federated charitable giving drives in the workplace are often noted in this section as well.

Non-U.S. Charitable Giving- The company has made a substantial effort to make charitable contributions abroad, as well as in the US. To qualify, a company must make at least 20% of its giving, or have taken notably innovative initiatives in its giving program, outside the US.

Support for Housing- The company is a prominent participant in public/private partnerships that support housing initiatives for the economically disadvantaged, e.g. the National Equity Fund or the Enterprise Foundation.

Education Programs- Either the company has been notably innovative in its support for primary or secondary school education, particularly for those programs that benefit the economically disadvantaged, or the company has prominently supported job-training programs for youth.

Other- The company has either an exceptionally strong volunteer program, in-kind giving program, or engages in other notably positive community activities.

Community Concerns (COMcon)

Investment Controversies - The company is a financial institution whose lending or investment practices have led to controversies, particularly ones related to the Community Reinvestment Act.

Negative Economic Impact - The company's actions have resulted in major controversies concerning its economic impact on the community. These controversies can include issues related to environmental contamination, water rights disputes, plant closings, 'put-or-pay' contracts with trash incinerators, or other company actions that adversely affect the quality of life, tax base or property values in the community.

Other Concern s- The company is involved with a controversy that has mobilized community opposition, or is engaged in other noteworthy community controversies.

Corporate Governance Strengths (CGOVstr)

Limited Compensation - The company has recently awarded notably low levels of compensation to its top management or its board members. The limit for a rating is total compensation of less than $500 000 per year for a CEO or $30 000 per year for outside directors.

Ownership Strength - The company owns between 20 and 50% of another company KLD has cited as having an area of stakeholder strength, or is more than 20% owned by a firm that KLD has rated as having stakeholder strength. When a company owns more than 50% of another firm, it has a controlling interest, and KLD treats the second firm as if it is a division of the first.

Other Strengths- The company has an innovative compensation plan for its board or executives, a unique and positive corporate culture or some other initiative not covered by other KLD ratings.

Corporate Governance Concerns (CGOVcon)

High compensation- The company has recently awarded notably high levels of compensation to its top management or its board members. The limit for a rating is total compensation of more than $10 million per year for a CEO or $100 000 per year for outside directors.

Ownership concerns- The company owns between 20 and 50% of a company KLD has cited as having an area of stakeholder concern, or is more than 20% owned by a firm KLD has rated as having areas of concern. When accompany owns more than 50% of another firm, it has a controlling interest, and KLD treats the second firm as if it is a division of the first.

Other concerns- The company restated its earnings over an accounting controversy, has other accounting problems or
is involved with some other controversy not covered by other KLD ratings.

Diversity Strengths (DIVstr)

CEO- The company's chief executive officer is a woman or a member of a minority group.

Board of Directors- Women, minorities and/or the disabled hold four seats or more (with no double counting) on the board of directors, or one-third or more of the board seats if the board numbers less than 12.

Promotion - The company has made notable progress in the promotion of women and minorities, particularly to line positions with profit-and-loss responsibilities in the corporation.

Work/Life Benefits - The company has outstanding employee benefits or other programs addressing work/life concerns, e.g. childcare, elder care or flextime.

Women and Minority Contracting-The company does at least 5% of its subcontracting, or otherwise has a demonstrably strong record on purchasing or contracting, with women- and/or minority-owned businesses.

Employment of the Disabled - The company has implemented innovative hiring programs or other innovative human resource programs for the disabled or otherwise has a superior reputation as an employer of the disabled.

Gay and Lesbian Policies - The company has implemented notably progressive policies toward its gay and lesbian employees. In particular, it provides benefits to the domestic partners of its employees.

Other Strengths - The company has made a notable commitment to diversity that is not covered by other KLD ratings.

Diversity Concerns (DIVcon)

Controversies - The company has either paid substantial fines or civil penalties as a result of affirmative action controversies, or has otherwise been involved in major controversies related to affirmative action issues.

Non-Representative - The company has no women on its board of directors or among its senior line managers.

Other Concerns - The company is involved in diversity controversies not covered by other KLD ratings.

Employee Strengths (EMPstr)

Cash Profit Sharing - The company has a cash profit-sharing program through which it has recently made distributions to a majority of its workforce.

Employee Involvement - The company strongly encourages worker involvement and/or ownership through stock options available to a majority of its employees, gain sharing, stock ownership, sharing of financial information or participation in management decision-making.

Retirement Benefit- The company has a notably strong retirement benefit program.

Union Relations - The company has a history of notably strong union relations.

Other Strengths- The company has strong employee relations initiatives not covered by other KLD ratings.

Employee Concerns (EMPcon)

Union Relations - The company has a history of notably poor union relations.

Health and Safety Concern - The company recently has either paid substantial fines or civil penalties for willful violations of employee health and safety standards, or has been otherwise involved in major health and safety controversies.

Workforce Reductions - The company has reduced its workforce by 15% in the most recent year or by 25% during the past two years, or it has announced plans for such reductions.

Retirement Benefit Concerns - The company has either a substantially underfunded defined benefit pension plan, or an inadequate retirement benefit program.

Other Concerns - The company is involved in an employee relations controversy that is not covered by other KLD ratings.

Environmental Strengths (ENVstr)

Beneficial Products and Services - The company derives substantial revenues from innovative remediation products, environmental services or products that promote the efficient use of energy, or it has developed innovative products with environmental benefits. (The term ‘environmental service’ does not include services with questionable environmental effects, such as landfills, incinerators, waste-to-energy plants and deep injection wells.)

Clean Energy - The company has taken significant measures to reduce its impact on climate change and air pollution through use of renewable energy and clean fuels or through energy efficiency. The company has demonstrated a commitment to promoting climate-friendly policies and practices outside its own operations.

Pollution Prevention - The company has notably strong pollution prevention programs including both emission reductions and toxic-use reduction programs.

Recycling- The company is either a substantial user of recycled materials as raw materials in its manufacturing processes or a major factor in the recycling industry.

Other Strengths - The company has demonstrated a superior commitment to management systems, voluntary programs or other environmentally proactive activities.

Environmental Concerns (ENVcon)

Hazardous Waste - The company's liabilities for hazardous waste sites exceed $50 million, or the company has recently paid substantial fines or civil penalties for waste management violations.

Regulatory Problems- The company has recently paid substantial fines or civil penalties for violations of air, water or other environmental regulations, or it has a pattern of regulatory controversies under the Clean Air Act, Clean Water Act or other major environmental regulations.

Ozone Depleting Chemicals- The company is among the top manufacturers of ozone depleting chemicals such as HCFCs, methyl chloroform, methylene chloride or bromines.
Substantial emissions- The company's legal emissions of toxic chemicals (as defined by and reported to the EPA) from individual plants into the air and water are among the highest of the companies followed by KLD.

Agricultural Concerns - The company is a substantial producer of agricultural chemicals, i.e. pesticides or chemical fertilizers.

Other Concerns -The company has been involved in an environmental controversy that is not covered by other KLD ratings.

Product Strengths (PROstr)

Quality - The company has a long-term, well developed, company-wide quality program, or it has a quality program recognized as exceptional in US industry.

R&D and Innovation - The company is a leader in its industry for research and development (R&D), particularly by bringing notably innovative products to market.

Benefits to Economically Disadvantaged - The company has as part of its basic mission the provision of products or services for the economically disadvantaged.
Other strengths- The company's products have notable social benefits that are highly unusual or unique for its industry.

Product Concerns (PROcon)

Product Safety- The company has recently paid substantial fines or civil penalties, or is involved in major recent controversies or regulatory actions, relating to the safety of its products and services.

Marketing/Contracting Controversy- The company has recently been involved in major marketing or contracting controversies, or has paid substantial fines or civil penalties relating to advertising practices, consumer fraud or government contracting.

Antitrust - The company has recently paid substantial fi nes or civil penalties for antitrust violations such as price fixing, collusion or predatory pricing, or is involved in recent major controversies or regulatory actions relating to antitrust allegations.

Other Concern - The company has major controversies with its franchises, is an electric utility with nuclear safety problems, has defective product issues or is involved in other product-related controversies not covered by other KLD ratings.

APPENDIX B

KLD Companies with No M&A Announcements between December 31, 1997 to December 31, 2003

Adobe Systems Incorporated	Consolidated Natural Gas Company	Hubbell Incorporated	Pioneer Hi-Bred International, Inc.
Aeroquip-Vickers, Inc.	Consolidated Papers, Inc.	Huffy Corporation	Placer Dome Inc.
Ahmanson (H.F.) & Company	Consolidated Stores Corporation	Humana, Inc.	Polaroid Corporation
Airborne Freight Corporation	Coors (Adolph) Company	Hunt Corporation	Potlatch Corporation
AirTouch Communications	Costco Companies Inc.	Hutchinson Technology Incorporated	Progressive Corporation (The)
Alaska Air Group, Inc.	CPI Corp.	IDACORP Inc.	Provident Companies, Inc.
Alberto-Culver Company	Cross (A.T.) Company	Ikon Office Solutions, Inc.	Quaker Oats Company
Alcan Aluminium Limited	Crown Cork & Seal Company, Inc.	IMS Health Incorporated	Quarterdeck Corporation
American Home Products Corporation	CSX Corporation	Inco Limited	Ralston Purina Company
American Stores Companies	Cummins Engine Company, Inc.	Inland Steel Industries, Inc.	Raychem Corporation
AMP, Inc.	Cyprus Amax Minerals Company	Isco, Inc.	Reebok International Ltd.
Angelica Corporation	Data General Corporation	Jostens, Inc.	Republic New York Corporation
Anheuser-Busch Companies, Inc.	Dayton Hudson Corporation	Kelly Services, Inc.	Reynolds Metals Company
Apogee Enterprises, Inc.	Dionex Corporation	King World Productions, Inc.	Rowan Companies, Inc.
Armco Inc.	Dollar General Corporation	Kmart Corporation	Royal Dutch Petroleum
Armstrong World Industries, Inc.	Dresser Industries, Inc.	Laidlaw Inc.	Ruby Tuesday, Inc.
ASARCO Incorporated	Echo Bay Mines Ltd	Lands' End, Inc.	Ryan's Family Steakhouse, Inc.
Ashland Inc.	Ecolab Inc.	Limited, Inc. (The)	Schering-Plough Corporation
Automatic Data Processing, Inc.	Edwards (A.G.), Inc.	Luby's Cafeterias, Inc.	Seagram Company Ltd.
Avon Products, Inc.	EG&G, Inc.	Manor Care, Inc.	Shared Medical Systems Corporation
Baldor Electric Company	Enesco Group, Inc.	MarketSpan	Sherwin-Williams Company (The)
Ball Corporation	Exxon Corporation	Marquette Medical Systems, Inc.	Silicon Graphics, Inc.
Baltimore Gas and Electric Company	Fannie Mae	Masco Corporation	Skyline Corporation
Banta Corporation	Fastenal Company	MBIA Inc.	Smucker (J.M.) Company
Barrick Gold Corporation	Fedders Corporation	McDermott International, Inc.	Sonat Inc.
Bassett Furniture Industries	Federal-Mogul Corporation	MCI Communications Corporation	Southern NE Telecommunications Corp.
Battle Mountain Gold Company	First Union Corporation	Media General, Inc.	Southwest Airlines Co.
Bell Atlantic Corporation	Fleet Financial Group, Inc.	MediaOne Group, Inc.	Spartan Motors, Inc.
Ben & Jerry's Homemade, Inc.	Fluor Corporation	Merix Corporation	Standard Register Company
Bestfoods	Forest Laboratories, Inc.	MGIC Investment Corporation	Stone Container Corporation
Bethlehem Steel Corporation	Fort James Corporation	Millipore Corporation	Stratus Computer, Inc.
BetzDearborn	Foster Wheeler Corporation	Mobil Corporation	Stride Rite Corporation
Bob Evans Farms, Inc.	Fred Meyer, Inc.	Moore Corporation	TCBY Enterprises, Inc.
Brady (W.H.) Co.	Freddie Mac	Morton International, Inc.	Tektronix, Inc.
Broderbund Software, Inc.	Freeport-McMoRan Copper & Gold Inc.	NACCO Industries, Inc.	Tele-Communications, Inc.
Brown Group, Inc.	Fruit of the Loom, Inc.	Nalco Chemical Company	Tennant Company
Brown-Forman Corporation	Fuller (H.B.) Company	NationsBank Corporation	Tenneco Inc.
Browning-Ferris Industries, Inc.	Gap, Inc. (The)	Nature's Sunshine Products, Inc.	Thomas Industries Inc.
CalEnergy Company, Inc.	General Instrument Corporation	Navistar International Corporation	Timberland Company (The)
Calgon Carbon Corporation	General Re Corporation	New Century Energies, Inc.	TJ International, Inc.
Campbell Soup Company	Gibson Greetings, Inc.	Niagara Mohawk Power Corporation	Tootsie Roll Industries, Inc.
Carolina Power & Light Company	Gillette Company	NICOR Inc.	Toro Company
Case Corporation	Golden West Financial	Nordstrom, Inc.	U S West, Inc.
Caterpillar Inc.	Goodyear Tire & Rubber Co.	Norfolk Southern Corporation	Unicom Corp.
CBS Corp.	Grace (W.R.) & Co.	Northern States Power Company	Unilever Plc
Ceridian Corporation	Graco Inc.	Northern Telecom Ltd	Union Carbide Corporation
Champion International Corporation	Grainger (W.W.), Inc.	Northwest Natural Gas Company	United American Healthcare Corporation
Chase Manhattan Corporation	Great Atlantic & Pacific Tea Company, Inc.	Northwestern Corporation	United States Surgical Corporation
Chevron Corporation	Guidant Corporation	Norwest Corporation	US Airways Group, Inc.
CIGNA Corporation	Handleman Company	Oryx Energy Company	UST Inc.
Cincinnati Financial Corporation	Hannaford Bros. Co.	Oshkosh B'Gosh, Inc.	Value Line, Inc.
Circuit City Stores, Inc.	Harman International Industries, Inc.	Owens Corning	Vermont Financial Services Corp.
Citizens Utilities Company	Hartmarx Corporation	Owens-Illinois, Inc.	Vincam Group, Inc. (The)
Cleco Corporation	HEALTHSOUTH Corporation	PACCAR, Inc.	Washington Gas Light Company
Colgate-Palmolive Company	Heinz (H.J.) Company	PacifiCorp	Wellman, Inc.
Comcast Corporation	Home Depot, Inc.	Pep Boys -- Manny, Moe & Jack	Wesco Financial Corporation
Connecticut Energy Corporation	Homestake Mining Company	Perkin-Elmer Corporation	Whirlpool Corporation
Conseco, Inc.	HON Industries, Inc.	Pharmacia & Upjohn, Inc.	Willamette Industries
Consolidated Freightways Corporation	HSB Group, Inc.	Phillips Petroleum Company	Worthington Industries, Inc.

APPENDIX C

KLD Companies with 1 or More M&A Announcements between December 31, 1997 to December31, 2003

Acquirer Name	Frequency	Acquirer Name	Frequency	Acquirer Name	Frequency	Acquirer Name	Frequency
General Electric Company	52	St. Paul Companies, Inc. (The)	5	Allegheny Teledyne Incorporated	2	Countrywide Credit Industries, Inc.	1
Cisco Systems, Inc.	47	Sun Company, Inc.	5	Allergan, Inc.	2	Deluxe Corporation	1
AT&T Corp.	32	SunTrust Banks, Inc.	5	Allstate Corporation (The)	2	DeVry Inc.	1
Wells Fargo & Company	25	Temple-Inland Inc.	5	Amerada Hess Corporation	2	Donnelley (R.R.) & Sons Company	1
Lucent Technologies Inc.	18	Thomas & Betts Corporation	5	American Power Conversion	2	DSC Communications Corporation	1
Regions Financial Corp	17	Washington Post Company	5	Amgen Inc.	2	Egghead, Inc.	1
Intel Corporation	15	Waste Management, Inc.	5	Analog Devices, Inc.	2	Engelhard Corporation	1
Morgan (J.P.) & Co. Incorporated	15	WorldCom, Inc.	5	Ascend Communications, Inc.	2	FirstEnergy Corporation	1
Clear Channel Communications, Inc.	14	Adaptec, Inc.	4	Ault Incorporated	2	FirstFed Financial Corp.	1
Johnson & Johnson	14	American Electric Power Company, Inc.	4	Baker Hughes Inc.	2	Franklin Resources, Inc.	1
Cardinal Health, Inc.	13	American International Group, Inc.	4	Bank of New York Company, Inc. (The)	2	Frontier Corporation	1
Honeywell Inc.	13	Applied Materials, Inc.	4	BankBoston Corporation	2	Gateway 2000, Inc.	1
Northrop Grumman Corporation	13	Avnet, Inc.	4	Bankers Trust Corporation	2	GATX Corporation	1
Thermo Electron Corporation	13	Brunswick Corporation	4	Bausch & Lomb Incorporated	2	General Mills Incorporated	1
Viacom, Inc.	13	Caraustar Industries, Inc.	4	Bemis Company, Inc.	2	General Signal Corporation	1
Wachovia Corporation	13	Cintas Corporation	4	Bergen Brunswig Corporation	2	Gerber Scientific Inc.	1
Chrysler Corporation	12	CVS Corporation	4	Biomet, Inc.	2	GPU, Inc.	1
Medtronic, Inc.	12	Dow Chemical Company	4	Boeing Company	2	Granite Construction Incorporated	1
Motorola, Inc.	12	Duke Energy Corporation	4	Church & Dwight Co., Inc.	2	Harnischfeger Industries, Inc.	1
Texas Instruments Incorporated	12	Entergy Corp.	4	Claire's Stores, Inc.	2	Helmerich & Payne, Inc.	1
Cendant Corporation	11	Equitable Resources, Inc.	4	CLARCOR Inc.	2	Hercules, Inc.	1
Fifth Third Bancorp	11	FDX Holding Corporation	4	Columbia Energy Group	2	Herman Miller, Inc.	1
First Data Corporation	11	Georgia-Pacific Corporation	4	Cooper Tire and Rubber Company	2	Hershey Foods Corporation	1
Tyco International Ltd.	11	Harcourt General	4	Dana Corporation	2	Houston Industries Incorporated	1
Crane Co.	10	Harris Corporation	4	Darden Restaurants, Inc.	2	Huntington Bancshares, Inc.	1
Eastman Kodak Company	10	HBO & Co.	4	Dell Computer Corporation	2	IMCO Recycling Inc.	1
El Paso Energy Corporation	10	Hewlett-Packard Company	4	Delta Air Lines, Inc.	2	Inprise Corporation	1
General Dynamics Corporation	10	Kroger Co.	4	Dillard, Inc.	2	Interface, Inc.	1
General Motors Corporation	10	MBNA Corporation	4	Dime Bancorp, Inc.	2	International Flavors & Fragrances Inc.	1
International Business Machines Corporation	10	Mercantile Bancorporation Inc.	4	Dow Jones & Company	2	Ionics, Inc.	1
LSI Logic Corporation	10	Newell Co.	4	Dun & Bradstreet Corporation (The)	2	Jefferson-Pilot Corporation	1
Microsoft Corporation	10	Oracle Corporation	4	Eastern Enterprises	2	Knight-Ridder, Inc.	1
Sun Microsystems, Inc.	10	Parker-Hannifin Corporation	4	Energen Corporation	2	Kohl's Corporation	1
United Technologies Corporation	10	PECO Energy Company	4	Fleetwood Enterprises, Inc.	2	Lawson Products, Inc.	1
3Com Corporation	9	PepsiCo, Inc.	4	FMC Corporation	2	Lee Enterprises, Inc.	1
Amoco Corporation	9	Procter & Gamble Company	4	Ford Motor Company	2	LG&E Energy Corp.	1
Banc One Corporation	9	Schwab (Charles) Corporation	4	Great Lakes Chemical Corporation	2	Lillian Vernon Corporation	1
Corning Incorporated	9	SLM Holding Corporation	4	Halliburton Company	2	Longs Drug Stores Corporation	1
EMC Corporation	9	Smith (A.O.) Corporation	4	Hartford Financial Services Group (The)	2	Louisiana-Pacific Corporation	1
U.S. Bancorp	9	Summit Bancorp	4	Hillenbrand Industries, Inc.	2	Lowe's Companies, Inc.	1
Abbott Laboratories	8	SUPERVALU Inc.	4	ITT Industries, Inc.	2	Mallinckrodt Inc.	1
Baxter International, Inc.	8	Telephone and Data Systems, Inc.	4	Johnson Controls, Inc.	2	Marsh & McLennan Companies, Inc.	1
Enron Corp.	8	Torchmark Corporation	4	Kimberly-Clark Corporation	2	McDonald's Corporation	1
Hilton Hotels Corporation	8	Tribune Company	4	Lincoln National Corporation	2	MCN Energy Group, Inc.	1
United HealthCare Corporation	8	Unocal Corporation	4	Lockheed Martin Corporation	2	Mellon Bank Corporation	1
Centex Corporation	7	V. F. Corporation	4	Loews Corporation	2	Merrill Lynch & Co., Inc.	1
Central and South West Corporation	7	Xerox Corporation	4	Mattel, Inc.	2	Mirage Resorts, Incorporated	1
ConAgra, Inc.	7	AGL Resources Inc.	3	Maytag Corporation	2	Modine Manufacturing Company	1
Dominion Resources, Inc.	7	American Express Company	3	Mead Corporation	2	Mylan Laboratories, Inc.	1
Dover Corporation	7	American Greetings Corporation	3	Meredith Corporation	2	National Service Industries, Inc.	1
Harland (John H.) Company	7	AMR Corporation	3	Molex Incorporated	2	New York Times Company	1
Lehman Brothers Holdings, Inc.	7	Andrew Corporation	3	Monsanto Company	2	Newmont Mining Corporation	1
Liz Claiborne, Inc.	7	Apple Computer, Inc.	3	National City Corporation	2	NIKE, Inc.	1
ONEOK Inc.	7	Atlantic Richfield Company	3	New England Business Service, Inc.	2	Odwalla, Inc.	1
Scholastic Corporation	7	AutoZone, Inc.	3	Nordson Corporation	2	Oxford Health Plans, Inc.	1
Sempra Energy	7	BB&T Corporation	3	Novell Inc.	2	Pall Corporation	1
Southern Company	7	Becton Dickinson and Company	3	Occidental Petroleum Corporation	2	Penney (J.C.) Company, Inc.	1
Sprint Corporation	7	BellSouth Corporation	3	OGE Energy Corp.	2	Pennzoil Company	1
SPX Corporation	7	Block (H&R), Inc.	3	Oneida Ltd.	2	Peoples Energy Corporation	1
Synovus Financial Corp.	7	Capital One Financial Corporation	3	Parametric Technology Corporation	2	PG&E Corporation	1
Tellabs, Inc.	7	Charming Shoppes, Inc.	3	Phillips-Van Heusen Corporation	2	Phelps Dodge Corporation	1
Time Warner Inc.	7	Citicorp	3	PP&L Resources, Inc.	2	Potomac Electric Power Company	1
USX-Marathon Group	7	Coastal Corporation	3	PPG Industries, Inc.	2	Praxair, Inc.	1
Williams Companies, Inc.	7	Columbia/HCA Healthcare Corporation	3	Providian Financial Corporation	2	Raytheon Company	1
ALLTEL Corporation	6	Compaq Computer Corporation	3	Public Service Enterprise Group, Incorporated	2	Rite Aid Corporation	1
Aluminum Company of America	6	Computer Sciences Corporation	3	Pulte Corporation	2	Roadway Express, Inc.	1
Apache Corporation	6	Consolidated Edison Inc.	3	QRS Corporation	2	Rockwell International Corporation	1
Bear Stearns Companies, Inc. (The)	6	Cooper Industries, Inc.	3	ReliaStar Financial Corp.	2	Rubbermaid Incorporated	1
Computer Associates International, Inc.	6	Deere & Company	3	Rohm and Haas Company	2	SAFECO Corporation	1
Disney, Walt Company (The)	6	Eaton Corporation	3	Ryder System, Inc.	2	Scientific-Atlanta, Inc.	1
Emerson Electric Co.	6	Edison International	3	Santa Fe Energy Resources, Inc.	2	Sealed Air Corporation	1
First Chicago NBD Corp.	6	Equifax Inc.	3	Seagate Technology, Inc.	2	Sears, Roebuck and Co.	1
Illinois Tool Works Inc.	6	Federated Department Stores, Inc.	3	Service Corporation International	2	Shaw Industries, Inc.	1
Interpublic Group of Companies, Inc.	6	Fleming Companies, Inc.	3	St. Jude Medical Inc.	2	Snap-On Incorporated	1
Kaufman & Broad Home Corporation	6	FPL Group, Inc.	3	Stanley Works	2	Sonoco Products Company	1
Lilly (Eli) and Company	6	Gannett Co., Inc.	3	Sysco Corporation	2	Springs Industries, Inc.	1
Pitney Bowes Inc.	6	Genuine Parts Company	3	Travelers Group Inc.	2	Starbucks Corporation	1
Sara Lee Corporation	6	GTE Corporation	3	Union Pacific Corporation	2	State Street Corporation	1
SBC Communications Inc.	6	Kellogg Company	3	Westvaco Corporation	2	SunAmerica Inc.	1
Solectron Corporation	6	Kerr-McGee Corporation	3	Winn-Dixie Stores, Inc.	2	Sunrise Medical Inc.	1
Tenet Healthcare Corporation	6	KeyCorp	3	Yellow Corporation	2	Tandy Corporation	1
Transamerica Corporation	6	KLA-Tencor Corporation	3	Acuson Corporation	1	Texaco Inc.	1
Albertson's, Inc.	5	Leggett & Platt, Inc.	3	AlliedSignal Inc.	1	Times Mirror Company	1
American Water Works, Inc.	5	Marriott International, Inc.	3	ALZA Corporation	1	Timken Company	1
Anadarko Petroleum Corporation	5	May Department Stores Company	3	Ameren Corporation	1	TJX Companies, Inc.	1
Associates First Capital Corporation	5	McGraw-Hill Companies, Inc.	3	American General Corporation	1	Toys 'R' Us, Inc.	1
Autodesk, Inc.	5	Minnesota Mining and Manufacturing Company	3	Ameritech Corporation	1	TRICON Global Restaurants, Inc.	1
Boston Scientific Corporation	5	Morgan Stanley Dean Witter & Co.	3	Aon Corporation	1	Tupperware Corporation	1
Cabot Corporation	5	Northern Trust Corporation	3	Archer-Daniels-Midland Company	1	UAL Corporation	1
DTE Energy Company	5	Nucor Corporation	3	Avery Dennison Corporation	1	Union Camp Corporation	1
DuPont Company	5	Omnicom Group Inc.	3	BankAmerica Corporation	1	Union Pacific Resources Group, Inc.	1
Eastman Chemical Company	5	Pfizer, Inc.	3	Bard (C.R.), Inc.	1	UNISYS Corporation	1
Electronic Data Systems Corporation	5	Philip Morris Companies Inc.	3	Black & Decker Corporation	1	UNUM Corporation	1
Fortune Brands, Inc.	5	Rouse Company (The)	3	Boise Cascade Corporation	1	USX Corporation	1
Goodrich (B.F.) Company	5	Russell Corporation	3	Briggs & Stratton Corporation	1	Venator Group, Inc.	1
Harrah's Entertainment, Inc.	5	Sigma-Aldrich Corporation	3	Bristol-Myers Squibb Company	1	Walgreen Company	1
Hasbro, Inc.	5	Staples, Inc.	3	Burlington Northern Santa Fe Corp.	1	Wal-Mart Stores, Inc.	1
Household International, Inc.	5	Stryker Corporation	3	Burlington Resources, Inc.	1	Warner-Lambert Company	1
Ingersoll-Rand Company	5	Texas Utilities Company	3	Cabletron Systems, Inc.	1	Washington Mutual, Inc.	1
International Paper Company	5	Textron Inc.	3	Champion Enterprises, Inc.	1	Watts Industries, Inc.	1
Merck & Co., Inc.	5	TRW Inc.	3	Chubb Corporation	1	Wendy's International, Inc.	1
Micron Technology, Inc.	5	Whole Foods Market, Inc.	3	Cincinnati Milacron Inc.	1	Weyerhaeuser Company	1
National Semiconductor Corporation	5	Xilinx, Inc.	3	Cinergy Corp.	1	Whitman Corporation	1
NEXTEL Communications, Inc.	5	Advanced Micro Devices, Inc.	2	Clorox Company	1	Wrigley (Wm.) Jr. Company	1
PNC Bank Corp.	5	Aetna, Inc.	2	Coca-Cola Company	1		
Schlumberger N.V.	5	Air Products & Chemicals, Inc.	2	Comerica Incorporated	1		

APPENDIX D

1998 KLD Rated Firm Integration Periods

Bidder Name	Target Name	Announcement Date	Effective Date	Integration Period (Days)
Allegheny Teledyne Inc	Allegheny Teledyne Inc	10/1/1998	9/13/2000	713
Bell Atlantic Corp	GTE Corp	7/28/1998	6/30/2000	703
Comcast Corp	AT&T Corp-Cable Systems	5/4/1999	12/31/2000	607
DTE Energy Co	MCN Energy Group Inc	10/5/1999	5/31/2001	604
Dow Chemical Co	Union Carbide Corp	8/4/1999	2/6/2001	552
AmerGen Energy Co	GPU Inc-Three Mile Island	7/20/1998	12/21/1999	519
SBC Communications Inc	Ameritech Corp	5/11/1998	10/8/1999	515
Northern States Power Co	New Century Energies Inc	3/25/1999	8/18/2000	512
Comcast Corp	AT&T Broadband & Internet Svcs	7/8/2001	11/18/2002	498
Weyerhaeuser Co	Willamette Industries Inc	11/13/2000	3/14/2002	486
FirstEnergy Corp	GPU Inc	8/8/2000	11/6/2001	455
AT&T Corp	MediaOne Group Inc	4/22/1999	6/15/2000	420
PECO Energy Co	Unicom Corp	9/23/1999	10/20/2000	393
El Paso Energy Corp	Coastal Corp	1/18/2000	1/29/2001	377
CTI Group Holdings Inc	Centillion Data Systems Inc	2/3/2000	2/13/2001	376
Exxon Corp	Mobil Corp	12/1/1998	11/30/1999	364
Chevron Corp	Texaco Inc	10/16/2000	10/9/2001	358
AT&T Broadband & Internet Svcs	Cable One Inc-Midwestern Cable	3/23/2000	3/2/2001	344
Dominion Resources Inc	Consolidated Natural Gas Co	2/22/1999	1/28/2000	340
AmerGen Energy Co	GPU Inc-Oyster Creek Nuclear	9/14/1999	8/9/2000	330
El Paso Field Services Co	PGE Teco Texas-Nat Gas	1/31/2000	12/22/2000	326
Albertsons Inc	American Stores Co	8/3/1998	6/24/1999	325
AT&T Corp	Firstcom Corp	11/1/1999	8/28/2000	301
Entergy Corp	Con Ed-Indian Pt Nuclear Pwr	11/9/2000	9/6/2001	301
SBC Communications Inc	Southern New England Telecomm	1/5/1998	10/26/1998	294
Northrop Grumman Corp	TRW Inc	2/22/2002	12/11/2002	292
Midwest Generation EME LLC	Commonwealth Edison-Plants(16)	3/22/1999	12/15/1999	268
Boeing Co	Hughes Electronics-Satellite	1/13/2000	10/6/2000	267
Alcoa Inc	Reynolds Metals Co	8/11/1999	5/3/2000	266
AT&T Corp	Tele-Communications Inc	6/24/1998	3/9/1999	258
General Motors Corp	General Motors Corp	4/9/2003	12/22/2003	257
PepsiCo Inc	Quaker Oats Co	12/4/2000	8/2/2001	241
Hewlett-Packard Co	Compaq Computer Corp	9/4/2001	5/3/2002	241
Viacom Inc	CBS Corp	9/7/1999	5/4/2000	240
Regions Financial Corp AL	Arkansas Banking Jonesboro AR	8/6/1998	3/31/1999	237
CBS Corp	King World Productions Inc	4/1/1999	11/15/1999	228
CBS Corp	King World Productions Inc	4/1/1999	11/15/1999	228
Pfizer Inc	Warner-Lambert Co	11/4/1999	6/19/2000	228
El Paso Energy Corp	Sonat Inc	3/15/1999	10/25/1999	224
PSEG Power LLC	Niagara Mohawk Power-Oil	10/6/1999	5/15/2000	222
Kroger Co	Fred Meyer Inc	10/19/1998	5/27/1999	220
UNUM Corp	Provident Cos	11/23/1998	6/30/1999	219
Halliburton Co	Dresser Industries Inc	2/26/1998	9/30/1998	216
Newell Rubbermaid Inc	Gillette Co-Stationery Product	6/1/2000	12/29/2000	211
Newmont Mining Corp	Battle Mountain Gold Co	6/21/2000	1/11/2001	204
Fleet Financial Group Inc MA	BankBoston Corp Boston MA	3/14/1999	10/1/1999	201
EI du Pont de Nemours and Co	Pioneer Hi-Bred International	3/15/1999	10/1/1999	200
Washington Mutual Seattle WA	HF Ahmanson & Co Irwindale CA	3/17/1998	10/1/1998	198
Thermo Electron Corp	Thermo Ecotek(Thermo Electron)	1/31/2000	8/15/2000	197
Southern Energy Inc	Potomac Electric Power Co-Powe	6/8/2000	12/19/2000	194
Travelers Group Inc	Citicorp	4/6/1998	10/8/1998	185
Travelers Group Inc	Citicorp	4/6/1998	10/8/1998	185
Associates First Capital Corp	SPS Transaction Svcs-Assets	4/18/1998	10/16/1998	181
SBC Commun-US Wireless Ops	BellSouth Corp-US Wireless Ops	4/5/2000	10/2/2000	180
Procter & Gamble Co	Bristol-Myers Squibb-Clairol	5/21/2001	11/16/2001	179
AlliedSignal Inc	Honeywell Inc	6/7/1999	12/2/1999	178
AlliedSignal Inc	Honeywell Inc	6/7/1999	12/2/1999	178
Summit Bancorp Princeton NJ	NMBT Corp New Milford CT	10/4/1999	3/29/2000	177
Emerson Electric Co	CBS Corp-Westinghouse Process	5/26/1998	11/16/1998	174
Yellow Book USA Inc	Sprint Publ & Ad-Midwest Op	1/5/2000	6/26/2000	173
BANC ONE Corp Columbus Ohio	First Chicago NBD Corp	4/13/1998	10/2/1998	172
Infinity Broadcasting Corp	Clear Channel Communications	3/6/2000	8/24/2000	171
NationsBank Corp Charlotte NC	BankAmerica Corp	4/13/1998	9/30/1998	170
NationsBank Corp Charlotte NC	BankAmerica Corp	4/13/1998	9/30/1998	170

APPENDIX D (CONTINUED)

Countrywide Credit Industries	Balboa Life & Casualty	6/14/1999	12/1/1999	170
Thermo Vision(Thermo Inst)	Corning Oca Corp-Non-Telecomm	2/1/1999	7/16/1999	165
Lucent Technologies Inc	Ascend Communications Inc	1/13/1999	6/24/1999	162
Rohm & Haas Co	Morton International Inc	1/13/1999	6/21/1999	159
International Paper Co	Union Camp Corp	11/24/1998	4/30/1999	157
Harcourt General Inc	Mosby Inc(Times Mirror Co)	5/6/1998	10/9/1998	156
TCI Music Inc	Liberty Media-Internet & TV	4/6/1999	9/9/1999	156
Yellow Corp	Roadway Corp	7/8/2003	12/11/2003	156
Newell Co	Rubbermaid Inc	10/21/1998	3/24/1999	154
AGL Resources Inc	Virginia Natural Gas Inc	5/8/2000	10/9/2000	154
Mead Corp	Westvaco Corp	8/29/2001	1/30/2002	154
AIG	American General Corp	4/3/2001	8/30/2001	149
Associates First Capital Corp	Avco Financial Svcs(Textron)	8/11/1998	1/6/1999	148
Norwest Corp Minneapolis MN	Wells Fargo Capital C	6/8/1998	11/2/1998	147
Norwest Corp Minneapolis MN	Wells Fargo Capital C	6/8/1998	11/2/1998	147
AT&T Corp	IBM Corp-Global Network Op	12/8/1998	5/3/1999	146
Dime Bancorp Inc New York NY	KeyCorp-Long Island Br(28)	5/27/1999	10/19/1999	145
Southern Energy Inc	Pacific Gas-Generating Plants	11/24/1998	4/16/1999	143
SunTrust Banks Inc Atlanta GA	Huntington Bancshares Inc-FL	9/26/2001	2/15/2002	142
AEP Energy Svcs Gas Hldg Co	Houston Pipe Line Co(Enron)	1/11/2001	6/1/2001	141
First Union Corp Charlotte NC	Wachovia Corp Winston-Salem NC	4/16/2001	9/4/2001	141
First Union Corp Charlotte NC	Wachovia Corp Winston-Salem NC	4/16/2001	9/4/2001	141
US Bank NA Minneapolis MN	State Street Bank & Trust Co-	8/13/2002	12/31/2002	140
Stryker Corp	Howmedica(Pfizer Inc)	7/21/1998	12/4/1998	136
Micron Electronics Inc	Interland Inc	3/23/2001	8/6/2001	136
PNC Bank Corp Pittsburgh PA	First Data Investor Services	7/20/1999	12/2/1999	135
Lincoln National Corp	Aetna Inc-Domestic Individual	5/20/1998	10/1/1998	134
AIG	SunAmerica Inc	8/20/1998	1/1/1999	134
Kerr-McGee Corp	Oryx Energy Co	10/15/1998	2/26/1999	134
Georgia-Pacific Corp	Fort James Corp	7/17/2000	11/27/2000	133
ONSALE Inc	Egghead.com Inc	7/14/1999	11/22/1999	131
US Trust Corp New York NY	State St Corp-Private Asts bus	6/25/2003	11/3/2003	131
American Greetings Corp	Gibson Greetings Inc	11/3/1999	3/9/2000	127
NBC	NBC Internet Inc	4/9/2001	8/13/2001	126
Dominion Resources Inc	Mirant State Line Ventures Inc	2/26/2002	7/1/2002	125
Timken Co	Torrington Co	10/16/2002	2/18/2003	125
Houston Industries Power Gen	Southern CA Edison-Ormond Bch	3/25/1998	7/24/1998	121
Solectron Corp	Nortel Networks Corp-Printed	4/4/2000	8/3/2000	121
Ingersoll-Rand Co	Dresser-Rand Co	10/5/1999	2/2/2000	120
Travel Transaction Processing	Worldspan LP	3/4/2003	7/1/2003	119
Bristol-Myers Squibb Co	DuPont Pharmaceuticals Co	6/7/2001	10/2/2001	117
Whitman Corp	PepsiCo Inc-IL IN OH MO Ops	1/25/1999	5/20/1999	115
PepsiCo Inc	Whitman-WV VA Russia Ops	1/25/1999	5/20/1999	115
Allstate Corp	CNA Financial-Personal Ins Op	6/9/1999	10/1/1999	114
Motorola Inc	General Instrument Corp	9/15/1999	1/5/2000	112
Citigroup	Sears Roebuck & Co-Credit Card	7/15/2003	11/3/2003	111

APPENDIX D (CONTINUED)

Chase Manhattan Corp NY	JP Morgan & Co Inc	9/13/2000	12/31/2000	109
Chase Manhattan Corp NY	JP Morgan & Co Inc	9/13/2000	12/31/2000	109
Bank One Corp Chicago IL	Wachovia Corp-Credit Card Loan	4/9/2001	7/27/2001	109
Micron Technology Inc	Texas Instruments-MMP Bus	6/18/1998	10/1/1998	105
Anadarko Petroleum Corp	Union Pacific Resources Group	4/3/2000	7/17/2000	105
Phelps Dodge Corp	Cyprus Amax Minerals Co	8/20/1999	12/2/1999	104
Liberty Livewire Corp	Group W Network Services-US &	10/24/2000	2/5/2001	104
Duke Energy Corp	Union Pacific Fuels Inc	11/20/1998	3/3/1999	103
Xerox Corp	Tektronix Inc-Color Printing	9/22/1999	1/3/2000	103
Monsanto Co	Pharmacia & Upjohn Inc	12/20/1999	3/31/2000	102
MBNA Corp	Regions Finl Corp-Credit Card	3/16/2000	6/26/2000	102
Morgan Stanley Capital Partner	Williams Bio-Energy LLC	2/20/2003	5/30/2003	99
Republic Services Inc	Waste Management Inc-Certain	9/25/1998	12/31/1998	97
AIG	HSB Group Inc	8/18/2000	11/22/2000	96
St Paul Cos Inc	USF&G Corp	1/19/1998	4/24/1998	95
BankBoston Corp Boston MA	Robertson Stephens & Co	5/29/1998	9/1/1998	95
MBNA Corp	PNC Bank-Visa & MasterCard	12/24/1998	3/29/1999	95
ONEOK Inc	Occidental Petroleum-OK & KS	2/26/1998	5/29/1998	92
Black & Decker Corp	Masco Corp-Baldwin Hardware	7/1/2003	10/1/2003	92
Vastar Resources Inc	Western Midway	8/4/1998	11/3/1998	91
Tribune Co	Times Mirror Co	3/13/2000	6/12/2000	91
General Electric Capital Svcs	Kemper Reinsurance Co	7/31/1998	10/29/1998	90
Great Lakes Chemical Corp	FMC Corp-Process Additives	5/5/1999	8/2/1999	89
Westvaco Corp	Temple-Inland Inc-Bleached	10/4/1999	12/30/1999	87
Johnson & Johnson	ALZA Corp	3/27/2001	6/22/2001	87
Parker-Hannifin Corp	Commercial Intertech Corp	1/17/2000	4/11/2000	85
Citigroup Inc	Associates First Capital Corp	9/6/2000	11/30/2000	85
Eastman Chemical Co	Hercules Inc-Resins Division	2/5/2001	5/1/2001	85
Dow AgroSciences LLC	Rohm & Haas Co-Agricultural	3/8/2001	6/1/2001	85
Infinity Broadcasting Corp	Clear Channel-Radio Stn(3)	2/11/1999	5/3/1999	81
General Electric Capital Corp	Colonial Pacific Leasing	10/12/1998	12/31/1998	80
AEP Resources Inc	Equitable Resources-Nat Gas	9/14/1998	12/2/1998	79
US Bancorp Minneapolis MN	John Nuveen Co-Invest Bank Div	6/30/1999	9/17/1999	79
GE Power Systems	Enron Wind Corp-Wind Turbine	2/20/2002	5/10/2002	79
SPX Corp	General Signal Corp	7/20/1998	10/6/1998	78
Ascend Communications Inc	Stratus Computer Inc	8/3/1998	10/20/1998	78
Hercules Inc	BetzDearborn Inc	7/30/1998	10/15/1998	77
Enron Corp	PG&E Energy Services(PG&E)	4/14/2000	6/30/2000	77
GE Specialty Materials	BetzDearborn-Water Treatment	2/12/2002	4/29/2002	76
CVS Corp	Stadtlander Drug Co(Counsel)	7/5/2000	9/18/2000	75
Alcoa Inc	Golden Aluminum Co	8/23/1999	11/5/1999	74
SunTrust Banks Inc Atlanta GA	Robinson-Humphrey Co	5/14/2001	7/27/2001	74
El Paso Power Services Corp	Newark Bay Cogeneration	6/29/1999	9/10/1999	73
Citicorp Venture Capital Ltd	Sears Roebuck & Co-Homelife	11/19/1998	1/30/1999	72
General Dynamics Corp	GTE Corp-Govt Sys Units(3)	6/22/1999	9/1/1999	71
McGraw-Hill Cos Inc	Tribune Education Co	6/26/2000	9/5/2000	71
Duke Energy Corp	East Tennessee Natural Gas Co	1/4/2000	3/14/2000	70
AT&T Corp	SBC Communications Inc-Wireles	7/24/2000	10/2/2000	70
Engelhard Corp	Mallinckrodt Inc-Catalyst	2/24/1998	5/4/1998	69
Eaton Corp	Aeroquip-Vickers Inc	2/1/1999	4/9/1999	67
Rite Aid Corp	PCS Health Systems	11/17/1998	1/22/1999	66
EMC Corp	Data General Corp	8/9/1999	10/12/1999	64
Solectron Corp	Lucent Technologies-Plant MA	3/28/2002	5/31/2002	64
GE Medical Systems	Marquette Medical Systems Inc	9/18/1998	11/20/1998	63
Comcast Corp	Lenfest Communications Inc	11/16/1999	1/18/2000	63
ALLTEL Corp	SBC Communications-monile phon	8/1/2000	10/3/2000	63
Cabot Oil & Gas Corp	Oryx Energy-Onshore LA Pptys	12/14/1998	2/14/1999	62
Metrika Systems Corp	Data Measurement	5/7/1998	7/7/1998	61
Southern Star Central Corp	Williams Gas Pipelines Central	9/16/2002	11/15/2002	60
Air Products & Chemicals Inc	Ashland-Elect Chemicals Bus	6/30/2003	8/29/2003	60
Cincinnati Milacron Inc	Johnson Controls-Plastics Unit	8/3/1998	10/1/1998	59
DTE Energy Services Inc	MCN Energy Grp-Coal Plants(4)	11/4/1999	12/31/1999	57
International Paper Co	Champion International Corp	4/25/2000	6/21/2000	57
xpedx(International Paper Co)	Zellerbach(Mead Corp)	6/18/1998	8/11/1998	54

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Sun Microsystems Inc	NetDynamics Inc	9/2/1998	10/26/1998	54
General Dynamics Corp	Motorola Inc-Integrated Info	8/6/2001	9/28/2001	53
Thermo Vision(Thermo Inst)	Optical Corp-Non-Tele Optical	5/14/1999	7/5/1999	52
Raytheon Co	AlliedSignal-Comm Systems Bus	7/21/1998	9/10/1998	51
Direct Merchants Credit Card	GE Capital-Active Credit-Card	5/10/1999	6/30/1999	51
Allegiance Corp(Cardinal)	Bergen Brunswig Medical Corp	6/26/2000	8/16/2000	51
Boeing Co	Jeppesen Sanderson Inc	8/15/2000	10/5/2000	51
AO Smith Corp	GE Ind Ctrl Sys-Compressor Bus	5/13/1998	7/2/1998	50
Southern Co Inc	Newpower Holdings Inc-Georgia	6/12/2002	8/1/2002	50
Cintas Corp	Angelica Corp-Certain	3/4/2002	4/22/2002	49
DuPont Photomasks Inc	Hewlett-Packard-Photomask Bus	9/16/1998	11/3/1998	48
ADT Inc(ADT Group PLC)	Entergy Security(Entergy Corp)	12/14/1998	1/31/1999	48
MBNA Corp	First Union Corp-Consumer & Co	8/15/2000	9/30/2000	46
General Motors Acceptance Corp	BNY Financial Corp	6/7/1999	7/22/1999	45
International Flavors	Bush Boake Allen(Union Camp)	9/25/2000	11/9/2000	45
Time Warner	Times Mirror Magazines	10/20/2000	12/4/2000	45
SPX Corp	Kendro Laboratory Products	6/8/2001	7/23/2001	45
Phillips Petroleum Co Inc	ARCO-Alaskan Crude Oil Assets	3/15/2000	4/27/2000	43
Williams Cos Inc	Cove Point Facility LNG LLP	5/3/2000	6/15/2000	43
Northrop Grumman Corp	Sterling Software Inc	9/18/2000	10/31/2000	43
Coca-Cola Co	Odwalla Inc	10/30/2001	12/12/2001	43
Enron Corp	Columbia Energy Grp-Energy Mkt	11/26/1999	1/7/2000	42
Albertsons Inc	Fleming Cos Inc-Stores Utah(5)	2/12/2003	3/26/2003	42
JP Morgan Chase & Co	Citicorp Electronic Finl Svcs	11/25/2003	1/6/2004	42
St Jude Medical Inc	Tyco Intl Ltd-Angio-Seal Bus	2/5/1999	3/16/1999	39
Document Sciences Corp	Document Sciences Corp	2/16/2001	3/27/2001	39
Charming Shoppes Inc	Lane Bryant Inc(Limited Inc)	7/10/2001	8/17/2001	38
Sempra Energy Trading Corp	Enron Metals Commodity(Enron)	3/19/2002	4/26/2002	38
Dominion Resources Inc	Cove Point Facility LNG LLP	7/31/2002	9/6/2002	37
Anadarko Petroleum Corp	OXY USA Inc-Oil Properties OK	3/10/1998	4/15/1998	36
PepsiCo Inc	Tropicana Products Inc	7/20/1998	8/25/1998	36
Cisco Systems Inc	NetSpeed(Northern Telecom Ltd)	3/10/1998	4/14/1998	35
Caraustar Industries Inc	Int'l Paper Co-Boxboard Mill	3/4/1999	4/8/1999	35
Cooper Industries Inc	B-Line Systems Inc	3/27/2000	5/1/2000	35
Sears Roebuck & Co	Lands' End Inc	5/13/2002	6/17/2002	35
Loews Pipeline Holding Corp	Texas Gas Transmission Corp	4/11/2003	5/16/2003	35
3Com Corp	Alteon Websystems-Card Bus	11/15/2000	12/19/2000	34
Williams Energy Partners LP	Williams Pipe Line Co	3/8/2002	4/11/2002	34
Crane Co	Emerson Electric-Xomox Valve	5/29/2001	6/29/2001	31
Eaton Corp	Boston Weatherhead	10/1/2002	11/1/2002	31
3M Corp	Corning Precision Lens Inc	11/12/2002	12/13/2002	31
Providian Financial Corp	First Union Corp-Credit Card	4/1/1998	5/1/1998	30
Claire's Stores Inc	Venator-Afterthought Chain	11/2/1999	12/2/1999	30
Occidental Energy Maketing Inc	Enron North America Corp-	2/20/2002	3/22/2002	30
Hartford Fin Svcs Group Inc	CNA Financial-Insurance Ops	12/1/2003	12/31/2003	30
Apache Corp	GOM Shelf LLC	7/21/2000	8/18/2000	28
Stryker Corp	Surgical Dynamics-Spinal	6/4/2002	7/1/2002	27
Computer Assoc Intl Inc	SilentRunner Inc	6/5/2003	7/1/2003	26
Crane Co	Dow Chemical Co-Plastic Lined	8/31/1998	9/25/1998	25
Great Lakes Chemical Corp	NSC Technologies LLC	4/9/1999	5/4/1999	25
Cisco Systems Inc	WheelGroup Inc	2/18/1998	3/13/1998	23
Lehman Brothers Holdings Inc	Morgan Stanley-745 Seventh Ave	10/8/2001	10/30/2001	22
JP Morgan Chase & Co	Providian Master Trust	1/16/2002	2/5/2002	20
Chase Manhattan Corp NY	Hungtington-Credit Card Rec	10/13/1999	10/31/1999	18
Chase Manhattan Corp NY	Hungtington-Credit Card Rec	10/13/1999	10/31/1999	18
Champion Enterprises Inc	CIT Group Inc-Mnfr Loan Unit	4/4/2002	4/22/2002	18
First Data Investor Services	State Street Bank & Trust Co-	4/13/1999	4/30/1999	17
Tetra Tech Inc	Foster Wheel Environmental	2/18/2003	3/7/2003	17
AutoZone Inc	Pep Boys-Non-Service Strs(100)	10/5/1998	10/21/1998	16
Longs Drug Stores Corp	Rite Aid Corp-CA Stores(38)	9/15/1999	9/30/1999	15
Sempra Energy Trading Corp	CNG Energy Co	7/21/1998	7/31/1998	10
Manufacturers Services Ltd	3Com Corp-Chicago Mnfr Op	9/27/2000	10/5/2000	8
JP Morgan Partners	Emerson-Chromalox Industrial	11/29/2001	12/7/2001	8
First USA Inc(BANC ONE Corp)	GE Capital-Visa & MasterCard	12/18/1998	12/24/1998	6
Northrop Grumman Corp	Ryan Aeronautical	5/27/1999	6/2/1999	6

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DTE Rail Services Inc	Cornhusker Railcar Services	1/5/1998	1/5/1998	0
Union Pacific Resources Group	Texaco-Brookland Field TX(41)	2/6/1998	2/6/1998	0
Dominion Resources Inc	Unicom-Power Plant Kincaid IL	2/27/1998	2/27/1998	0
Cendant Corp	Credentials Services Intl Inc	4/13/1998	4/13/1998	0
Thermo BioAnalysis(Thermo)	Life Sciences Intl-Clinical	5/13/1998	5/13/1998	0
Seagate Software Inc	Eastman Software-Storage Mgmt	6/4/1998	6/4/1998	0
Pulte Corp	Divosta & Co Inc	7/1/1998	7/1/1998	0
General Electric Co{GE}	Raytheon Systems Ltd Flight	7/21/1998	7/21/1998	0
Texas Instruments Inc	Adaptec Inc-Disk Drive Bus	11/6/1998	11/6/1998	0
Vastar Resources Inc	Cross Timbers Oil-Non Op	5/4/1999	5/4/1999	0
Burlington Resources Inc	Mariner-Deep Water Project	6/7/1999	6/7/1999	0
Equitable Resources Inc	MCN Energy Group Inc-Certain	1/28/2000	1/28/2000	0
Azurix Corp(Enron Corp)	Baker Hughes Industrial Svcs	7/5/2000	7/5/2000	0
Infinity Outdoor Inc	AutoNation Inc-Outdoor Advg	11/9/2000	11/9/2000	0
Edison Mission Energy Co	Sunrise Power Project(Texaco)	12/19/2000	12/19/2000	0
Pure Resources Inc	Intl Paper-Oil & Gas Property	1/31/2001	1/31/2001	0
Michaels of Oregon Co	Brunswick Corp-Hoppe's	4/11/2001	4/11/2001	0
Peoples Energy Corp	Encap Investments-Texas Oil	4/27/2001	4/27/2001	0
American Electric Power Co Inc	Enron Wind-Wind Facilities TX	12/28/2001	12/28/2001	0
Interland Inc	AT&T Corp-Small Business Web	1/25/2002	1/25/2002	0
MBNA America Bank NA	Wachovia Corp-Credit Card Port	4/17/2002	4/17/2002	0
Sempra Energy Trading Corp	Henry Bath Inc-US Warehousing	4/26/2002	4/26/2002	0
SPX Corp	Daniel Valve Co	5/6/2002	5/6/2002	0
Wells Fargo & Co California	Textron Financial Corp-Media	12/27/2002	12/27/2002	0
Anadarko Petroleum Corp	Amerada Hess-Gulf of Mexico	6/9/2003	6/9/2003	0