

The determinants of post-acquisition growth in entrepreneurial start-ups: Evidence from India

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Abstract

The acquisition of startups released \$1.2 trillion in disclosed funds to investors and founders over the period 2010 to 2018 (Mind the Bridge, 2018). Despite the importance of acquisitions in innovation driven economic growth, the post-acquisition performance of startups remains under-investigated. In this paper, we examine the factors that determine post acquisition employment growth in a match pairs analysis of 99 acquisitions of privately owned Indian startups between 2017 and 2018. We find no significant changes in the post-acquisition quarterly employment level between the treatment and control group. We also analyse the effect of four key variables: country of origin of the acquiring firm, age of the target firm, industry relatedness between acquiring and target firm and type of acquisition, in terms of financial or strategic, on the post-acquisition employment change, measured quarterly.

Contrary to received wisdom, we find no difference in the employment effects of domestic versus foreign acquirers. However, we find that the type of acquirer (Strategic versus financial) matters and that post-acquisition employment is much higher in the case of financial acquirers vis-à-vis strategic acquirers. In addition, post-acquisition employment is significantly higher in related acquisitions vis-à-vis unrelated acquisitions. To the best of our knowledge, it's the first study to evaluate the employment effects of financial versus strategic acquisitions of privately held entrepreneurial startups. It is also the first to examine entrepreneurial acquisition in India.

1. Introduction

Acquisitions are increasingly becoming a popular exit route for privately held firms (DeTienne et al., 2015). In countries with underdeveloped primary markets, acquisitions can serve as an effective way of getting access to financial resources (Ravenscraft & Scherer, 1987). The increasing rate of acquisitions, however, have raised policy concerns with regards to their impact on the host economy. The concerns include repatriation of profits, loss of advanced technology (Werner, 2003), reduced wages (Nguyen & Ollinger, 2009), loss of national identity (Reguly, 2002), elimination of market competition (Thompson, 1999) and most importantly potential disinvestment, downsizing and layoffs (Bandick & Gorg, 2010).

Concerns about post-acquisition downsizing and employment losses have long been highlighted in the M&A literature (Brown & Medoff, 1988; O'Shaughnessy & Flanagan, 1998). However, the empirical evidence on the employment effects of acquisitions is inconclusive demonstrating the complexity of the phenomenon. In the US, for example, Majumdar, et al. 2010 & Nguyen & Ollinger (2009) found positive employment effects, Chari, et al. (2012) & Li (2012) reported negative effects, whilst Currie et al. (2005), found no significant effects. Similar variations can be observed in studies based on evidence from the UK (Conyon, et al., 2002; Girma, 2005), Europe (Almeida, 2007; Huttunen, 2007; Xiao, 2015) and Japan (Kubo & Saito, 2012; Fukao et al., 2008). Despite the variation in the findings, a common thread amongst the studies on the employment effects of acquisitions is that the samples are predominantly derived from a pool of large multinational corporations in the manufacturing sector (Lehto & Böckerman, 2008). Such an overemphasis fails to register the growing importance of acquisitions of entrepreneurial startups. A hitherto unanswered question is if (Duruflé, et al. 2017) and how (McKelvie & Wiklund, 2010) acquisitions enable the start-up to realise their growth plans. Our study seeks to extend this evidence base by constructing a sample of acquisitions of privately owned entrepreneurial firms in India and measuring their post-acquisition employment change with a sample of matching firm.

Contrary to received wisdom, we find that post-acquisition employment change in the acquired firms was not significantly different from their matched non-acquired counterparts. To address the 'how' question, we analyse the impact of four key factors on the post-acquisition employment change measured quarterly. Our predictors based on existing literature are as follows; the origin of the acquiring firm (Almeida, 2007), industry relatedness between the

acquiring and the target firm (Gugler & Yurtoglu, 2004), type of acquisition (Amess, et al., 2014), and age of the target firm.

We find that post-acquisition employment is much higher in related acquisitions than in unrelated acquisitions. This is counterintuitive as the scope for rationalization is higher in related acquisitions (Krishnan et al., 2007). Post-acquisition employment was also much higher in financial acquisitions than strategic acquisitions. This is in line with the findings of Metrick & Yasuda (2011), who argue that financial investors pursue acquisitions to maximize the financial returns on part of their investors, which in the context of a dynamic market like India is largely achieved through growth. We found no significant effect of origin of the acquiring firm and target age on the post-acquisition employment change.

The paper is structured as follows. Section 2 discusses the literature and presents the hypotheses. Section 3 discusses the data sources, the sample firms included in the data set and the variables. Section 4 elaborates on the empirical strategy and is followed by section 5 which reports the descriptive statistics. Section 6 discusses the results of the linear regression analysis and section 7 concludes.

2. Background Literature and hypotheses

Several researchers have studied the employment effect of acquisitions, but the empirical evidence remains largely inconclusive. Some studies have found positive employment effects (Majumdar et al., 2010; Nguyen & Ollinger, 2009; Oberhofer, 2013) some have found negative (Li, 2012; Huttunen, 2007), some mixed effects (Liu et al., 2015; Xiao, 2015) and some no significant effects (Ataullah et al., 2014; Fukao et al., 2008). This could be due to the geographic and industrial variance between the sample investigated in these studies. Most of these studies are based on sample derived from Anglo-Saxon countries. The few studies that are based in non-Anglo-Saxon countries such as China (Gong et al., 2007), Japan (Taguchi & Yanagawa, 2013) and Brazil (Martins & Esteves, 2015) derived their sample from large publicly listed corporations. Privately owned firms from developing countries thus have been overlooked in studies on the employment effects of M&As.

Our study fills this gap by constructing a sample of acquisitions of privately owned entrepreneurial firms in India and measuring their post-acquisition employment change with a

sample of matching firm. It also looks at number of detainments of post-acquisition employment change in this South Asian entrepreneurial context

2.1 Origin of the acquiring firm

Several studies on the employment effects of acquisitions have looked at the mediating role of the origin of the acquirer (Conyon et al., 2002; Girma, 2005; Huttunen, 2007; Geluebcke, 2015). The nationality of the acquirer is a crucial factor as domestic and international firms engage in acquisitions for different reasons. A firm may acquire a company in an overseas territory to facilitate market entry (Graebner, 2004; Zhu, et al., 2011), overcome trade barriers (Boateng, et al., 2008), achieve diversification and risk reduction (Amihud & Lev, 1981), achieve tax synergies (Froot & Stein, 1991; Manzon, et al., 1994 and, access talent (Chaudhari & Tabrizi, 1999; Ranft & Lord, 2000). Whereas domestic acquisitions are driven by motivations such as increasing market power by reducing competition (Graebner, et al., 2010), entering new lines of businesses (Shleifer & Vishny, 1988), leveraging synergies (Bradley, et al., 1988), accessing innovative products and services (Mawson & Brown, 2017).

Generally, the greater geographic distance leads to greater information asymmetries between the acquiring and the acquired firm (Collins, et al., 2009). This makes post-acquisition layoffs less likely as a firm's most valuable capabilities, especially in the case of high-tech firms, are known to be tacit in nature which rests with the employees (Chaudhuri & Tabrizi, 1999; Ranft & Lord, 2000). Several studies on the employment effects of acquisitions have also found that international acquisitions lead to relatively lower post-acquisition layoffs vis-à-vis domestic acquisitions (Gong, et al., 2007; Lipsey, et al., 2013). Almeida (2007), in her work on a sample of Portuguese firms, found that domestic acquisition led to a decline of employment in acquired firms. Whereas international acquisitions led to an increase in employment in acquired firms, post-acquisition. Consistent with this finding, Feys and Manigart (2010), report that International acquisitions match independent firms in terms of growth and profitability, but outperform them in terms of profit margins and returns post-acquisition. In contrast, Xiao (2015), finds that in the Swedish high-tech sector, acquisition by domestic MNEs and not international MNEs results in growth.

H1: Post-acquisition employment loss is significantly lower in international acquisitions than in domestic acquisitions.

2.2 Industry relatedness between the acquired and acquiring firm

Industry relatedness is one of the most commonly used variables in the studies on the employment effect of M&As. The efficiency theory of M&As posits that one of the reasons firms engage in an M&A to rationalise the operations and extend efficient parties to the acquired firm (Lehto & Böckerman, 2008) hence achieving operational synergies and efficiency gains (Chatterjee, 1986). The scope for rationalisation tends to be higher in related acquisitions, where both the acquiring and the acquired firm belong to the same industry. This leads to higher chances of operational overlap and redundancy, hence opening avenues for potential rationalisation (Krishnan, et al., 2007). Such rationalisation in the post-acquisition period may take the form of employee layoffs. Studies have found that related acquisitions are more likely to be followed by layoffs than unrelated acquisitions (O'Shaughnessy & Flanagan, 1998). Li (2012), in his work on acquisitions in the USA, found that related acquisitions led to a greater degree of post-acquisition employment loss in acquired firms vis-à-vis unrelated acquisitions.

Similarly, Conyon, et al. (2002), in their work on acquisitions in the UK between the period 1967-1997 found that related acquisition led to an employment loss of 19% compared to an employment loss of 8% in unrelated acquisitions. Employment loss is likely to be relatively higher in related acquisitions, especially in industries exhibiting surplus capacity (Dutz, 1989). Similar results have been reported in studies based on sample derived from Japan (Kubo & Saito, 2012), the USA & Europe (Gugler & Yurtoglu, 2004) and UK (Amess, et al., 2014). The only notable exception to these findings has been the work by Stiebale & Trax (2011), who report positive employment gains in related as well as unrelated acquisitions. This variation can be explained as their study was based on international acquisitions motives for which are generally related to the strengthening of market power, entry into new markets (Martin et al., 1998) and acquisition of new capabilities (Boateng et al., 2008), rather than rationalization and efficiency gains.

H2: Post-acquisition employment loss is significantly higher in related acquisitions than in unrelated acquisitions.

2.3 The type of Acquisition: Strategic v/s Financial Acquisitions.

Acquisitions can further be classified based on the type of acquirers. Strategic acquisitions can be classified as acquisitions where the acquirer is a publicly listed or a privately owned firm

acquiring for strategic reasons. Whereas financial acquisitions can be classified as acquisitions where the acquirer is a private equity, venture capital and/or investment management firms. Investment buyouts (IBOs), management buyouts (MBOs) and leveraged buyouts (LBOs) can be understood as falling under the financial acquisition categories. Financial acquisitions are primarily driven by the investors with the motive of generating and maximising financial returns on behalf of their investors (Metrick & Yasuda, 2011). Strategic acquisitions on the other hand, however, prioritise the strategic impact of the acquisition over the financial returns (Hellmann, 2002).

Previous work on the employment effects of financial acquisitions shows that IBOs and LBOs lead to a significant loss in the acquired firm post-acquisition (Goergen, et al., 2011; Goergen, et al., 2014). Similarly, Amess et al. (2014), in their work on LBOs in the UK found that it led to a decline of 11% in employment in the acquired firm, post-acquisition. One explanation for such a decline could be that LBOs are considered a way of enforcing financial discipline by generating cash flows to service the debt (Thompson, et al., 1992). Given that financial acquirers have a duty of generating returns for their partners, the horizon period of investment tends to be shorter (Arthurs, et al., 2008). This urgency of maximising financial returns could be one of the reasons triggering rationalization measures such as employee layoffs post-acquisition.

H3: Post-acquisition employment loss is significantly higher in financial acquisitions than in strategic acquisitions.

2.4 Age of the target firm

The age of the target firm is another widely studied variable in acquisition literature. Young target firms generally tend to be smaller in size making it easier for the acquirers to fully integrate the target firm (Krishnan, et al., 2007). Whereas older firms generally tend to be relatively bigger in size with more developed internal processes leading to a higher chance of redundancies and scope of post-acquisition rationalization. Girma (2005), in his work on acquisitions in the UK, found that large acquisitions led to job losses whereas smaller acquisitions led to growth in employment. This is consistent with the “David-Goliath” symbiosis hypothesis which argues that large acquirers can leverage their assets to develop the innovation capabilities of the acquired small firms (Baumol, 2002). Such efforts could lead to growth in target firms, leading to the creation of higher employment opportunities. Young

technology firms are inclined to sell their firms to large multinational corporations to aid their growth (Norbäck & Persson, 2014).

H4: Post-acquisition employment loss is lower in young target firms than old target firms.

3. Data

A. Description of Data Source

The main source of data used in this study is from the Tracxn database. Tracxn is a privately owned database platform in India that started in 2013. Tracxn is the only database that contains the most complete and up-to-date firm-level details on employment for privately-owned Indian startups. Tracxn records quarterly changes in the employment data which is regularly updated by a team of analysts. It is important to highlight that privately owned firms are not mandated by Indian law to furnish details on employment while filing annual returns. The dataset comprises private companies acquired between 01/01/2017 to 31/12/2018. The dates were chosen in a manner to maximise the number of observations. Given Tracxn being a young database, employment data for most startups were only available from quarter four (September to December) of 2016.

A total of 561 entries were recorded in the database in the selected time period. Each entry was then individually checked and matched with the inclusion criteria. Only acquisition where the target firm was a privately owned company with employment details for at least one quarter preceding the quarter of acquisition ($t-1$) and two quarters succeeding the quarter of acquisition ($t+1$, $t+2$) were included (Almeida, 2007; Lehto & Böckerman, 2008). A total of 99 entries met these criteria. For each of the 99 entries, information related to employment (quarterly), industrial classification (for both the acquiring and the acquired firm), age at acquisition, location (for both the acquiring and the acquired firm), and the type of acquisition (strategic/financial) was manually extracted and recorded in the record sheet. Sources such as LinkedIn page, media articles related to the acquisition deals and websites of the companies involved were used to triangulate the data obtained from the database. Given the dynamic nature of the database, the record sheet was periodically updated. The record sheet was created in May 2020, then updated every two months to ensure the most recent employment figures were recorded. The record sheet was last updated in March 2021

Table 1: Description of the variables

Variables	Definition/Measurement
Employment	Employment data in the sample is reported quarterly. Only those acquired startups for which employment data was available one quarter prior to acquisition and two quarter after the acquisition are included in the sample. (<i>Source: Tracxn</i>)
Industry Relatedness	Acquisitions in the sample are categorised as related if the first order of industrial classification on the Tracxn databases matches between the acquirer and the target firm. If such a match is not found, the acquisition is classified as unrelated. Related acquisition coded as (0.5) and unrelated as (-0.5) for the analysis. (<i>Source: Tracxn database</i>)
Target Firm Age	Calculated as the difference between the year the firm gets acquired and the year the firm was incorporated (<i>Source: Tracxn database & LinkedIn</i>).
Type of Acquisition	An acquisition is categorised as Financial if the acquiring firm falls under the category of Private Equity, Venture Capital or Investment Management firm. (<i>Source: Tracxn database & LinkedIn</i>) and strategic if the acquirer is not classified as a financial acquirer. Financial acquisition coded as?
Origin of the Acquiring Firm	An acquiring firm is defined as international if its HQ is based outside of India and as Domestic if its HQ is based in India. (<i>Source: Tracxn database & LinkedIn</i>).

B. Matching Sample Construction

We also construct a matching sample as per Lehto & Böckerman (2008) using a one-to-one match technique. A matching data set was created for comparison with the resultant dataset. A one-to-one match for each of the entries were searched. The closest unacquired competitor for each firm was searched for. To achieve this, Tracxn's competitor tab for each firm was analysed and the firm with highest competitor Tracxn score, located in India for which employment data was available was included in the matching data set. Every unacquired domestically located firm for which the employment data was available at least for t_0 , $t+1$ & $t+2$ of its acquired counterpart was included in the matching sample. A one-to-one match could only be found for 54 of the 99 resultant firms.

4. Empirical Strategy

Our first model evaluates the impact of acquisition status of the startups in our sample on the post-acquisition employment change. We compare our data set with their matching sample construct through a one-to-one match. Our model can be described as:

$$Employment_i = \beta_0 + \beta_1 AcquisitionStatus_i + \epsilon_i$$

Additionally, based on the literature and available data, we examine the impact of the following variables on the post-acquisition employment change of the acquired firm (a) Origin of the acquirer (Hypothesis 1: Domestic versus International), (b) Industry relatedness (Hypothesis 2. Related versus unrelated), (c) Type of acquisition (Hypothesis 3: Strategic versus Financial), (d) age of the acquired firm (Hypothesis 4). Besides measuring the independent effect of each of our independent variables, we also measure their interaction effects on our dependent variable. Our full model can be described as:

$$\begin{aligned} Employment_i &= \beta_0 + \beta_1 Origin_i + \beta_2 TypeAcquisition_i + \beta_3 Relatedness_i + \beta_4 Age_i \\ &+ \beta_5 Origin_i \times TypeAcquisition_i + \beta_6 Origin_i \times Relatedness_i \\ &+ \beta_7 Origin_i \times Age_i + \beta_8 TypeAcquisition_i \times Relatedness_i \\ &+ \beta_9 TypeAcquisition_i \times Age_i + \beta_{10} Relatedness_i \times Age_i + \epsilon_i \end{aligned}$$

where i is a quarterly measure of a firm employment from 01/01/2017 to 31/12/2018 and ϵ_i are the residuals of the model with a normal distribution such as $\epsilon_i \sim N(0, \sigma^2_i)$.

5. Descriptive Statistics

The acquired startups in the sample were from a total of 23 industrial categories (Table 2). Business services (11%) and FinTech (10%), healthcare (8%) and enterprise applications (7%) and financial services (6%) are the five most represented industries collectively accounting for 42% of the sample. The number of domestic acquisitions was slightly higher in our sample (52) compared to international acquisitions (47). International acquisitions exceeded domestic acquisitions in 8 industrial categories including Business Services, FinTech, EdTech, Enterprise Applications, Life Sciences, Healthcare, Enterprise Applications, Consumer Goods & Services and Food & Consumer Goods. The remaining industrial categories (15) were dominated by domestic acquisitions (Figure 1).

Figure 1: Industrial classification of sample split by origin of the acquiring firm.

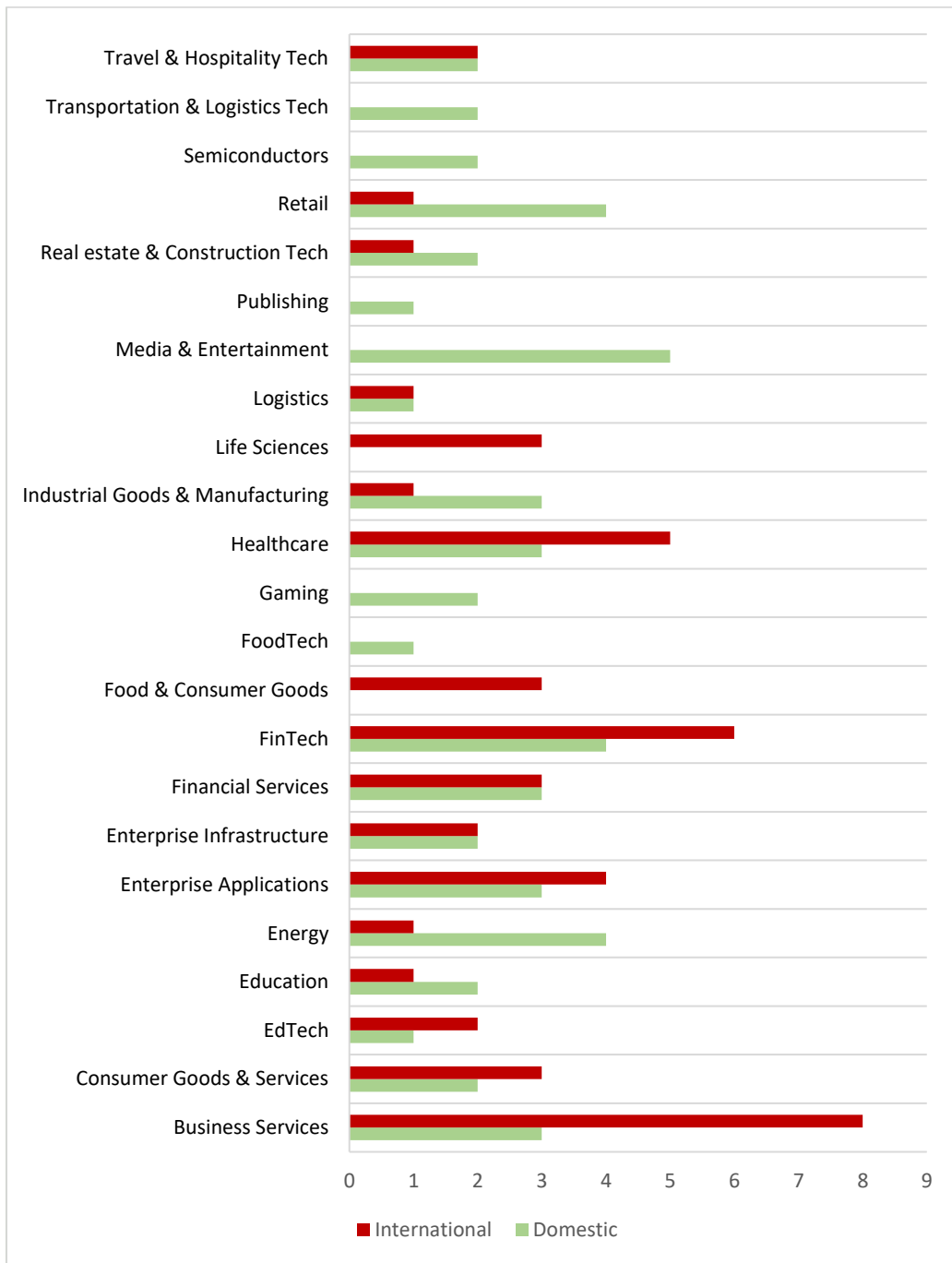


Table 2: Industrial classification of the sample

Industrial Classification	No. of Firms	% Share	Industrial Classification	No. of Firms	% Share
Business Services	11	11%	Healthcare	8	8%
Consumer Goods & Services	5	5%	Industrial Goods & Manufacturing	4	4%
EdTech	3	3%	Life Sciences	3	3%
Education	3	3%	Logistics	2	2%
Energy	5	5%	Media & Entertainment	5	5%
Enterprise Applications	7	7%	Publishing	1	1%
Enterprise Infrastructure	4	4%	Real estate & Construction Tech	3	3%
Financial Services	6	6%	Retail	5	5%
FinTech	10	10%	Semiconductors	2	2%
Food & Consumer Goods	3	3%	Transportation & Logistics Tech	2	2%
FoodTech	1	1%	Travel & Hospitality Tech	4	4%
Gaming	2	2%	Total	99	100%

Table 3 provides descriptive statistics for the remaining variables of interest including age, size and relatedness. Although the average age of target startups acquired by financial acquirers is lower than those acquired by strategic acquirers (13.5 versus 15.4), the average employment is much higher in financial acquisitions than strategic acquisitions (2110 versus 838) indicating that financial acquirers are more likely to acquire younger startups exhibiting high growth.

Similarly, we find that international acquirers are more likely to buy relatively older and larger startups than domestic acquirers. The average age of target startups acquired by international acquirers is 17 years compared to 13.4 years of startups acquired by domestic acquirers. Additionally, the average employment of target startups acquired by international acquirers is also much higher (1211) compared to domestic acquirers (863). We also find that the average employment of the target firm is higher in the case of related acquisitions (1312) than unrelated acquisitions (791), highlighting the greater scope for rationalisation. The average age of the target firm in related acquisitions also is much higher (17.7) than unrelated acquisitions (12.8).

Table 3: Descriptive Statistics

	Type of Acquisition	Employment	Target Age	Acquirer Origin	Employment	Target Age	Relatedness	Employment	Target Age
Missing	Financial	55	0	International	209	0	Unrelated	214	0
	Strategic	387	0	Domestic	233	0	Related	228	0
Mean	Financial	2110	13.5	International	1211	17	Unrelated	791	12.8
	Strategic	838	15.4	Domestic	863	13.4	Related	1312	17.7
Median	Financial	977	13.5	International	295	12	Unrelated	213	11
	Strategic	183	11	Domestic	184	8	Related	255	11

6 Multivariate Analysis

Our analysis, as reported in table 4 finds no significant difference in the post-acquisition employment change between our sample of acquired startups and their matching unacquired counterparts ($p = .178$). Our finding is contrary to received wisdom, that acquisitions have a negative impact on local employment but is consistent with previous work by Beckman & Forbes (2004) and Visic et. al. (2015).

In addition, our results disprove all four of our hypotheses. We find that origin of the acquirer had no significant impact on the post-acquisition employment change ($p = 0.1$). Thus, disproving our hypothesis **H1**, which predicted a significantly higher employment loss in domestic acquisitions relative to international acquisitions. Similarly, we also found no significant impact of the target firm's age on its post-acquisition employment change ($p = 0.326$). This disproves our hypothesis **H4**, which predicted that younger startups are likely to experience a higher degree of post-acquisition employment growth post-acquisition.

We did however find that two of our predictors, type of acquisition ($p < .001$) and industry relatedness between the acquirer and target firm ($p < .001$) had a significant impact on our outcome variable, i.e., post-acquisition employment change measured quarterly. However, their effect was counterfactual to our prediction. Contrary to our predictions for **H3**, we find

that post-acquisition employment in strategic acquisitions is significantly lower than in financial acquisitions. This is contrary to the existing empirical evidence that associate financial acquisitions with employment loss (Gugler & Yurtoglu, 2004; Amess, et al., 2014). Additionally, we also find that the post-acquisition employment level was significantly higher in related acquisitions than in unrelated acquisitions. This disproves our hypothesis **H2**, which predicted a significantly higher post-acquisition employment loss in related acquisitions than in unrelated acquisitions. It also is contrary to the existing empirical evidence that associates related acquisitions with post-acquisition rationalisation and employee layoffs (Conyon, et al., 2002; Kubo & Saito, 2012).

Table 4: Model Coefficients - Employment

Predictor	Estimate	SE	t	p	Stand. Estimate	Lower	Upper
Intercept ^a	2352.84	288.42	8.158	< .001			
Acquisition Status:							
Not acquired – Acquired	-200	148.7	-1.35	0.178	-0.074	-0.182	0.0337
Target Age							
	-6.19	6.3	-0.984	0.326	-0.0323	-0.0968	0.0322
Type of Acquisition:							
Strategic – Financial	-1814.2	299.81	-6.051	< .001	-0.5858	-0.7758	-0.3958
Acquirer Origin:							
Domestic – International	-327.27	198.49	-1.649	0.1	-0.1057	-0.2314	0.0201
Relatedness:							
Related – Unrelated	1062.03	219.72	4.833	< .001	0.3429	0.2037	0.4821
^a Represents reference level							

We also conducted an Omnibus ANOVA t-test to check the interaction effect of our predictor(s) on our outcome variable. We found no significant impact of the interaction between acquirer origin and type of acquisitions, or the interaction between acquirer origin and industry relatedness. We did however find a significant impact of the interaction effect between target firm's age and type of acquisition on the post-acquisition employment change. Thus financial buyers are more like to acquire younger startups (*p-value* < .001) All other interaction effects were insignificant (Table 5).

Table 5: Omnibus ANOVA Test

	Sum of Squares	df	Mean Square	F	p
Acquirer Origin * Relatedness	2.78E+07	1	2.78E+07	3.0964	0.079
Acquirer Origin * Type of Acquisition	3.27E+07	1	3.27E+07	3.6404	0.057
Target Age * Type of Acquisition	1.77E+08	1	1.77E+08	19.6975	< .001**
Target Age * Acquirer Origin	607665	1	607665	0.0676	0.795
Target Age * Relatedness	577040	1	577040	0.0642	0.8
Residuals	8.40E+09	934	8.99E+06		

Note. Type 3 sum of squares

7. Conclusion

This paper contributes to the literature by analysing the quarterly employment effects of acquisitions of entrepreneurial undertakings in India using a novel dataset from Tracxn between the two year period of 2017-2018. The contributions are twofold. First, contrary to the concerns highlighted in the extant literature, we found no significant difference in the post-acquisition employment change between acquired firms and their non-acquired counterparts in India.

Second, in regard to the determinants of post-acquisition employment change. Drawing on the extant literature, we analyse the impact of four predictors: the origin of the acquiring firm, type of acquisition, industry relatedness between the acquiring and the target firm and the age of the target firm. We discover that origin of the acquiring firm (H1) and the age of the target firm (H4) had no significant impact on the post-acquisition employment change. We did however discover a significant and positive impact of related acquisitions (H2) and financial acquisitions (H3) on post-acquisition employment change.

Post-acquisition employment was significantly higher in related acquisitions and acquisitions undertaken by financial acquirers. This finding is contrary to the existing empirical evidence in the literature. It suggests that investors are using acquisitions to expand their foothold in the Indian market (Graebner, 2004) and/or access growth enhancing product or service innovation (Mawson & Brown, 2017). Financial acquirers work on behalf of their investors to generate financial returns (Metrick & Yasuda, 2011), which in a rapidly growing market like India can only be accomplished through pursuing growth opportunities. Our finding also points to the

differences in the strategic objectives for acquiring entrepreneurial startups and larger established firms.

The results suggest that the focus of existing research on employment effects of acquisitions which primarily rests on large multinational corporations in the manufacturing sector (Lehto & Böckerman, 2008) is not representative of the acquisitions involving entrepreneurial undertakings. Given the increasing importance of acquisitions for entrepreneurial startups, both as an exit strategy (DeTienne et al., 2015) and as a means to access resources and pursue growth (Graebner, et al., 2010), researchers need to conduct further studies investigating acquisitions involving entrepreneurial startups.

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