

Abstract: Innovation effects of large technology acquisitions

We empirically study innovation effects of acquisitions of entrants by large technology firms with a particular focus on Google, Amazon, Facebook, Apple, and Microsoft (GAFAM). Using data on venture capital investment for start-ups we use machine-learning based natural language processing techniques to construct technological markets. We compare yearly venture capital investment in markets in which a firm was acquired by one of the GAFAM to markets that were acquired by non-GAFAM technology companies. In addition, we compare these markets to their respective underlying industry trend. Our results show that on average acquisition have a negative effect on venture capital investment in technological markets. In addition, we find evidence that GAFAM acquisitions are more detrimental to venture capital investment than non-GAFAM acquisitions.