

University of Memphis

University of Memphis Digital Commons

Electronic Theses and Dissertations

6-19-2012

An Analysis of the Cross-border Acquisition Behavior of Emerging Market Multinational Enterprises

Nolan Thomas Gaffney

Follow this and additional works at: <https://digitalcommons.memphis.edu/etd>

Recommended Citation

Gaffney, Nolan Thomas, "An Analysis of the Cross-border Acquisition Behavior of Emerging Market Multinational Enterprises" (2012). *Electronic Theses and Dissertations*. 512.
<https://digitalcommons.memphis.edu/etd/512>

This Dissertation is brought to you for free and open access by University of Memphis Digital Commons. It has been accepted for inclusion in Electronic Theses and Dissertations by an authorized administrator of University of Memphis Digital Commons. For more information, please contact khggerty@memphis.edu.

AN ANALYSIS OF THE CROSS-BORDER ACQUISITION BEHAVIOR OF
EMERGING MARKET MULTINATIONAL ENTERPRISES

by

Nolan T. Gaffney

A Dissertation

Submitted in Partial Fulfillment of the

Requirements for the Degree of

Doctor of Philosophy

Major: Business Administration

The University of Memphis

August 2012

DEDICATION

This dissertation is dedicated to my family who has supported me at every turn of my life, even when they did not agree with my choices.

ACKNOWLEDGMENTS

I would like to thank my dissertation committee members – Dr. Ben Kedia, Dr. David Allen, Dr. Rabi Bhagat, and Dr. Tom Stafford – for providing me support, encouragement, and feedback during the dissertation process. In particular, I would like to thank Dr. Ben Kedia for the financial support of the Wang CIBER, which made this dissertation possible. Over the past four years, Dr. Kedia has played a key role in shaping my approach to research and has been an invaluable mentor.

I would also like to thank the professors in the Department of Management that I have interacted with during my time here. They have been integral in my indoctrination into academia.

Finally, I would like to thank my fellow PhD students, many of whom I have become close friends with during the past four years and who have supported me through out. In particular, I would like to thank Jack Clampit for helping me shape my research interests and for his constant encouragement of my ability.

ABSTRACT

Gaffney, N. T. Ph.D. The University of Memphis. August 2012. An Analysis of the Cross-Border Acquisition Behavior of Emerging Market Multinational Enterprises. Major Professor: Ben L. Kedia.

The emerging markets of Brazil, Russia, India, and China have been a major source of cross-border acquisitions during the recent global recession, spurring the need for increased scholarly investigation into the antecedents and characteristics of this form of internationalization by Emerging Market Multinational Enterprises (EMNEs).

Furthermore, extant literature posits that new theories are needed to explain the EMNE internationalization process as the behavior appears to be fundamentally different from that of traditional MNEs from the developed world (DMNEs). This dissertation offers empirical evidence on both accounts by analyzing all cross-border acquisitions by publicly traded EMNEs from Brazil, Russia, India, and China for the last 11 years (2000-2010) and then comparing the findings to a parallel sample of publicly traded MNEs from a developed country.

The first part of the dissertation builds on existing literature on EMNEs to examine how the sub-dimensions of institutional distance (Administrative, Economic, Financial, Political, Cultural, and Knowledge), as moderated by firm acquisition experience, affect the likelihood of acquisition completion, the duration of acquisitions, and equity participation. The second part adds a representative sample of DMNEs, to examine how MNE classification (EMNE vs. DMNE) influences the relationship of the sub-dimensions of institutional distance with the dependent variables.

Interestingly, there was no evidence found to show that institutional distance decreased EMNE cross-border acquisition completion rates, counter to previous findings

on DMNEs. However, many sub-dimensions of institutional distance were shown to decrease EMNE cross-border acquisition duration. Furthermore, many sub-dimensions of institutional distance increased EMNE equity participation. In regards to the moderating effect of firm acquisition experience on the three dependent variables, there was minimal support found in the study. With the exception of political distance, there was no support for a statistical difference in how the sub-dimensions of institutional distance alter acquisition completion for EMNEs and DMNEs. However, the sub-dimensions of distance were shown to have significantly different effects on acquisition duration and equity participation for EMNEs as compared to DMNEs. Thus, for EMNEs the effect of distance on acquisition completion, duration, and equity participation may be less negative or, in some cases, even positive, suggesting differences with DMNEs.

TABLE OF CONTENTS

CHAPTER		PAGE
	LIST OF TABLES	viii
	LIST OF FIGURES	ix
1.	INTRODUCTION	1
	Focus of the Study	1
	Importance of the Present Study	2
	Scope and Contribution of the Study	5
2.	LITERATURE REVIEW	8
	Cross-Border Acquisitions	9
	The Emerging Market Context	11
	EMNE Internationalization	15
	EMNE Cross-Border Acquisitions	21
	Institutional Distance	22
3.	THEORY AND HYPOTHESIS DEVELOPMENT	25
	Cross-Border Acquisition Outcomes	26
	Institutional Distance and EMNE Cross-Border Acquisition Behavior	29
	Moderating Effect of Firm Acquisition Experience	37
	Moderating Effect of MNE Classification	40
4.	RESEARCH METHODOLOGY	43
	Data	43

	Measures	44
	Statistical Analysis	49
5.	RESULTS	51
	Acquisition Completion	59
	Acquisition Duration	67
	Equity Participation	76
6.	DISCUSSION	86
	General Findings	88
	Implications	90
	Limitations	96
	Recommendations for Future Research	98
	Conclusion	101
	REFERENCES	102

LIST OF TABLES

Table		Page
1.	Dissertation Measures	45-46
2.	Correlation Matrices	52-53
3.	Administrative Distance and Acquisition Completion	60
4.	Economic Distance and Acquisition Completion	61
5.	Financial Distance and Acquisition Completion	62
6.	Political Distance and Acquisition Completion	63
7.	Cultural Distance and Acquisition Completion	64
8.	Knowledge Distance and Acquisition Completion	66
9.	Administrative Distance and Acquisition Duration	68
10.	Economic Distance and Acquisition Duration	69
11.	Financial Distance and Acquisition Duration	71
12.	Political Distance and Acquisition Duration	72
13.	Cultural Distance and Acquisition Duration	74
14.	Knowledge Distance and Acquisition Duration	76
15.	Administrative Distance and Equity Participation	77
16.	Economic Distance and Equity Participation	79
17.	Financial Distance and Equity Participation	80
18.	Political Distance and Equity Participation	82
19.	Cultural Distance and Equity Participation	83
20.	Knowledge Distance and Equity Participation	85

LIST OF FIGURES

Figure		Page
1.	EMNE Cross-Border Acquisition Behavior: The Role of Institutional Distance and Firm Experience	39
2.	The Moderating Effects of MNE Classification	42
3.	Hypothesized Effects of Sub-dimensions of Institutional Distance	54
4.	Moderation of Acquisition Completion	56
5.	Moderation of Acquisition Duration	57
6.	Moderation of Equity Participation	58

CHAPTER 1

INTRODUCTION

Focus of the Study

Roughly 25% of all acquisitions are considered cross-border, in that they involve an acquirer based in one country targeting a firm based in another country (UNCTAD, 2007). While as a whole acquisitions often fail to achieve value for the acquirer because of issues with implementation and integration, cross-border acquisitions are even more troublesome because of the potential for institutional differences between the two operating environments. For example, KPMG found that roughly 17% of cross-border acquisitions created shareholder value, while 53% destroyed it (Economist, 1999).

Fueled by industry consolidation, privatization, and the liberalization of economies around the world, cross-border acquisitions have increased in frequency and value over the last 20 years, leading to an increase in research on the antecedents, moderators, and consequences of these decisions (Barkema & Schijven, 2008; Haleblan, Devers, McNamara, Carpenter, & Davison, 2009; Shimizu, Hitt, Vaidyanath, & Pisano, 2004). A vast majority of this research has focused on cross-border acquisitions by firms based in developed countries (e.g., United States, United Kingdom, Japan, and Germany). While this research is warranted and beneficial, the last two decades have also seen an increasing number of cross-border acquisitions initiated by firms based in the emerging markets of Brazil, Russia, India, and China (i.e., Emerging Market Multinationals or EMNEs). In fact, in 2007 EMNE's share of cross-border acquisitions by value and number of deals has grown to 13% and 17% of total global M&As, respectively, up from roughly 4% and 5%, respectively in the late 1980s (Hope, Thomas, & Vyas, 2010).

Importance of the Present Study

During the recent global recession, an increasing portion of cross-border acquisitions are being initiated by firms from the emerging markets of Brazil, Russia, India, and China (UNCTAD, 2011). As EMNE acquisition behavior becomes more prominent, it is important that we gain a fuller understanding of how the unique context of emerging markets spurs this type of internationalization, as well as to determine if and how EMNE acquisition behavior differs from more traditional developed country MNEs (DMNEs)

What makes EMNEs theoretically different from traditional MNEs is that their comparative advantage is based on their latecomer status (e.g., as a low cost partner, not seen as a legitimate threat by established MNEs, lack of legacy costs, organizational flexibility) and the idiosyncratic nature of their home country (e.g., preferential access to low-cost labor, capital, or government policy) rather than the firm-specific advantages on which traditional MNEs rely (Mathews, 2002, 2006; Ramamurti, 2009; Rugman, 2009). EMNEs use these comparative advantages in order to seek the knowledge and capabilities to develop the firm-specific advantages that will help them become and remain globally competitive (Kedia, Gaffney, & Clampit, 2012). Furthermore, EMNEs have been argued to require a different explanation than the OLI Paradigm (Dunning 1980, 1988), because they have been argued to internationalize at an accelerated pace (Luo & Rui, 2009; Luo & Tung 2007; Mathews, 2002, 2006).

What is interesting about the cross-border acquisition segment of EMNE internationalization, is that EMNE acquisitions have been shown to be even less successful than the cross border M&As of their counterparts from developed countries (Aybar & Ficici, 2009). There is limited research explaining this phenomenon. Hope et

al. (2011) found, on average, EMNEs (compared with those from developed countries) bid higher to acquire assets in developed countries when national pride is a motivation. However, Gubbi, Aulakh, Ray, Sarkar, and Chittoor (2010) found that in the case of Indian firms, cross-border acquisitions actually created value, especially when investments were made in developed countries. Similarly, Zhang, Zhou, and Ebbers (2011) found that Chinese cross-border acquisitions were less likely to be completed in countries of worse institutional quality, industries sensitive to national security, and/or if the target country is state owned.

Building on these and similar extant research, there is still a need to further explore the determinants of EMNE cross-border acquisition completion and to determine if EMNE cross-border acquisitions are truly more aggressive than typical cross-border acquisitions. An important predictor of cross-border acquisition behavior (and internationalization behavior in general) is the concept of institutional distance (Kostova, 1996). Institutional differences between the acquirer's home country and that of the target company often complicate the acquisition process and has been argued to decrease the ability to successfully internationalize (see Berry, Guillen, & Zhou, 2010 for a review) and, more specifically, the chances of acquisition completion (Dikova, Sahib, & Witteloostuijn, 2010). Furthermore, the EMNE internationalization literature (e.g., Luo & Tung, 2007; Mathews, 2002, 2006) is based on the premise that EMNEs are different from traditional MNEs, thus there is a need for a direct comparison of these two classifications of MNEs in different contexts to determine if this division is justified.

Institutional theory holds two important tenets for cross-border acquisitions. First, it suggests that the institutional context of the home country will influence the strategic

orientation of MNEs originating there. Second, it suggests that MNEs must conform, to some degree, with the institutional context of the host country to earn legitimacy (i.e., the pressure of isomorphism). Thus, differences between the institutional frameworks of the home and host country (i.e., institutional distance) are theorized to decrease the ability of MNEs to successfully complete acquisitions and will increase the time it takes to complete announced deals (Dikova et al., 2010). Including cultural dimensions in an institutional analysis helps give a fuller understanding of the formal and informal institutional effects on MNE cross-border acquisition behavior (Leung & Ang, 2009). Thus, building on the recent work on institutional distance by Berry et al. (2010), this dissertation explores how the sub-dimensions of institutional distance affect the completion rate and duration of EMNE cross-border acquisitions.

Furthermore, EMNE specific internationalization literature suggests that these firms are more aggressive, proactive, and risk taking than traditional MNEs from developed countries (Luo & Rui, 2009; Luo & Tung, 2007; Mathews, 2002, 2006). These perspectives suggest that the effects of institutional distance may be less negative, and in some cases positive in effect, than what is found within a sample of cross-border acquisitions by developed country multinationals. Specifically, it would seem that certain dimensions of distance, in particular those that would help compensate for the institutional voids said to be present in Emerging Markets (Khanna & Palepu, 2006), such as knowledge assets and economic stability may increase acquisition aggressiveness. Furthermore, as EMNEs look to acquire strategic assets abroad, they may be prone to more aggressive acquisitions, though in institutionally distant locations (Aybar & Ficici, 2009).

Scope and Contribution of the Study

Institutional Theory, Internationalization Theory (including EMNE specific theoretical explanations), and concepts of cultural differences may help to explain the acquisition success, duration, and aggressiveness of EMNE cross-border acquisitions, as well as differences from DMNEs. Specifically, building on the recent work of Berry et al. (2010), this dissertation explores how sub-dimensions of institutional distance (Administrative, Economic, Financial, Political, Cultural, and Knowledge), or the differences between the institutional contexts of the home and host country, affect the successful completion and aggressiveness of EMNE cross-border acquisitions. Furthermore, MNE specific internationalization literature suggests that EMNEs are more aggressive, proactive, and risk taking than traditional MNEs (Luo & Tung, 2007; Mathews, 2006). This suggests that on the whole the effects of institutional distance will be less negative, and in some cases positive in effect, than from what is found within a sample of cross-border acquisitions by developed country multinationals (DMNEs).

Thus, this dissertation builds on the limited existing research on EMNE cross-border acquisitions (Aybar & Ficici, 2009; Gubbi et al., 2010; Hope et al., 2011) to extend our understanding of this phenomenon and by extension our understanding of EMNE internationalization. By examining all cross-border acquisitions by publicly traded EMNEs from the major emerging markets of Brazil, Russia, India, and China for the last 11 years (2000-2010), this work promises to offer a fuller and more integrated understanding of EMNE cross-border acquisition behavior. Furthermore, by comparing these findings with those based on a representative sample of DMNEs during the same

time period, evidence is offered of if and how EMNEs differ in their internationalization behavior from DMNEs.

The dissertation is broken into two parts. The first section builds on existing work to examine how the sub-dimensions of institutional distance, as moderated by firm experience, affect the likelihood of acquisition completion, the duration of acquisitions, and the equity level sought during acquisitions (i.e., equity participation). The second section adds a data set of DMNEs, to determine if and how the influence of the sub-dimensions of institutional distance on acquisition behavior differs based on MNE classification. The intended contribution of these parallel studies is: (1) to offer a richer and more nuanced understanding of when and how institutional distance affects EMNE cross-border acquisition success and aggressiveness; (2) to determine if these effects are different for DMNEs; and (3) add a richer evidence-based understanding to the developing EMNE specific internationalization literature which has been largely theoretical.

While it has been argued that classifying EMNEs into one group is useful because of the large difference of this group from traditional MNEs from developed countries, I argue that a closer analysis of the EMNE cross-border acquisition over the last 11 years may yield important implications for the future research of this group. Furthermore, by comparing the findings of this study of this sample with a parallel study of a sample of DMNEs can further flush out potential differences between the two groups and further clarify justifications that EMNEs are different enough to be treated as a separate phenomenon by management researchers.

Format of the Study

This section (Chapter 1) has introduced the context of the study, describing its focus, importance, and intended contributions.

The next section (Chapter 2) will review relevant extant literature on Cross-Border Acquisitions, the Emerging Market Context, EMNE Internationalization, EMNE Cross-Border Acquisitions, and Institutional Distance.

Chapter 3 lays out the theoretical rationale of the study, creating hypotheses grounded in the extant literature. Chapter 4 discusses the research methodology, including the samples, measures, and statistical analysis. Detailed empirical findings of the study are discussed in Chapter 5.

Finally, Chapter 6 will discuss the general findings of this study and highlight its implications, limitations, and contributions. The chapter will also discuss future avenues of research, based on the findings of this dissertation.

CHAPTER 2

LITERATURE REVIEW

The number and value of mergers and acquisitions (M&As) has reached unprecedented levels in recent years (Barkema & Schijven, 2008), creating increased research on the topic in a variety of academic disciplines such as accounting, economics, finance, management, and sociology. As a whole this research has found that, on average, acquiring firms most often fail to achieve desired returns and also tend to pay a premium (Houston, James, & Ryngaert, 2001; King, Dalton, Daily, & Covin, 2004; Moeller, Schlingemann, & Stulz, 2004). As such most research in this area has strived to understand why firms continue to engage in this behavior and what moderates the acquisition-performance link (for a review see Halebian et al., 2009). For the purposes of this dissertation I will focus primarily on the antecedents of acquisition behavior that have been examined.

Research on the antecedents of acquisition behavior generally fall into four categories: value creation, managerial self-interest, environmental factors, and firm characteristics (Halebian et al., 2009). Acquisitions in the pursuit of value creation are driven by a desire for market power (Kim & Singal, 1993), efficiency (Banerjee & Eckard, 1998), resource deployment (King, Slotegraaf, & Kesner, 2008), and/or market discipline (Jensen, 1986). On the other hand, acquisitions undertaken by managers for their own self-interest are generally seen as value destructing, and are driven by compensation incentives (Gomez-Mejia & Wiseman, 1997), managerial hubris (Malmendier & Tate, 2008), and/or target defense tactics (Bates & Lemmon, 2003). Thus, a major research pursuit within the broader M&A literature is to determine the

relative importance of these two broad antecedents in predicting acquisition behavior, and, furthermore, may serve as a key explanation of why on net acquisitions fail to create value (Haleblain et al., 2009).

Environmental and firm-level antecedents of acquisition behavior are getting increasing attention in the M&A literature. Extant research on environmental factors has focused on acquisitions as a response to environmental uncertainty (Schilling & Steensma, 2002), regulation (Beneish, Jansen, Lewis, & Stuart, 2008), imitation (Stearns & Allan, 1996), resource dependence (Casciaro & Piskorski, 2005), and network ties (Westphal, Seidel, & Stewart, 2001). Research on firm characteristics as a driver of acquisitions has focused on acquisition experience (Baum, Li, & Usher, 2000; Haleblain, Kim, & Rajagopalan, 2006), firm strategy (Harzing, 2002), and firm position (Graebner & Eisenhardt, 2004).

Cross-Border Acquisitions

Cross-border acquisitions have become more frequent over the last 15 years, however, research on this topic has been somewhat limited (for a review see Shimizu et al., 2004). Of the research that has been conducted much of it has focused on MNEs from the developed world and whether these actions create value for the acquiring firm. Since this diversification technique often fails to create value for the acquirer, the quest has been to find and explain the determinants of this increasingly common phenomenon.

Roughly 25% of all acquisitions are considered international, in that they involve an acquirer based in one country targeting a firm based in another country (UNCTAD, 2007). While as a whole acquisitions often fail to achieve value for the acquirer because of the issues with implementation and integration, cross-border acquisitions are even

more troublesome because of potential for institutional differences between the two operating environments. For example, KPMG found that roughly 17% of cross-border acquisitions created shareholder value, while 53% destroyed it (Economist, 1999). However, the growth of cross-border acquisitions has been fueled by industry consolidation, privatization, and the liberalization of economies around the world (Shimizu et al., 2004).

Existing research on cross-border acquisitions has focused on issues such as entry mode of foreign direct investment (FDI) (Andersen, 1997; Barkema & Vermeulen, 1998; Brouthers & Brouthers, 2000; Hennart & Reddy, 1997; Kogut & Singh, 1988;), entry mode performance outcomes (Brouthers, 2002; Li & Guisinger, 1991), and stock market reactions (Datta & Puia, 1995; Harris & Ravenscraft, 1991; Markides & Ittner, 1994; Morck & Yeung, 1992). More recently, attention has been paid to post-acquisition integration issues (Child, Falkner, & Pitkethly, 2001; Inkpen, Sundaram, & Rockwood, 2000; Olie, 1994), employee reactions to acquisitions (Risberg, 2001), post-acquisition turnover of top management teams (Krug & Hegarty, 2001; Krug & Nigh, 2001), post-acquisition performance (Larsson & Finkelstein, 1999; Very, Lubatkin, Calori, & Veiga, 1997), and knowledge transfer and organizational learning (Bhagat, Kedia, Harveston, & Triandis, 2002; Vermeulen & Barkema, 2001).

EMNEs have been a major source of cross-border acquisitions during the recent economic downturn (UNCTAD, 2010). The context of emerging markets has spurred acquisitions, and internationalization behavior in general, that has been seen as aggressive and defying traditional internationalization theory (Aybar & Ficici, 2009; Gubbi et al., 2010; Hope et al., 2011). Before discussing EMNE cross-border acquisitions

specifically, it is first important to discuss the extant literature on the institutional context of Emerging Markets and their internationalization behavior.

The Emerging Market Context

Institutional theory is of growing importance in international business focused research (e.g., Peng, 2003; Peng, Wang, & Jiang, 2008). It suggests that societal-level institutions shape firm strategy in complex and changing ways (e.g., Dacin, Goodstein, & Scott, 2002; Oliver, 1991, 1997). In particular, how EMNEs internationalize is inherently shaped by the domestic and international institutional frameworks governing these endeavors (Boisot & Child, 1999; Peng et al., 2008). The institutions of a given society are often formed and supported by the broader national culture (e.g., Hofstede, 2007; Holmes, Miller, Hitt, & Salmador, 2011; Redding, 2005). Thus, conceptualizations of culture and the informal and formal institutions offered by institutional theory should be integrated to gain a fuller understanding of the home country context and its effect on EMNE internationalization, including cross-border acquisitions (Leung & Ang, 2009).

Institutions of Emerging Markets

Institutional theory at its core focuses on the importance of the interaction of organizational practices with the larger social, legal and political context of the countries in which they operate. From an economics perspective, North (1990) defines institutions as “the humanly devised constraints that structure human interaction”, and says they consist of the “formal constraints (rules, laws, constitutions), informal constraints (norms of behavior, conventions, and self-imposed codes of conduct), and their enforcement characteristics” (p. 3); in other words, they are “the rules of the game” that dictate a society’s incentive structure. Similarly, from a sociological perspective Scott (1995)

defines institutions as “regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior” (p. 33). Institutions include the legal institutions that formally regulate behavior in a society, financial institutions such as those making up a country’s capital markets, and informal institutions such as currently popular moral norms.

The primary institutional mechanism affecting organizations is isomorphism, a process that compels organizations operating within the same environment to adopt similar structures, strategies, and procedures (Deephouse, 1996; DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Whether due to explicit laws or environmental uncertainty that prompts organizations to mimic each other, institutional isomorphism ultimately results in the convergence of thought and action within a given organizational field, as firms who fail to conform to an environment’s prevailing rules and belief systems may be viewed as illegitimate and, thus, denied access to key resources they need to survive (Dacin, 1997; Heugens & Lander, 2009; Scott, 1995; Suchman, 1995). In other words, there is pressure on organizations to adopt business practices not because they are necessarily efficient, but because they furnish legitimacy in the eyes of outside stakeholders (e.g., lenders, government regulators, shareholders) in a given context.

The proposition that institutions matter is not controversial. The question is how, and to what degree, they matter (Peng et al., 2008). While some have argued that a background role is sufficient in advanced market economies like the United States, where vital institutional frameworks such as rule of law can simply be assumed and taken for granted. Increasingly, however, the direct impact of institutions on the firm has been demonstrated to be worth actively considering as more and more evidence surfaces

regarding the manner and degree of impact (e.g., Peng, Lee, & Wang, 2005). In particular, within developing countries the existence of well-functioning institutions cannot be taken for granted (Cuervo-Cazurra & Genc, 2008; McMillan, 2007). Instead, institutions are often deficient, dysfunctional, directly opposed to EMNE strategies, or even entirely absent (Brouthers, O'Donnell, & Hadjimarcou, 2005). Thus, Ingram and Silverman (2002) state that “institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy and to create competitive advantage” (p. 20).

Furthermore, the institutions of developing countries have been going through a fundamental transition over the last few decades, having a profound effect on the mentality of individuals within that society and how organizations within that society must compete (Peng, 2003). The three most prominent changes in formal institutions have been market liberalization, privatization, and OFDI promotion. Each of these has a direct effect on the strategic orientation of EMNEs as well as an indirect effect on individuals in that society (e.g., Ahlstrom & Bruton, 2010; Aulakh & Kotabe, 2008; Luo, Xue, & Han, 2010; Mathews & Zander, 2007).

Culture and Institutions

Culture and institutions are often considered to be distinct and as such are investigated separately (Earley, 2006). But institutions are themselves cultural in nature (Leung & Ang, 2009) because culture can be seen as a “substratum of institutional arrangements” (Hofstede, Van Duesen, Mueller, & Charles, 2002, p. 800) in that it is a part of the informal institutions in the environment that underpin formal institutions (Hofstede, 2007; Redding, 2005; Singh, 2007). Scott (2001) listed five distinct points that

identify the characteristics of institutions: (1) Institutions are social structures that have attained a high degree of resilience; (2) Institutions are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life; (3) Institutions are transmitted by various types of carriers, including symbolic systems, relational systems, routines, and artifacts; (4) Institutions operate at multiple levels of jurisdiction, from the world system to localized interpersonal relationships; and (5) Institutions, by definition connote stability but are subject to change processes, both incremental and discontinuous. Implicit in these five points is the notion that the values, beliefs, and norms most often attributed to cultural variation between nations underlie the informal institutions of a society. Thus, culture and informal institutions can be considered almost synonymous and be considered in conjunction as an influencer behind the formation and structure of formal institutions in a given society.

In other words, within a home country, culture and informal institutions often drive behavior on the individual or micro level, which in turn influences the nature of formal institutions and organizational behavior on a more macro level (Holmes et al., 2011). Through this process, and similar to a structuration argument (Giddens, 1983), formal institutions and organizational behavior reinforce culture and informal institutions in the broader society, as well as employee mindset within the organization, respectively. For example, some have argued that the cultural dimensions (beliefs, values, and norms) most often reported in the United States are born out of its Puritan tradition and large portion of the population that reports to be Christian. These cultural values often overlap with the informal institutions of society and influence the formal institutions (legal and regulatory

policy) of the country. In turn, the formal institutions of the nation help to shape and constrain culture and informal institutions going forward. A similar process occurs within organizations as the norms, values, and beliefs of organizational members influence the organization's strategic orientation, which in turn reinforces the norms, values, and beliefs of its members.

Thus, the institutional context of Emerging Markets and the differences (or distance) from the institutional context of developed countries has been used as a key explanation of how and why EMNEs are internationalizing in a way that seems fundamentally different than MNEs from the developed world (Luo & Tung, 2007; Mathews, 2006; Peng, 2003).

EMNE Internationalization

What makes EMNEs theoretically different from traditional MNEs is that their comparative advantage is based on their latecomer status (e.g., as a low cost partner, not seen as a legitimate threat by established MNEs, lack of legacy costs, organizational flexibility) and the idiosyncratic nature of their home country (e.g., preferential access to low-cost labor, capital, or government policy) rather than the firm-specific advantages on which traditional MNEs rely (Mathews 2002, 2006; Ramamurti, 2009; Rugman, 2009). Furthermore, EMNEs use these comparative advantages in order to seek the knowledge and capabilities to develop the firm-specific advantages that will help them become and remain globally competitive (Kedia et al., 2012). In this section we will first examine the asset-exploitation vs. asset-augmentation debate to understand how and why EMNEs have been argued to require a different explanation than the OLI Paradigm (Dunning 1980, 1988). We will then examine three recent EMNE specific explanations – the LLL

(Mathews 2002, 2006), the Springboard Perspective (Luo & Tung 2007), and the Ambidexterity Perspective (Luo & Rui, 2009) – of their internationalization behavior, of which, cross-border acquisitions is a growing segment.

Asset-Exploitation vs. Asset-Augmentation

Dunning's (1980, 1988) OLI (Ownership, Location, Internalization) Paradigm is perhaps the most widely known theory of the multinational firm. It explains how an MNE can overcome the inherent costs and disadvantages of competing with domestic rivals in a host country by using a source of advantage that maximally exploits internalized asset transfers and access to global value chains. The three sources of competitive advantage in this paradigm are: (1) the "ownership" advantage (for example, an MNE might have developed proprietary assets in its home market, such as brands or technologies, which can give it an advantage in the host market); (2) the "location" advantage (for example, the MNE might be able to integrate activities across sectors of the world with very different factor and/or resource costs, providing it with an advantage in the host market; and/or (3) the "internalization" advantage (for example, the MNE might be able to derive economies of scale and scope by reducing transaction costs through internalizing activities).

Much of the rationale for FDI is based off this paradigm. Insufficient home markets, global competitive pressures, and/or government policies often spur decisions to internationalize from firms who, naturally, wish to protect or increase their profitability and/or capital value. These firms then choose to engage in FDI (as opposed to exporting or licensing) based on the belief that they can exploit existing firm-specific competitive advantages abroad (i.e., asset-exploitation). The biggest criticisms of the OLI paradigm

are that it does not capture new firm formation and early developmental processes or the dynamic nature of gaining and sustaining competitive advantage (i.e. exactly the issues that encompass the EMNE phenomenon), but rather focuses on large and well established international firms in a static environment (Luo, 2002; Mathews, 2002, 2006). To combat these criticisms, Dunning (1993, 2000, 2006) and others have offered several refinements to the OLI to account for changing realities, but even Dunning (2006) admits that the unique context of EMNEs may require a revised theory.

What is different about EMNEs is that often their primary motivation to engage in FDI is to develop firm-specific advantages by gaining access to knowledge, resources, and markets in the host country (i.e. asset-augmentation). However these two perspectives (asset-exploitation and asset-augmentation) do not have to be mutually exclusive. It has been suggested that firms that engage in asset-augmentation would only do so on the belief that they could gain entry to a host country by exploiting an existing competitive advantage, either the competency to seek assets or a home country-specific advantage (i.e., market imperfections that give them preferential access to markets, capital, or production capacity) (Dunning 2006; Ramamurti 2009; Rugman 2009).

Recently three conceptual frameworks have been offered which explicitly address the specific motivations and processes of EMNE FDI.

The Alternative LLL Framework

The LLL (Linkage, Leverage, Learning) framework was proposed by Mathews (2002, 2006) to extend the OLI paradigm to latecomer firms who are seeking strategic assets. It suggests that international expansion in pursuit of new capabilities (asset-augmentation) requires a different framework than expansion designed to exploit existing

capabilities (asset-exploitation). In other words, EMNEs are often latecomers to the industry in which they compete, forcing them into *accelerated internationalization* with the explicit goal of gaining access to assets, resources, or capabilities not found in their home market (Mathews 2002). Since latecomers are generally at a disadvantage vis-a-vis traditional MNEs, they must often complement the strategic initiatives of established firms to gain a foothold in the market. The success of several early EMNEs in the high tech industry (such as Acer, Samsung, and LG) is due to the fact that they were able to *link* to established companies by offering services that were not beneficial for them to keep internalized. Through these links, the firms were able to acquire knowledge and competitive assets by *leveraging* their complementary resources. Repeated iterations of this process allowed these firms to *learn* how to be globally competitive and adaptable. These specific skill sets have proven to be a true competitive advantage for these latecomer firms, and have led them to dominant positions in their respective industries (Gupta, Govindarajan, & Wang, 2008).

The Springboard Perspective of EMNE Internationalization

Driven by their late mover position, global competition, rapidly changing technology, and domestic institutional constraints, Luo and Tung (2007) propose that EMNEs will systematically and recursively use international expansion as a springboard to acquire critical resources needed to compete more effectively against rivals (both at home and abroad), and to avoid institutional and market constraints (at home). EMNE internationalization behavior is systematic in that steps are deliberately designed to facilitate firm growth and to ultimately establish a competitive position in the global marketplace. It is recursive in that activities are recurrent (e.g., one foreign acquisition

may improve an EMNE's disadvantage in managerial expertise, while a later acquisition might aim to improve logistics networks in the host country) and revolving (i.e., outward activities are strongly integrated with activities back home). EMNEs will also try to overcome their latecomer disadvantage through aggressive, proactive, and risk-taking acquisitions. Furthermore, EMNEs are motivated to internationalize because they seek both strategic assets (e.g., technology, R&D operations, operational know-how, and managerial expertise) and opportunity in the hopes to bolster economic and social development at home, and compensate for firm level competitive disadvantages globally.

The Ambidexterity Perspective

Luo and Rui (2009) propose that EMNEs often must pursue multiple conflicting goals and strategies simultaneously in an effort to catch up with established global competitors. *Ambidexterity* is a multidimensional construct including the subconstructs of co-evolution (the firm and the environment effect each other's development over time), co-competence (leveraging both transactional and relational capabilities), co-opetition (simultaneous cooperation and competition), and co-orientation (leverage competitive advantages for short-term survival, while augmenting capabilities for long-term growth). For example, EMNEs must simultaneously balance the need to manage globally (alignment of practices vertically with corporate strategy and organization culture) with the need to manage locally (conformity to social, cultural, legal, economic, political and historical characteristics of the host country to achieve legitimacy) in pursuit of global competitiveness.

A Unifying Theme and Need for Empirical Evidence

These perspectives – LLL, Springboard, and Ambidexterity – each suggest that EMNEs differ from traditional MNEs in one key respect: the accelerated pace of EMNE internationalization, in order to develop and/or acquire the capabilities necessary to compete on a global level. Factors such as institutional deficiencies, non-competitive industries, and/or a lack of a lucrative domestic consumer market push EMNEs to seek capabilities outside of their home borders through aggressive strategic internationalization that often targets mutually beneficial partnerships that provide access to new knowledge and skills. The pursuit of these competencies often requires the firm to pursue multiple goals and strategies, which often conflict, in an effort to achieve global competitiveness.

Implicit in these three perspectives is that EMNEs are dealing with changing rules to competition at home (i.e., institutional transitions) and are being forced to adapt in order to survive. Thus their need to engage in proactive and risky investment in an effort to catch up with established competitors. The effects of these shifts in the norms, values, and regulatory environments of developing countries has been shown to have an impact on the nature of organizational transactions (i.e., from relationship based to rule based) (e.g., Peng, 2003), as well as on the mentality of individuals and firm level strategic orientation (e.g., Ahlstrom & Bruton, 2010; Aulakh & Kotabe, 2008; Bruton, Ahlstrom, & Li, 2010; Kreiser, Marino, Dickson, & Weaver, 2010; Luo et al., 2010; Mathews & Zander, 2007).

Thus, these EMNE-specific internationalization theories suggest that EMNEs are different from MNEs from the developed world because they more aggressive during

internationalization, of which cross-border acquisitions are an increasingly visible form. The question then is what antecedents influence this supposed behavior, and whether there is empirical evidence that these antecedents differ between MNE classifications (EMNE vs. DMNEs).

EMNE Cross-Border Acquisitions

In recent years, an increasing portion of cross-border acquisitions are being initiated by EMNEs. In fact, in 2007 EMNE's share of cross-border acquisitions by value and number of deals has grown to 13% and 17% of total global M&As, respectively, up from roughly 4% and 5%, respectively in the late 1980s (Hope et al., 2010). What is interesting about this is that EMNE acquisitions have been shown to be even less successful than the cross border M&As of their counterparts from developed countries (Aybar & Ficici, 2009). There is limited research explaining this phenomenon, with a few notable exceptions, in that Hope et al. (2011) found, on average, EMNEs (compared with those from developed countries) bid higher to acquire assets in developed countries when national pride is a motivation. However, Gubbi et al. (2010) found that in the case of Indian firms, cross-border acquisitions actually created value, especially when investments were made in developed countries. Similarly, Zhang et al. (2011) found that Chinese cross-border acquisitions were less likely to be completed in countries of worse institutional quality, industries sensitive to national security, and/or if the target country is state owned.

Building on these and similar extant research, there is still a need to further explore the determinants of EMNE cross-border acquisition completion and to determine if EMNE cross-border acquisitions are truly more aggressive than typical cross-border

acquisitions. An important predictor of cross-border acquisition behavior (and internationalization behavior in general) is the concept of institutional distance (Kostova, 1996). Institutional differences between the acquirer's home country and that of the target company often complicate the acquisition process and has been argued to decrease the ability to successfully internationalize (see Berry et al., 2010 for a review) and, more specifically, the chances of acquisition completion (Dikova et al., 2010). Furthermore, the EMNE internationalization literature (e.g., Luo & Tung, 2007; Mathews, 2002, 2006) is based on the premise that EMNEs are different from traditional MNEs, thus there is a need for a direct comparison of these two classifications of MNEs in different contexts to determine if this division is justified.

Institutional Distance

The concept of institutional distance has been an important concept in international research. Institutional distance can be defined as the relative difference between and incompatibility of the institutional frameworks of the home and host country (Kostova, 1996; Kostova, 1999; Kostova & Zaheer, 1999; Xu & Schenkar, 2002). The larger the relative difference between the two, the lower the expectation that a MNE would be able to transfer strategic orientations and organizational practices from the parent to the subsidiary, decreasing chances of successful integration (Kostova, 1999). This is because the institutionally dissimilar contexts make conflicting demands for external legitimacy (or local responsiveness) in the host country and internal consistency (or global integration) within the MNE system (Xu & Schenkar, 2002).

Furthermore, various proxies of institutional distance have been shown to affect MNE cross-border acquisition behavior and success. For example, institutional distance

has been shown to decrease cross-border acquisition completion rates and increase deal duration in a sample of DMNEs investing in other developed countries (Dikova et al., 2010). Proxies have also been shown to decrease the aggressiveness and equity level taken during cross-border acquisitions by MNEs from developed countries (Pan & Tse, 2000), though this may not hold true for EMNEs (Aybar & Ficici, 2009).

One of the most common proxies of institutional distance is more accurately described as cultural distance. The results of studies examining the effects of cultural differences, points to the larger proposition behind institutional distance, that distance has negative effects on MNE behavior and outcomes. For example, Barkema, Bell, and Pennings (1996) found that the longevity of foreign ventures is negatively related to cultural distance. Li and Guisinger (1991) found that acquisitions are more likely to fail than wholly owned subsidiaries when cultural distance is high. Chatterjee, Lubatkin, Schweiger, and Weber (1992) showed that larger cultural differences reduce shareholder value. Datta and Puia (1995) found that cross-border acquisitions do not create value for acquiring firm shareholders, on average, but especially in culturally distant acquisitions.

Furthermore, cultural distance encourages entry through wholly owned subsidiaries rather than acquisitions (Brouthers & Brouthers, 2000; Harzing, 2002; Kogut & Singh, 1988). Similarly, Davis, Desai, and Francis (2000) found that firms from countries with relatively higher quality institutions were more likely to invest in wholly owned subsidiaries, while those from relatively lower quality institutions tend to invest through acquisitions.

Traditionally, Xu and Shenkar (2002) have argued that institutional distance can be measured along Scott's (1995) three pillars of institutions: regulative, normative, and

cognitive. The regulative pillar is based on instrumental logic and uses legal sanctioning to set, monitor, and enforce the rules. The normative pillar based in societal beliefs and norms structure desirable goals and the appropriate means of attaining them. The cognitive pillar stems from cultural orthodoxy and highlights internal representation of the environment by actors. Conforming to these pressures earns the organization legitimacy. While Xu and Shenkar (2002) use these dimensions to posit MNE location choice and entry mode, institutional distance has also been shown to affect which and how organizational strategies are implemented in the host country (Kostova, 1999).

Berry et al.'s (2010) recent review of the concept of institutional distance suggests that there is a need to organize the research stream, as often authors use disparate proxies of the notion of institutional distance, most often which is some variation of cultural distance. As such, Berry et al. (2010) offer nine sub-dimensions of institutional distance that are theoretically separate and give a more nuanced understanding of the concept, which when employed by researchers can more accurately depict when, how, and why institutional distance matters. These nine sub-dimensions are Economic, Financial, Political, Administrative, Cultural, Demographic, Knowledge, Global Connectedness, and Geographic. Another difference of Berry and colleagues approach is that they measure distance using the mahalanobis method rather than the more traditional euclidean distance that has been common in the literature. The major advantage of their technique is that the multivariate distance measures are scale invariant and take into consideration the variance-covariance matrix.

CHAPTER 3

THEORY AND HYPOTHESIS DEVELOPMENT

Institutional Theory, Internationalization Theory (including EMNE specific theoretical explanations), and concepts of cultural differences may help to explain the successful completion, duration, and equity participation of EMNE cross-border acquisitions. Institutional theory holds two important tenets for cross-border acquisitions. First, it suggests that the institutional context of the home country will influence the strategic orientation of MNEs originating there. Second, it suggests that MNEs must conform, to some degree, with the institutional context of the host country to earn legitimacy (i.e., the pressure of isomorphism). Thus, differences between the institutional frameworks of the home and host country (i.e., institutional distance) are theorized to decrease the ability of MNEs to successfully complete acquisitions and will increase the time it takes to complete announced deals (Dikova et al., 2010). Including cultural dimensions in an institutional analysis helps give a fuller understanding of the formal and informal institutional effects on MNE cross-border acquisition behavior (Leung & Ang, 2009). Thus, building on the recent work on institutional distance by Berry et al. (2010), this dissertation explores how the sub-dimensions of institutional distance affect the completion rate and duration of EMNE cross-border acquisitions.

Furthermore, EMNE specific internationalization literature suggests that these firms are more aggressive, proactive, and risk taking than traditional MNEs from developed countries (Luo & Rui, 2009; Luo & Tung, 2007; Mathews, 2002, 2006). These perspectives suggest that the effects of institutional distance may be less negative, and in some cases positive in effect, than what is found within a sample of cross-border

acquisitions by developed country multinationals. Specifically, it would seem that certain dimensions of distance, in particular those that would help compensate for the institutional voids said to be present in Emerging Markets (Khanna & Palepu, 2006), such as knowledge assets and economic stability may increase acquisition aggressiveness. Furthermore, as EMNEs look to acquire strategic assets abroad, they may be prone to more aggressive acquisitions, though in institutionally distant locations (Aybar & Ficici, 2009).

Cross-Border Acquisition Outcomes

Investigating *acquisition completion* and *acquisition duration* is a relatively new outcome variable within cross-border acquisitions (Dikova et al., 2010; Zhang et al., 2011). While a relatively simple measure, the dichotomous completion variable is important because unlike most outcomes that are post-acquisition (e.g., value creation), completion looks at the pre-completion stage of acquisitions. This stage is important, as Holl and Kyriazis (1996) found that up to 25% of announced acquisitions are abandoned, which has real costs for companies (Luo, 2005; Rosenkranz & Weitzel, 2005). Similarly, the duration from acquisition announcement to completion also is accompanied with increased costs and negative perceptions.

Thus, while institutional distance has been found to decrease the chances of acquisition completion and increase the acquisition duration in developed multinationals (Dikova et al., 2010), EMNE specific Internationalization Theory would suggest that institutional distance may not be as important to EMNEs, who are engaging in proactive, aggressive, and risky acquisitions in order to catch up with established global competitors (Luo & Tung, 2007, Mathews, 2006). Thus, it is important to measure how and when

institutional distance affects the aggressiveness of deals, which can be measured in many ways. A reasonable proxy that captures this phenomenon is the equity share of the acquired firm sought during a cross-border acquisition (i.e., Equity Participation).

Equity participation has gained increased attention in the literature as an important outcome in cross-border acquisitions, with variations of equity share sought in acquisitions being driven by differing strategies (Chari & Chang, 2009; Chen & Hennart, 2004; Malhotra, Sivakumar, & Zhu, 2011). While the entry mode literature has generally treated acquisitions as either full or partial, and the latter as a form of joint venture (Barkema & Vermeulen, 1998; Brouthers & Hennart, 2007; Das & Teng, 2000; Hennart, 1991; Inkpen, 2001), the share of equity acquired in cross-border acquisitions varies widely, with a significant number being partial and not full. The level of ownership taken in an acquisition impacts many aspects of a firm's strategy; such as control over the venture, ability to transfer tacit assets, and risk exposure (Chari & Chang, 2009; Das & Teng, 2000; Pisano, 1989). Furthermore, it is not clear that partial cross-border acquisitions should be treated the same as joint ventures. Entry through partial acquisition is not a greenfield venture like traditional JVs (Brouthers & Hennart, 2007; Chen & Hennart, 2004).

Firms pursue different levels of equity participation in cross-border acquisitions because of the perceived cost-benefit analysis of the increased control of higher levels of ownership and the potentially reduced risk exposure of lesser ownership stakes (Inkpen, 2001). Shared ownership may increase the costs of partner opportunism, reduce the firm's ability to fully integrate the operations of the venture, and increase the difficulty of transferring tacit assets (Hennart, 1991; Kogut & Zander, 1993).

Recently, the effect of differences between institutions and cultures of the home and host country has been shown to affect the level of equity taken in cross-border acquisitions (Malhotra et al., 2011; Morschett, Schramm-Klein, & Swoboda, 2010; Richards, 2000). Malhotra et al. (2011) found that cultural distance had a curvilinear relationship (U shaped) with equity participation. Chen (2011) found that firms were more likely to opt for a larger equity share in acquisitions when they are trying to acquire complementary capabilities. Interestingly, Chun (2009) found that when intellectual property protection was low, firms sought higher equity shares in acquisitions so as to protect their intellectual property.

The first part of the dissertation builds on existing work to determine if the subcomponents of institutional distance, as moderated by firm experience, affect the chances of EMNE cross-border acquisition completion, the duration of announcement to completion, the aggressiveness of acquisitions, and the equity share sought. The second part of the dissertation compares the EMNE specific findings, with findings based on a sample of DMNEs from the same time period. If it is shown that the sub-dimensions of institutional distance and the moderating influence of firm experience are different for EMNEs than for DMNEs, it offers support for the notion that they truly are a unique phenomenon worthy of separate study and potentially require new theory. Furthermore, I extend studies using institutional distance as a predictor of internationalization decisions by examining the phenomenon with the finer measures and sub-dimensions of institutional distance as compiled by Berry et al. (2010).

Institutional Distance and EMNE Cross-Border Acquisition Behavior

Overall, consistent with extant research on institutional distance an aggregate, blunt measure of institutional distance will be assumed to decrease the likelihood of EMNE cross-border acquisition completion and increase the duration of acquisitions (Dikova et al. 2010). Similarly, institutional distance is assumed to decrease the aggressiveness of EMNE cross-border acquisitions and decrease the equity share sought (Pan & Tse, 2000).

However, the effects of distance are more nuanced than can be deciphered through an aggregate measure of institutional distance. Thus, I join Berry et al. (2010) in examining specific sub-dimensions of distance in this new context to gain a fuller understanding of how unique aspects of distance may affect the characteristics of EMNE cross-border acquisitions. Six of their sub-dimensions are hypothesized to have a direct effect on the dependent variables of interest (Administrative, Economic, Financial, Political, Cultural, and Knowledge Distance), and a seventh is used as a control (Geographic Distance). These sub-dimensions of institutional distance are empirically verified and theoretically separate, and offer a more nuanced understanding of the broader concept, which might more accurately depict when, how, and why institutional distance matters in the context of EMNEs, and MNEs broadly.

Administrative Distance

Administrative distance is defined as differences in colonial ties, language, religion, and legal system as determined by variation in the colonizer-colonized link, common language, common religion, and legal system (Ghemawat, 2001; Guler & Guillen, 2010; Henisz, 2000; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998; Lubatkin, Calori, Very, & Veiga, 1998; Whitley, 1992). Berry et al. (2010) draw from institutional

literature to identify the dimension of administrative distance. The authors describe this as going “beyond national political systems to include both formal and informal institutional arrangements that transcend the purely political nature of the nation-state.” More specifically, it refers to differential bureaucratic patterns attributed to language, religion, colonial ties, and the legal system (Ghemawat, 2001; Henisz, 2000; La Porta et al., 1998; Whitley, 1992). The authors follow extant literature in their operationalization of each variable such that countries are viewed in terms of the percent of shared languages and religions (Wolf & Weinschrott, 1973), and whether a colonial relationship (Brocker & Rohweder, 1990), and/or a legal system is analogous (Guillen & Suarez, 2005; La Porta et al., 1998). These measures have been found to correlate with geographic preference of market entry and the incidence of international mergers and acquisitions (Guler & Guillen, 2010; Lubatkin et al., 1998).

In the case of EMNE cross-border acquisitions, a similar affect is expected. The less history the home and host country have in common the harder it will be for the EMNE to complete deals and the longer it will take. Furthermore, EMNEs will be less comfortable with the target nation and thus less aggressive in behavior in these locations.

Hypothesis 1a: Administrative distance between the home and host country will decrease the likelihood that a cross-border acquisition will be completed by an EMNE.

Hypothesis 1b: Administrative distance between the home and host country will increase the duration of a cross-border acquisition deal by an EMNE.

Hypothesis 1c: Administrative distance between the home and host country will decrease the equity participation by an EMNE during a cross-border acquisition.

Economic Distance

Economic distance is defined as differences in economic development and macroeconomic characteristics as determined by variation in Income, Inflation, Exports, and Imports (Campa & Guillen, 1999; Caves, 1996; Iyer, 1997; Whitley 1992; Yeung, 1997; Zaheer & Zaheer, 1997). Economic distance considers differences in economic development and macroeconomic characteristics. This dimension has emerged, in part, as a reaction to convergence theory (Dunlop, Harbison, Kerr, & Myers, 1975), which proposed that the aggregate effects of economics and technology would drive countries toward analogous patterns of work organization. Extant literature has suggested that the global integration of markets and international diffusion of practices within MNEs will weaken country level effects (Mueller, 1994; Ohmae, 1990).

Thus, Berry et al. (2010) calculate economic distance based on three indicators of economic differences that predominate in the international business literature: income (GDP per capita), inflation (GDP deflator), and intensity of worldwide trade (exports and imports of goods and services). These have been shown to affect firm survival, performance, and foreign market entry mode (e.g., Iyer, 1997; Yeung, 1997; Zaheer & Zaheer, 1997). They also correlate with consumer preferences and purchasing power, openness of the economy to exogenous influences, and macroeconomic stability.

While economic distance is typically assumed to deter internationalization behavior and decrease outcomes of internationalization behavior, in the case of EMNEs, the effect may be the opposite. Emerging markets are argued to have institutional voids, or deficiencies in their formal institutional structure, that encourage internationalization by EMNEs in order to seek safer environments for business (Khanna & Palepu, 2006; Luo &

Tung, 2007). As such, institutional distance along the economic measures might actually lead to an increase in the likelihood of acquisition completion and decrease the duration of acquisition deals. Furthermore, because EMNEs seek to become globally competitive, economically distant locations will attract EMNE cross-border acquisition behavior (Luo & Tung, 2007). This desire and relative inexperience with cross-border acquisition will increase the likelihood they will try and take greater control, through higher equity participation.

Hypothesis 2a: Economic distance between the home and host country will increase the likelihood that a cross-border acquisition will be completed by an EMNE.

Hypothesis 2b: Economic distance between the home and host country will decrease the duration of a cross-border acquisition deal by an EMNE.

Hypothesis 2c: Economic distance between the home and host country will increase the equity participation by an EMNE during a cross-border acquisition.

Financial Distance

Financial distance, or the difference in financial sector development, is comprised of three component variables: domestic credit available to the private sector, market capitalization (market value) of listed companies, and the number of listed companies (Capron & Guillen, 2009; La Porta et al., 1998; Rueda-Sabater, 2000; Whitley, 1992). Because countries have developed varying financial systems over time, there exist a myriad of ways in which organizations fund their operations. Thus, differential systems may marginalize a firm's performance and serve as one mechanism by which listed companies differ. Consistent with financial systems research among MNEs (e.g., Berglof, 1988; Steinherr & Hubeneers, 1994), Berry et al. (2010) use the three aforementioned variables as indicators of financial differences across countries.

Similar to economic distance, financially distant locations may offer EMNEs a more secure and navigable location for cross-border acquisitions. Again, escaping institutional voids would make EMNEs more aggressive in their acquisition behavior (Khanna & Palepu, 2006; Luo & Tung, 2007). Furthermore, financially distant locations with their more structured and consistent financial institutions will increase the chances the deal will be completed and decrease the time it takes to complete the deal.

Hypothesis 3a: Financial distance between the home and host country will increase the likelihood that a cross-border acquisition will be completed by an EMNE.

Hypothesis 3b: Financial distance between the home and host country will decrease the duration of a cross-border acquisition deal by an EMNE.

Hypothesis 3c: Financial distance between the home and host country will increase the equity participation by an EMNE during a cross-border acquisition.

Political Distance

Political distance is defined as differences in political stability, democracy, and trade bloc membership. Berry and her colleagues (2010) disaggregate this dimension into institutional checks and balances (consideration of independent institutional actors with veto power), democratic character (democracy score), size of the state relative to the economy (government consumption), WTO membership, and exogenous trade associations (dyadic membership in the same trade bloc) (Delios & Henisz, 2000, 2003; Garcia-Canal & Guillen, 2008; Gastanaga, Jeffrey, Nugent, & Pashamova, 1998; Henisz, 2000; Henisz & Delios, 2001; Henisz & Williamson, 1999; Whitley, 1992). Existing research suggests that these variables correlate with the choice of entry mode and FDI flows (Delios & Henisz, 2000, 2003; Garcia-Canal & Guillen, 2008; Gastanaga et al., 1998; Henisz & Delios, 2001).

The recent attempt by China National Offshore Oil Corporation (CNOOC) to acquire a crude oil refinery business in the United States demonstrates the sensitivity of national governments to investments by foreign entities. This is heightened when the acquirer is from a country that is perceived to be a threat to national security (Zhang et al., 2011). Thus consistent with existing research, political distance will decrease the likelihood that EMNEs will complete acquisitions and increase the duration of acquisitions. Similarly, potential political backlash to investments will decrease the aggressiveness of EMNE cross-border acquisitions in politically distant locations.

Hypothesis 4a: Political distance between the home and host country will decrease the likelihood that a cross-border acquisition will be completed by an EMNE.

Hypothesis 4b: Political distance between the home and host country will increase the duration of a cross-border acquisition deal by an EMNE.

Hypothesis 4c: Political distance between the home and host country will decrease the equity participation by an EMNE during a cross-border acquisition.

Cultural Distance

Cultural distance is defined as differences in attitudes toward authority, trust, individuality, and importance of work and family as determined by variation in power distance, uncertainty avoidance, individualism, and masculinity (Barkema et al., 1996; Hennart & Larimo, 1998; Hofstede, 1980; Inglehart, 2004; Johanson & Vahlne, 1997; Kogut & Singh, 1988; Whitley, 1992).

Cultural distance has been popularized by the introduction of Hofstede's (1980) cultural dimensions, described as "more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster." Clearly, this dimension has manifold implications for the way in which different cultural norms and values affect MNE business practices, such as foreign market entry and entry mode choice (Werner,

2002). Not surprisingly, cultural distance is ubiquitous in the IB and institutional literature, with many studies considering its effect on foreign expansion (e.g., Barkema et al., 1996; Hennart & Larimo, 1998; Kogut & Singh, 1988; Johanson & Vahlne, 1977). Given the widespread acceptance of Hofstede's cultural dimensions, cultural distance is operationalized using uncertainty avoidance, power distance, individualism, and masculinity.

The results of studies examining the effects of cultural difference show it to have negative effects on MNE behavior and outcomes. For example, Barkema et al. (1996) found that the longevity of foreign ventures is negatively related to cultural distance. Li and Guisinger (1991) found that acquisitions are more likely to fail than wholly owned subsidiaries when cultural distance is high. Chatterjee et al. (1992) showed that larger cultural differences reduce shareholder value. Datta and Puia (1995) found that cross-border acquisitions do not create value for acquiring firm shareholders, on average, but especially in culturally distant acquisitions. Furthermore, cultural distance encourages entry through wholly owned subsidiaries rather than acquisitions (Brouthers & Brouthers, 2000; Harzing, 2002; Kogut & Singh, 1988). Similarly, Davis et al. (2000) found that firms from countries with relatively higher quality institutions were more likely to invest in wholly owned subsidiaries, while those from relatively lower quality institutions tend to invest through acquisitions. This should hold true for EMNEs, even if it is to a lesser extent. Thus, when cultural distance is high, EMNEs will have a lower likelihood of completing an acquisition, and the duration of such deals will be longer. Similarly, in culturally distant acquisitions, EMNEs will be less aggressive.

Hypothesis 5a: Cultural distance between the home and host country will decrease the likelihood that a cross-border acquisition will be completed by an EMNE.

Hypothesis 5b: Cultural distance between the home and host country will increase the duration of a cross-border acquisition deal by an EMNE.

Hypothesis 5c: Cultural distance between the home and host country will decrease the equity participation by an EMNE during a cross-border acquisition.

Knowledge Distance

Knowledge distance is defined as difference in patents and scientific production as determined by variation in the number of patents and number of scientific articles per 1 million population (Anand & Kogut, 1997; Berry, 2006; Furman, Porter, & Stern, 2002; Guler & Guillen, 2010; Nachum, Zaheer, & Gross, 2008; Nelson & Rosenberg, 1993; Shaver & Flyer, 2000). Focused on the capacity to innovate and create knowledge, knowledge distance is a relatively new dimension of institutional frameworks (Furman et al., 2002; Nelson & Rosenberg, 1993). Innovation, for instance, has been shown to not distributed equally across locations (Florida, 2002), thereby affecting the distance between countries. Indeed, Guler and Guillen (2010) argue that countries differ in terms of the inputs allocated to the creation of knowledge, technology and innovation, the quality of the institutions that help transform those inputs, and the resulting level of performance. Furthermore, proximity to knowledge has been argued to influence foreign location choice of MNEs (Berry, 2006; Guler & Guillen, 2010; Nachum et al., 2008; Shaver & Flyer, 2000). In line with extant literature on national innovation systems, knowledge distance is operationalized through the number of scientific articles and patents per capita (Furman et al., 2002; Guler & Guillen, 2010; Nelson & Rosenberg, 1993). Articles and patents are widely used empirical indicators of the performance of national systems of innovation (Furman et al., 2002; Guler, Guillen, & MacPherson, 2002; Kumaresan & Miyazaki, 1999; Niosi, 2002). Moreover, Guler and Guillen (2010),

through extensive field interviews, revealed that many industry experts and venture capital firms use scientific articles and patents as indicators of innovation in foreign countries.

EMNEs in their search for strategic assets will be more aggressive in their cross-border acquisitions in countries with high concentrations of knowledge promoting and protecting institutions. Furthermore, similar to the economic and financial distance arguments, locations with more structured and consistent institutions that protect knowledge accumulation will also make it more likely that EMNEs will be able to complete acquisitions and decrease duration of deals.

Hypothesis 6a: Knowledge distance between the home and host country will increase the likelihood that a cross-border acquisition will be completed by an EMNE.

Hypothesis 6b: Knowledge distance between the home and host country will decrease the duration of a cross-border acquisition deal by an EMNE.

Hypothesis 6c: Knowledge distance between the home and host country will increase the equity participation by an EMNE during a cross-border acquisition.

Moderating Effect of Firm Acquisition Experience

There is an extensive literature on how MNEs learn from and through acquisitions (see Barkema & Schijven, 2008 for an extensive review). Existing research on firm characteristics as a driver of acquisitions has focused on acquisition experience (Baum, Li, & Usher, 2000; Haleblan et al., 2006), firm strategy (Harzing, 2002), and firm position (Graebner & Eisenhardt, 2004). Overall, this research suggests that prior experience will improve subsequent acquisition performance. While generally, performance is quantified in financial terms, recent work has suggested that performance can be measured as deal completion (Dikova et al., 2010; Zhang et al., 2011). Thus, prior experience with domestic mergers and acquisitions will change the effect of institutional

distance in that it will increase the likelihood that deals will be completed and decrease the duration of the deal process. Furthermore, merger and acquisition experience will moderate the effect of institutional distance in that experience will increase the equity share sought.

Hypothesis 7a: Acquirer's prior Domestic M&A experience moderates the effect of institutional distance on the likelihood of Acquisition Completion in that negative relationships become weaker and positive relationships stronger as experience increases.

Hypothesis 7b: Inversely, acquirer's prior Domestic M&A experience moderates the effect of institutional distance on Acquisition Duration in that negative relationships get stronger and positive relationships weaker as M&A experience increases.

Hypothesis 7c: Acquirer's prior Domestic M&A experience moderates the effect of institutional distance on Equity Participation in that negative relationships become weaker and positive relationships stronger as experience increases.

Prior experience with cross-border acquisitions will change the effect of institutional distance in that it will increase the likelihood that deals will be completed and decrease the duration of the deal process. Furthermore, cross-border acquisition experience will moderate the effect of institutional distance in that experience will increase the equity share sought.

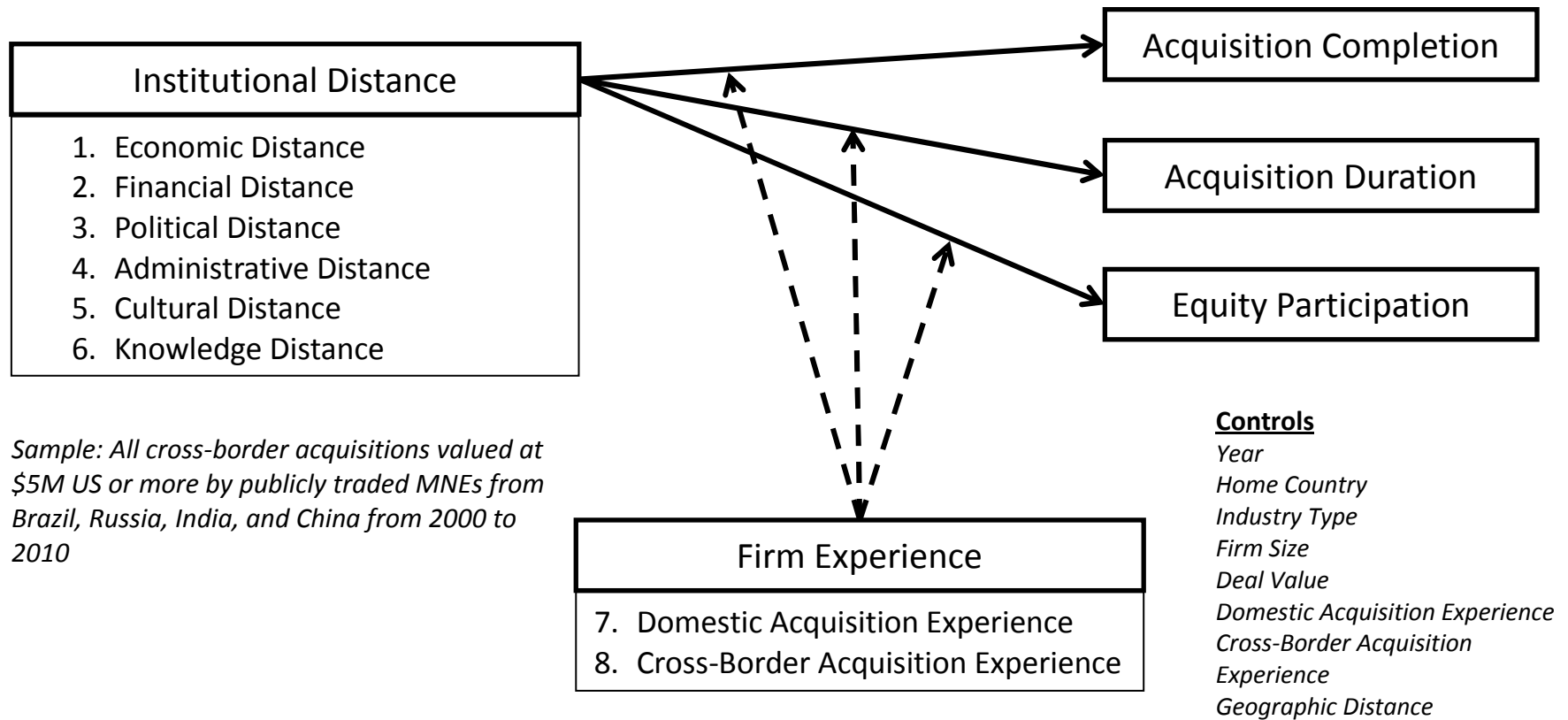
Hypothesis 8a: Acquirer's prior Cross-Border Acquisition experience moderates the effect of institutional distance on the likelihood of Acquisition Completion in that negative relationships will become weaker and positive relationships stronger as experience increases.

Hypothesis 8b: Inversely, acquirer's prior Cross-Border Acquisition experience moderates the effect of institutional distance on Acquisition Duration in that negative relationships get stronger and positive relationships weaker as experience increases.

Hypothesis 8c: Acquirer's prior Cross-Border Acquisition experience moderates the effect of institutional distance on Equity Participation in that negative relationships will become weaker and positive relationships stronger as experience increases.

Figure 1 graphically depicts the proposed relationships described in hypotheses 1-8.

EMNE Cross-Border Acquisition Completion, Duration, and Equity Participation



Sample: All cross-border acquisitions valued at \$5M US or more by publicly traded MNEs from Brazil, Russia, India, and China from 2000 to 2010

Figure 1. EMNE Cross-Border Acquisition Behavior: The Role of Institutional Distance and Firm Experience (Sample: All announced cross-border M&As by publicly traded MNEs from Brazil, Russia, India, or China from 2000 to 2010)

Moderating Effect of MNE Classification

Again, what makes EMNEs theoretically different from traditional MNEs is that their comparative advantage is based on their latecomer status (e.g., as a low cost partner, not seen as a legitimate threat by established MNEs, lack of legacy costs, organizational flexibility) and the idiosyncratic nature of their home country (e.g., preferential access to low-cost labor, capital, or government policy) rather than the firm-specific advantages on which traditional MNEs rely (Mathews 2002, 2006; Ramamurti, 2009; Rugman, 2009). EMNEs use these comparative advantages in order to seek the knowledge and capabilities to develop the firm-specific advantages that will help them become and remain globally competitive (Kedia et al., 2012). Furthermore, EMNEs have been argued to require a different explanation than the OLI Paradigm (Dunning 1980, 1988), because they have been argued to internationalize at an accelerated pace (Luo & Rui, 2009; Luo & Tung 2007; Mathews 2002, 2006).

Thus, these EMNE-specific internationalization theories suggest that EMNEs are different from MNEs from the developed world because they more aggressive during internationalization, of which cross-border acquisitions are an increasingly visible form. The question then is what antecedents influence this supposed behavior, and whether there is empirical evidence that these antecedents differ between MNE classifications (EMNE vs. DMNEs).

While it has been argued that classifying EMNEs into one group is useful because of the large difference of this group from traditional MNEs from developed countries, I argue that a closer analysis of the EMNE cross-border acquisition over the last 11 years may yield important implications for the future research of this group. Furthermore, by

comparing the findings of this study of this sample with a parallel study of a sample of DMNEs can further flush out potential differences between the two groups and further clarify justifications that EMNEs are different enough to be treated as a separate phenomenon by management researchers.

Specifically, one would expect EMNEs to be less deterred by institutional distance when engaging in cross-border acquisitions than their counterparts from developed countries.

Hypothesis 9a: MNE Classification moderates the effect of institutional distance on the likelihood of Acquisition Completion in that negative relationships will be weaker and positive relationships stronger for EMNEs than for DMNEs.

Hypothesis 9b: Inversely, MNE Classification moderates the effect of institutional distance on Acquisition Duration in that negative relationships will be stronger and positive relationships weaker for EMNEs than for DMNEs.

Hypothesis 9c: MNE Classification moderates the effect of institutional distance on Equity Participation in that negative relationships will be weaker and positive relationships stronger for EMNEs than for DMNEs.

Figure 2 graphically depicts the proposed relationships described in hypotheses 9a-c.

Moderating Effect of MNE

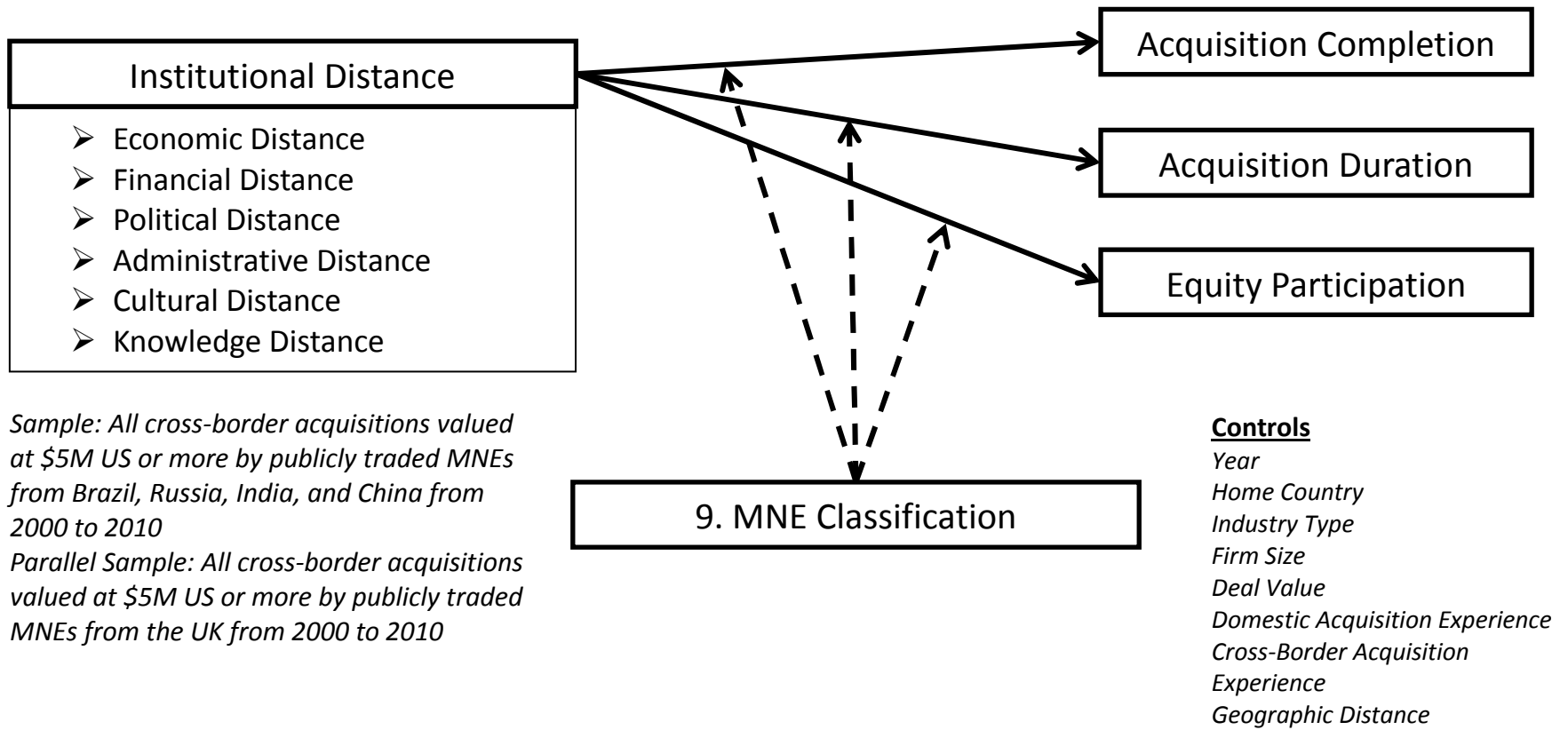


Figure 2. The Moderating Effects of MNE Classification (Sample: All cross-border M&As by publicly traded MNEs from Brazil, Russia, India, or China from 2000 to 2010, with all cross-border M&As by publicly traded MNEs from the UK added for the same time period)

CHAPTER 4

RESEARCH METHODS

Data

Answers to hypotheses 1-8 will be based on an analysis of all announced cross-border M&A's valued at more than \$5M US from 2000 to 2010 by publicly traded MNEs based in Brazil, Russia, India, or China (N = 626). Deal characteristics will be derived from the Thomson Financial SDC Platinum Database for Worldwide M&As. Thomson Financial SDC Platinum is the premier source of up to date information on cross-border transactions from around the world and is most often used by investment banks to quote prices on companies that are being investigated for acquisitions. It has also been used as the source of deal information by numerous recent top-tier academic journal publications focused on cross-border acquisitions (e.g., Aybar & Ficici, 2009; Chakrabarti, Gupta-Mukherjee, & Narayanan, 2009; Dikova et al., 2010; Gubbi et al., 2010; Hope et al., 2011).

I will then add to the basic deal information 7 sub-dimensions of institutional distance as designed and calculated by Berry et al. (2010), by year and country pair. The two firm experience variables and additional control variables will be derived from the Thomson Financial Market Intelligence reports for each acquiring company, which will also be used to verify the accuracy of each reported deal. Brazil, Russia, India, and China are the largest and most influential of the emerging markets, as defined by the United Nations Conference on Trade and Development (UNCTAD), thus, are a representative sample of the classification of Emerging Market Multinationals (EMNEs). For example, in 2010, these four countries accounted for roughly 75% of net cross-border acquisitions

of these type countries (UNCTAD, 2011). Furthermore, recent research found that cultural distance had a curvilinear relationship (U shaped) with equity participation (Malhotra et al., 2011), thus I test for curvilinear relationships with our continuous DVs to further clarify the relationship.

To answer hypothesis 9a-c, I will add a parallel, representative sample of all announced cross-border acquisitions valued at more than \$5M US by publicly traded MNEs from the UK from 2000 to 2010 (N = 2218). Again, deal characteristics will be derived from the Thomson Financial SDC Platinum Database for Worldwide M&As. The 7 measures of institutional distance will again be added based on year and country pair. Each acquirer will then be classified as either an EMNE or DMNE, based on country of origin. The UK is one of the largest sources of cross-border acquisitions, and thus, can be argued to represent the behavior of Developed Country Multinationals (DMNEs). Additional control variables will be derived from the Thomson Financial Market Intelligence reports for each acquiring company, which will also be used to verify the accuracy of each reported deal.

Measures

Independent Variables

Institutional Distance measures are operationalized as the dyadic distances between acquirer nation and target nation using the mahalanobis method, which is scale invariant and takes into consideration the variance-covariance matrix. Specifically, I will use six of the disaggregated sub-dimensions of Institutional Distance proposed and calculated by Berry et al. (2010). Table 1 details the underlying factors in each measure of distance used, as well as the other measures used in this dissertation.

Table 1

Dissertation Measures

Measure	Definition	Source
Independent Variables		
<i>Economic Distance</i>		
Income	GDP per capita (2000 US\$)	World Development Index
Inflation	GDP deflator (% GDP)	World Development Index
Exports	Exports of goods and services (% GDP)	World Development Index
Imports	Imports of goods and services (% GDP)	World Development Index
<i>Financial Distance</i>		
Private credit	Domestic credit to private sector (% GDP)	World Development Index
Stock market cap	Market capitalization of listed companies (% GDP)	World Development Index
Listed companies	Number of listed companies (per 1 million population)	World Development Index
<i>Political Distance</i>		
Policy-making uncertainty	Political stability measured by considering independent institutional actors with veto power	POLCONV
Democratic character	Democracy score	Freedom House
Size of the state	Government consumption (% GDP)	World Development Index
WTO member	Membership in WTO (GATT before 1993)	World Trade Organization
Regional trade agreement	Dyadic membership in the same trade bloc	World Trade Organization
<i>Administrative Distance</i>		
Colonizer–colonized link	Whether dyad shares a colonial tie	CIA Factbook
Common language	% population that speak the same language in the dyad	CIA Factbook
Common religion	% population that share the same religion in the dyad	CIA Factbook
Legal system	Whether dyad shares the same legal system	La Porta et al., 1998
<i>Cultural Distance</i>		
Power distance	World Value Survey questions on obedience and respect for authority	World Value Survey
Uncertainty avoidance	World Value Survey questions on trusting people and job security	World Value Survey
Individualism	World Value Survey questions on independence and the role of government in providing for its citizens	World Value Survey
Masculinity	World Value Survey questions on the importance of family and work	World Value Survey
<i>Knowledge Distance</i>		
Patents	Number of patents per 1 million population	USPTO
Scientific articles	Number of scientific articles per 1 million population	World Development Index and ISI

Adapted in part from Berry et al., 2010

Table 1

Dissertation Measures (continued)

Measure	Definition	Source
Moderators		
<i>Domestic Acquisition Experience</i>	Number of previous domestic acquisitions	SDC Market Report
<i>Cross-border Acquisition Experience</i>	Number of previous international acquisitions	SDC Market Report
<i>MNE Classification</i>	Home country level of development	UNCTAD
Dependent Variables		
<i>Acquisition Completion</i>	Whether announced deals are completed	SDC Platinum DB
<i>Acquisition Duration</i>	Number of days from announcement to completion	SDC Platinum DB
<i>Equity Participation</i>	Percentage of the Target company sought	SDC Platinum DB
Control Variables		
<i>Home Country</i>	Dummy coded Acquirer's Home Country	SDC Platinum DB
<i>Industry Type</i>	Dummy coded Acquirer's Industry Classification	SDC Platinum DB
<i>Deal Value</i>	Reported value of acquisition	SDC Platinum DB
<i>Firm Size</i>	Previous year net sales in US\$	SDC Market Report
<i>Domestic Acquisition Experience</i>	Number of previous domestic acquisitions	SDC Market Report
<i>Cross-border Acquisition Experience</i>	Number of previous international acquisitions	SDC Market Report
<i>Year</i>	Calendar year of the deal completion	SDC Platinum DB
<i>Acquisition Duration</i>	Number of days from announcement to completion	SDC Platinum DB
<i>Geographic Distance</i>	Great circle distance between two countries according to the coordinates of the geographic center of the countries	CIA Factbook

Adapted in part from Berry et al., 2010

Administrative Distance is defined as differences in colonial ties, language, religion, and legal system as determined by variation in the colonizer-colonized link, common language, common religion, and legal system (Ghemawat, 2001; Guler & Guillen, 2010; Henisz, 2000; La Porta et al., 1998; Lubatkin et al., 1998; Whitley, 1992).

Economic Distance is defined as differences in economic development and macroeconomic characteristics as determined by variation in Income, Inflation, Exports,

and Imports (Campa & Guillen, 1999; Caves, 1996; Iyer, 1997; Whitley 1992; Yeung, 1997; Zaheer & Zaheer, 1997).

Financial Distance is defined as differences in financial sector development as determined by Private Credit, Stock Market Cap, and number of listed companies (Capron & Guillen, 2009; La Porta et al., 1998; Rueda-Sabater, 2000; Whitley, 1992).

Political Distance is defined as difference in political stability, democracy, and trade bloc membership as determined by variation in policy-making uncertainty, democratic character, size of the state, WTO membership, and number of regional trade agreements (Delios & Henisz, 2000, 2003; Garcia-Canal & Guillen, 2008; Gastanaga et al., 1998; Henisz, 2000; Henisz & Delios, 2001; Henisz & Williamson, 1999; Whitley, 1992).

Cultural Distance is defined as differences in attitudes toward authority, trust, individuality, and importance of work and family as determined by variation in power distance, uncertainty avoidance, individualism, and masculinity (Barkema et al., 1996, Hennart & Larimo, 1998; Hofstede, 1980; Inglehart, 2004; Johanson & Vahlne, 1997; Kogut & Singh, 1988; Whitley, 1992).

Knowledge Distance is defined as difference in patents and scientific production as determined by variation in the number of patents and number of scientific articles per 1 million of population (Anand & Kogut, 1997; Berry, 2006; Furman et al., 2002; Guler & Guillen, 2010; Nachum et al., 2008; Nelson & Rosenberg, 1993; Shaver & Flyer, 2000).

Moderators

I operationalize the two moderating firm experience variables and the moderator of MNE classification as:

Domestic Acquisition Experience as the number of previous domestic acquisitions conducted by the acquiring firm.

Cross-Border Acquisition Experience as the number of previous cross-border acquisitions conducted by the acquiring firm.

MNE Classification is based on the country of origin for each acquirer and is classified as either EMNE (Brazil, Russia, India, and China) or DMNE (UK) along UNCTAD guidelines.

Dependent Variables

The dependent variables of interest have to do with acquisition completion, acquisition duration, and equity share sought. These are defined as:

Acquisition Completion is whether announced deals are completed or withdrawn, coded as 0 = Withdrawn and 1 = Completed.

Acquisition Duration is the number of days from announcement to completion, for completed deals.

Equity Participation is the equity share percentage of the target company sought in the acquisition by the acquiring firm as stated in the Thomson Financial SDC Platinum Database.

Control Variables

The following variables will be controlled for to clarify the true influence of institutional distance on the dependent variables of interest. These are defined as:

Year: Calendar year of the deal, to help account for economic shifts over time.

Home Country is the Acquirer's Home Nation, coded as 0 = Brazil, 1 = Russia, 2 = India, and 3 = China. In the second study, the following codes will be added 4 = UK.

Industry Type is the Acquirer's Macro Industry as defined by Thomson Financial based on SIC codes, coded as 0= Consumer Products and Services, 1 = Consumer Staples, 2 = Energy and Power, 3 = Financials, 4 = Healthcare, 5 = High Technology, 6 = Industrials, 7 = Materials, 8 = Media and Entertainment, 9 = Real Estate, 10 = Retail, and 11 = Telecommunications.

Firm Size: Previous year Net Sales in US\$

Deal Value: Estimated value of the acquisition in US\$

Domestic Acquisition Experience as the number of previous domestic acquisitions conducted by the acquiring firm.

Cross-border Acquisition Experience as the number of previous cross-border acquisitions conducted by the acquiring firm.

Geographic Distance is defined as great circle distance between the geographic centers of countries (Anderson, 1979; Deadorff, 1998; Fratianni & Oh, 2009; Hamilton & Winters, 1992; Wolf & Weinschrott, 1973). It is widely accepted as having an effect on foreign investment and trade (Anderson, 1979; Deadorff, 1998; Hamilton & Winters, 1992; Wolf & Weinschrott, 1973), in that geographic distance increases the cost of transportation and communication.

Statistical Analysis

To test the hypothesized relationships between the *Institutional Distance* dimensions and the categorical dependent variable, *Acquisition Completion*, I will use a Binary Logistic Regression Model. This will address hypotheses 1a, 2a, 3a, 4a, 5a, and 6a.

To test the hypothesized relationships between the *Institutional Distance* dimensions and the continuous dependent variables, *Acquisition Duration and Equity Participation*, I

will use a Linear Regression Model. This will address hypotheses 1b-c, 2b-c, 3b-c, 4b-c, 5b-c, and 6b-c.

To test the hypothesized moderating relationships of *Domestic Acquisition Experience*, and *Cross-Border Acquisition Experience*, I will add in the interaction terms for the first two moderators on the first EMNE specific sample. This addresses hypotheses 7a-c and 8a-c. The third moderator, *MNE Classification*, will be added into the analysis of the expanded sample including the parallel sample of DMNEs. This addresses hypotheses 9a-c.

While it would have been my preference to use Hierarchical Linear Modeling (HLM) to test this multi-level data, the data is not properly nested. In other words, while acquiring companies most often belong to one industry, they are not necessarily limited in this regard. Similar logic holds true in the industry to country relationship. Recent work in this literature stream has used the methods I propose and been published in top tier journals such as *Journal of International Business Studies* (e.g., Dikova et al., 2010).

CHAPTER 5

RESULTS

Table 2 presents the descriptive statistics and the correlation matrices for both the sample of EMNE cross-border acquisitions which will be used to test the hypothesized direct effects and firm acquisition experience moderation, as well as the full sample (including DMNEs) which will be used to test the moderation of MNE classification on cross-border acquisition outcomes. This section first highlights the overall findings of the study and then, by dependent variable and independent variable combination, describes the specific findings and support offered in Tables 3-20.

Overall, none of the sub-dimensions of institutional distance were found to have a significant effect on EMNE acquisition completion rates. However, four sub-dimensions - economic, financial, cultural, and knowledge distance - had a significant negative effect on acquisition duration. Though the relationship between culture and duration was found to be the opposite of what was hypothesized. Administrative distance had a significant positive effect on duration, as hypothesized. Furthermore, economic, political, cultural and knowledge distance had a significant positive effect on EMNE cross-border acquisition equity participation, though cultural distance and political distance were hypothesized to have a negative relationship. Figure 3 highlights significant findings in relation to Hypotheses 1a-6c. Findings are discussed more fully in the coming pages.

Table 2

Correlation Matrices - EMNE Sample

Variable	N	Mean	Std Dev	1	2	3	4	5	6	7	8	9	10	11	12	13
1 Domestic Acquisition Experience	626	3.38	5.17	1												
2 Cross-Border Acquisition Experience	626	3.03	4.46	.315**	1											
3 Acquisition Duration	626	85.64	148.70	.149**	.148**	1										
4 Deal Value	626	390.99	1320.58	.081*	.169**	.072	1									
5 Equity Participation	612	73.87	33.19	.168**	.120**	.165**	.022	1								
6 Acquirer Size	587	9295.54	25346.70	.380**	.166**	.147**	.095*	.220**	1							
7 Administrative Distance	613	118.18	54.20	-.084*	.149**	.010	.109**	.063	-.032	1						
8 Economic Distance	605	18.81	20.01	.218**	.188**	-.077	-.050	.053	-.072	.278**	1					
9 Financial Distance	574	8.77	7.44	.116**	.170**	.163**	.001	.127**	-.074	-.047	.233**	1				
10 Political Distance	546	4614.43	2469.24	.403**	.465**	.128**	.190**	.202**	.226**	.084*	.450**	-.042	1			
11 Geographic Distance	613	7290.59	3910.96	.142**	.213**	-.097*	-.014	.192**	.128**	.059	-.074	.093*	.470**	1		
12 Cultural Distance	475	14.37	6.69	.231**	.292**	.154**	-.068	.192**	.146**	.208**	.569**	.261**	.584**	.439**	1	
13 Knowledge Distance	548	9.27	8.75	.227**	.228**	-.106*	-.080	.246**	.125**	-.069	.574**	.257**	.524**	.668**	.780**	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 2

Correlation Matrices (Continued) – EMNE & DMNE Sample

Variable	N	Mean	Std Dev	1	2	3	4	5	6	7	8	9	10	11	12	13
1 Domestic Acquisition Experience	2844	3.90	5.15	1												
2 Cross-Border Acquisition Experience	2844	7.64	9.58	.461*	1											
3 Acquisition Duration	2844	58.03	115.63	-.017	-.014	1										
4 Deal Value	2844	372.17	2400.09	.028	.056**	.098**	1									
5 Equity Participation	2790	82.34	29.94	.040*	.095**	.170**	.012	1								
6 Acquirer Size	2570	7471.14	21253.21	.122*	.141**	.130**	.145**	.208**	1							
7 Administrative Distance	2752	99.18	51.79	.027	-.048*	.008	-.011	.000	.007	1						
8 Economic Distance	2746	8.58	14.22	.096*	.105**	.036	.005	.111**	.022	-.021	1					
9 Financial Distance	2630	6.08	6.29	.091*	-.048*	.056**	.003	.206**	.068**	-.016	.434**	1				
10 Political Distance	2632	1074.64	2132.28	.141*	.264**	.064**	-.023	.078**	-.034	.200**	.469**	.180**	1			
11 Geographic Distance	2781	6038.73	4131.03	.115*	.082**	.037*	-.013	-.037	.003	.246**	.155**	.197**	.291**	1		
12 Cultural Distance	1915	11.82	8.28	-.039	-.024	.042	-.023	.225**	.049*	.278**	.429**	.564**	.250**	-.026	1	
13 Knowledge Distance	2671	12.65	13.32	.073*	-.001	.071**	-.016	.229**	.069**	.165**	-.035	.357**	-.007	.293**	.575**	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Hypothesis	Distance	Acquisition Completion (a)	Acquisition Duration (b)	Equity Participation (c)
1	Administrative	-	+	-
2	Economic	+	-	+ ¹
3	Financial	+	-	+
4	Political	-	+	- ³
5	Cultural	-	+ ³	- ³
6	Knowledge	+	- ²	+

1. Curvilinear Relationship, Inverted U
2. Curvilinear Relationship, U-shaped
3. Significant, but opposite hypothesized relationship

Figure 3. Hypothesized Effects of Sub-Dimensions of Institutional Distance (Hypotheses 1a-6c)

In regards to the moderating effect of firm acquisition experience on the three dependent variables, there was minimal support found in the study. The sole significant finding was that cross-border acquisition experience was found to positively moderate the link between knowledge distance and acquisition duration, but this was opposite of what was hypothesized. Figures 4, 5, and 6 highlight the lack of significant findings in relation to hypotheses 7a-c and 8a-c.

However, Figures 4, 5, and 6 do highlight support for hypotheses 9a, 9b, and 9c. With the exception of financial distance, there was no support for a statistical difference in how the sub-dimensions of institutional distance alter acquisition completion for EMNEs and DMNEs. However, all six sub-dimensions – economic, financial, political, administrative, cultural, and knowledge distance – are shown to affect EMNE acquisition duration differently than they do DMNEs. Similarly, with the exception of administrative distance, the sub-dimensions were shown to have a significantly different effect on EMNE equity participation than for DMNEs.

For the dichotomous dependent variable, acquisition completion, tables 3-8 are designed in the following manner. Model 1 includes all the control variables. Dummy variables are used for the Year, Country, and Industry control variables, thus for clarity of presentation these specific factors are not shown in the tables. Model 2 adds the particular sub-dimension of institutional distance. Model 3 tests for interactions between the specific sub-dimension of institutional distance and the firm acquisition experience variables – acquisition completion. Model 4 is based on the full sample, including the representative sample of DMNEs, and tests whether acquisition completion rates are affected differently by the sub-dimension of distance for EMNEs and DMNEs.

	Domestic Acquisition Experience (7a)	Cross-Border Acquisition Experience (8a)	MNE Classification Differences (9a)
Distance	No	No	No
Economic	No	No	No
Financial	No	No	Yes
Political	No	No	No
Administrative	No	No	No
Cultural	No	No	No
Knowledge	No	No	No

Figure 4. Moderation of Acquisition Completion (Hypothesis 7a, 8a, and 9a)

Distance	Domestic Acquisition Experience (7b)	Cross-Border Acquisition Experience (8b)	MNE Classification Differences (9b)
Economic	No	No	Yes
Financial	No	No	Yes
Political	No	No	Yes
Administrative	No	No	Yes
Cultural	No	No	Yes
Knowledge	No	Yes	Yes

Figure 5. Moderation of Acquisition Duration (Hypothesis 7b, 8b, and 9b)

Distance	Domestic Acquisition Experience (7c)	Cross-Border Acquisition Experience (8c)	MNE Classification Differences (9c)
Economic	No	No	Yes
Financial	No	No	Yes
Political	No	No	Yes
Administrative	No	No	No
Cultural	No	No	Yes
Knowledge	No	No	Yes

Figure 6. Moderation of Equity Participation (Hypothesis 7c, 8c, and 9c)

For the continuous dependent variables, Acquisition Duration and Equity Participation, tables 9-20 are designed in the following manner. Model 1 includes all the control variables and the given sub-dimension of institutional distance. Dummy variables are used for Year, Country, and Industry control variables, thus for clarity of presentation specific factors are not shown in the tables. Model 2 tests for curvilinearity in the predictor. Model 3 tests for interactions between the specific sub-dimension of institutional distance and the firm acquisition experience variables, domestic acquisition experience and cross-border acquisition experience. Model 4 includes the parallel sample, and tests whether the sub-dimension of institutional distance has differing effects on acquisition duration and equity participation for EMNEs and DMNEs.

Detailed analysis by dependent variable and sub-dimension of institutional distance are discussed below.

Acquisition Completion

Administrative Distance

Table 3 shows the findings of the logistic regression analysis for the effects of administrative distance on acquisition completion. The Wald Chi-Square for all four models are significant at $p < 0.001$, suggesting that at a minimum the control variables are important predictors of acquisition completion in EMNE cross-border acquisitions.

Model 1 shows the control variables. Model 2 shows that administrative distance has an insignificant negative effect on acquisition completion ($\beta = -0.001$) which does not support hypothesis 1a. In Model 3, no evidence of moderation of the institutional sub-dimension by firm experience was found, offering no support for hypotheses 7a and 8a. Furthermore, in Model 4, there is no statistically significant difference between the effect

of administrative distance on acquisition completion for DMNEs and EMNEs (no support for 9a).

Table 3

Administrative Distance and Acquisition Completion

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.001*	0.001*	0.001*	0.001
Deal Value	0.001***	0.001***	0.001***	0.001***
Domestic Acquisition Experience	-0.031	-0.032	0.057	0.069
Cross-Border Acquisition Experience	-0.053	-0.056	-0.032	0.038
Acquisition Duration	-0.004***	-0.003***	-0.004***	-0.002***
Geographic Distance	0.001	0.001	0.001	0.001*
Predictor				
Administrative Distance		-0.001	0.002	0.003
Moderators				
Domestic Acquisition Experience x Administrative Distance			-0.001	0.001
CBA Experience x Administrative Distance			0.001	0.001
MNE Classification x Administrative Distance				-0.001
Log-likelihood	188.514	188.411	187.512	556.184
Wald Chi-Square	59.000***	59.103***	60.003***	138.007** *

EMNE Sample (Models 1-3): N = 579; DMNE Included (Model 4): N = 2496;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

* p < 0.10. ** p < 0.05. *** p < 0.01.

Economic Distance

Table 4 shows the findings of the logistic regression analysis for the effects of economic distance on acquisition completion. The Wald Chi-Square for all four models are significant at $p < 0.001$, suggesting that at a minimum the control variables are important predictors of acquisition completion in EMNE cross-border acquisitions.

Model 1 shows the control variables. Model 2 shows that economic distance has an insignificant positive effect on acquisition completion ($\beta = 0.003$) which does not support hypothesis 2a. In Model 3, no evidence of moderation of the institutional sub-dimension

by firm experience was found, which does not support hypotheses 7a and 8a.

Furthermore, in Model 4, there is no statistically significant difference between the effect of economic distance on acquisition completion for DMNEs and EMNEs (no support for 9a).

Table 4

Economic Distance and Acquisition Completion

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
<i>Controls^a</i>				
Acquirer Size	0.001	0.001*	0.001*	0.001
Deal Value	0.001***	0.001***	0.001***	0.001***
Domestic Acquisition Experience	-0.036	-0.035	-0.061	-0.005
Cross-Border Acquisition Experience	-0.045	-0.046	0.009	0.033
Acquisition Duration	-0.003***	-0.003***	-0.003***	-0.002***
Geographic Distance	0.001	0.001	0.001	0.001*
<i>Predictor</i>				
Economic Distance		0.003	0.015	-0.017
<i>Moderators</i>				
Domestic Acquisition Experience x Economic Distance			0.003	0.004
CBA Experience x Economic Distance			-0.004	-0.002
MNE Classification x Economic Distance				0.015
Log-likelihood	178.581	178.512	175.424	541.273
Wald Chi-Square	56.586***	56.655***	59.743***	138.757** *

EMNE Sample (Models 1-3): N = 571; DMNE Included (Model 4): N = 2490;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

* p < 0.10. ** p < 0.05. *** p < 0.01.

Financial Distance

Table 5 shows the findings of the logistic regression analysis for the effects of financial distance on acquisition completion. The Wald Chi-Square for all four models are significant at $p < 0.001$, suggesting that at a minimum the control variables are important predictors of acquisition completion in EMNE cross-border acquisitions.

Model 1 shows the control variables. Model 2 shows that financial distance has an insignificant positive effect on acquisition completion ($\beta = 0.073$) which does not support hypothesis 3a. In Model 3, no evidence of moderation of the institutional sub-dimension by firm experience was found, which does not support hypotheses 7a and 8a. Furthermore, in Model 4, there is a statistically significant difference ($\beta = 0.111, p < 0.05$) between the effect of financial distance on acquisition completion for DMNEs and EMNEs. This offers partial support for hypothesis 9a.

Table 5

Financial Distance and Acquisition Completion

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.001	0.001	0.001	0.001
Deal Value	0.001***	0.001***	0.001***	0.001***
Domestic Acquisition Experience	-0.036	-0.028	-0.143*	-0.022
Cross-Border Acquisition Experience	-0.053	-0.046	-0.008	0.031
Acquisition Duration	-0.004***	-0.003***	-0.003***	-0.003***
Geographic Distance	0.001	0.001	0.001	0.001**
Predictor				
Financial Distance		0.073	0.027	-0.086**
Moderators				
Domestic Acquisition Experience x Financial Distance			0.025	0.012*
CBA Experience x Financial Distance			-0.004	0.001
MNE Classification x Financial Distance				0.111**
Log-likelihood	158.120	155.821	152.828	484.313
Wald Chi-Square	62.340***	64.639***	67.632***	147.894**
				*

EMNE Sample (Models 1-3): N = 542; DMNE Included (Model 4): N = 2390;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

* p < 0.10. ** p < 0.05. *** p < 0.01.

Political Distance

Table 6 shows the findings of the logistic regression analysis for the effects of political distance on acquisition completion. The Wald Chi-Square for all four models are

significant at $p < 0.001$, suggesting that at a minimum the control variables are important predictors of acquisition completion in EMNE cross-border acquisitions.

Model 1 shows the control variables. Model 2 shows that political distance has an insignificant positive effect on acquisition completion ($\beta = 0.001$) which does not support hypothesis 4a. In Model 3, no evidence of moderation of the institutional sub-dimension by firm experience was found, which does not support hypotheses 7a and 8a. Furthermore, in Model 4, there is no statistically significant difference between the effect of political distance on acquisition completion for DMNEs and EMNEs (no support for 9a).

Table 6

Political Distance and Acquisition Completion

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.001	0.001	0.001	0.001**
Deal Value	0.001***	0.001***	0.001***	0.001***
Domestic Acquisition Experience	-0.052	-0.055	-0.051	0.017
Cross-Border Acquisition Experience	-0.067	-0.072	0.008	0.024
Acquisition Duration	-0.003***	-0.003***	-0.003**	-0.002***
Geographic Distance	0.001	0.001	0.001	0.001
Predictor				
Political Distance		0.001	0.001	0.001
Moderators				
Domestic Acquisition Experience x Political Distance			0.001	0.001
CBA Experience x Political Distance			0.001	0.001*
MNE Classification x Political Distance				0.001
Log-likelihood	149.968	149.609	148.526	501.506
Wald Chi-Square				130.701**
	68.108***	68.466***	69.549***	*

EMNE Sample (Models 1-3): N = 520; DMNE Included (Model 4): N = 2390;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

* $p < 0.10$. ** $p < 0.05$. *** $p < 0.01$.

Cultural Distance

Table 7 shows the findings of the logistic regression analysis for the effects of cultural distance on acquisition completion. The Wald Chi-Square for all four models are significant at $p < 0.001$, suggesting that at a minimum the control variables are important predictors of acquisition completion in EMNE cross-border acquisitions. Model 1 shows the control variables. Model 2 shows that political distance has an insignificant positive effect on acquisition completion ($\beta = 0.015$) which does not support hypothesis 5a. In Model 3, no evidence of moderation of the institutional sub-dimension by firm experience was found, which does not support hypotheses 7a and 8a. Furthermore, in Model 4, there is no statistically significant difference between the effect of cultural distance on acquisition completion for DMNEs and EMNEs (no support for 9a).

Table 7

Cultural Distance and Acquisition Completion

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.001	0.001	0.001	0.001*
Deal Value	0.001***	0.001***	0.001***	0.001***
Domestic Acquisition Experience	-0.018	-0.014	0.015	-0.026
Cross-Border Acquisition Experience	-0.044	-0.043	-0.010	0.073
Acquisition Duration	-0.003*	-0.003*	-0.003*	-0.002***
Geographic Distance	0.001	0.001	0.001	0.001
Predictor				
Cultural Distance		0.015	0.042	-0.023
Moderators				
Domestic Acquisition Experience x Cultural Distance			-0.003	0.004
CBA Experience x Cultural Distance			-0.005	-0.004
MNE Classification x Cultural Distance				0.049
Log-likelihood	128.416	128.330	127.854	359.138
Wald Chi-Square	40.632*	40.719	41.194	101.215** *

EMNE Sample (Models 1-3): N = 443; DMNE Included (Model 4): N = 1737;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

* $p < 0.10$. ** $p < 0.05$. *** $p < 0.01$.

Knowledge Distance

Table 8 shows the findings of the logistic regression analysis for the effects of knowledge distance on acquisition completion. The Wald Chi-Square for all four models are significant at $p < 0.001$, suggesting that at a minimum the control variables are important predictors of acquisition completion in EMNE cross-border acquisitions.

Model 1 shows the control variables. Model 2 shows that knowledge distance has an insignificant positive effect on acquisition completion ($\beta = 0.019$) which does not support hypothesis 2a. In Model 3, no evidence of moderation of the institutional sub-dimension by firm experience was found, which does not support hypotheses 7a and 8a. Furthermore, in Model 4, there is no statistically significant difference between the effect of knowledge distance on acquisition completion for DMNEs and EMNEs (no support for 9a).

Table 8

Knowledge Distance and Acquisition Completion

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
<i>Controls^a</i>				
Acquirer Size	0.001	0.001	0.001	0.001
Deal Value	0.001**	0.001***	0.001***	0.001***
Domestic Acquisition Experience	-0.048	-0.043	-0.048	0.056
Cross-Border Acquisition Experience	-0.089	-0.088	-0.077	-0.001
Acquisition Duration	-0.003***	-0.003***	-0.003***	-0.003***
Geographic Distance	0.001	0.001	0.001	0.001**
<i>Predictor</i>				
Knowledge Distance		0.019	0.024	0.016
<i>Moderators</i>				
Domestic Acquisition Experience x Knowledge Distance			0.001	-0.004
CBA Experience x Knowledge Distance			-0.003	0.002
MNE Classification x Knowledge Distance				0.013
Log-likelihood	149.563	149.256	149.118	515.468
Wald Chi-Square				132.145**
	68.068***	68.375***	68.513***	*

EMNE Sample (Models 1-3): N = 516; DMNE Included (Model 4): N = 2414;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

* p < 0.10. ** p < 0.05. *** p < 0.01.

Overall, the findings in tables 3-8 offer no support for hypothesis 1a, 2a, 3a, 4a, 5a, and 6a. In other words, the six sub-dimensions of institutional distance (Administrative, Economic, Financial, Political, Cultural, and Knowledge) are found to have no statistically significant effect on EMNE cross-border acquisition completion rates. There is also no support for an interaction of firm acquisition experience and the sub-dimensions of institutional distance (Hypotheses 7a and 8a). Furthermore, except in the case of financial distance, no statistically significant difference between the effect of the sub-dimensions of institutional distance and acquisition completion were found, giving only limited support to hypothesis 9a.

Acquisition Duration

Administrative Distance

Table 9 shows the findings of the fixed-effect regression analysis for the effects of administrative distance on acquisition duration. The F-statistics for all four models are significant at $p < 0.001$, suggesting that administrative distance and the control variables are important predictors of acquisition duration in EMNE cross-border acquisitions. The Adjusted R^2 values of the models (Model 1 = 0.074, Model 2 = 0.073, Model 3 = 0.070, and Model 4 = 0.067) are slightly less, but in line with extant literature (e.g., Dikova et al., 2010).

Model 1 shows that administrative distance has a significant positive effect on acquisition duration ($\beta = 0.120, p < 0.01$), which supports hypothesis 1b. To further examine our findings for hypothesis 1b, we test for a curvilinear relationship. Model 2 introduces the squared administrative distance term, but the findings are insignificant. Model 3 shows no significant interaction for firm acquisition experience and administrative distance, offering no support for hypotheses 7b and 8b. However, in Model 4 we find partial support for 9b, in that there is a statistically significant difference between our samples of EMNE and DMNE behavior in administratively distant locations. Administrative distance increases acquisition duration for EMNEs more than for DMNEs ($\beta = 0.144, p < 0.01$) as hypothesized.

Table 9

Administrative Distance and Acquisition Duration

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.093*	0.092*	0.094*	0.089***
Deal Value	0.034	0.035	0.034	0.105***
Domestic Acquisition Experience	0.051	0.050	0.119	-0.031
Cross-Border Acquisition Experience	0.092	0.093	0.098	-0.014
Geographic Distance	-0.066	-0.076	-0.075	-0.002
Predictor				
Administrative Distance	0.120***	0.231	0.273	-0.054
Administrative Distance Squared		-0.111	-0.130	0.025
Moderators				
Domestic Acquisition Experience x Administrative Distance			-0.084	0.009
CBA Experience x Administrative Distance			0.002	0.001
MNE Classification x Administrative Distance				0.144***
F	2.450***	2.378***	2.247***	5.969***
Adjusted R ²	0.074	0.073	0.070	0.067
F for Change in R ²		0.317	0.311	

EMNE Sample (Models 1-3): N = 547; DMNE Included (Model 4): N = 2418;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Economic Distance

Table 10 shows the findings of the fixed-effect regression analysis for the effects of economic distance on acquisition duration. The F-statistics for all four models are significant at $p < 0.001$, suggesting that economic distance and the control variables are important predictors of acquisition duration in EMNE cross-border acquisitions. The Adjusted R² values of the models (Model 1 = 0.124, Model 2 = 0.125, Model 3 = 0.068, and Model 4 = 0.068) are slightly less, but in line with extant literature (e.g., Dikova et al., 2010).

Model 1 shows that economic distance has a significant negative effect on acquisition duration ($\beta = -0.132, p < 0.01$), which supports hypothesis 2b. To further

examine our findings for hypothesis 2b, we test for a curvilinear relationship. Model 2 introduces the squared economic distance term, but the findings are insignificant. Model 3 shows no significant interaction for firm acquisition experience and economic distance, offering no support for hypotheses 7b and 8b. However, in Model 4 we find partial support for 9b, in that there is a statistically significant difference between our samples of EMNE and DMNE behavior in economically distant locations. Economic distance decreases acquisition duration for EMNEs more than for DMNEs ($\beta = -0.089, p < 0.01$) as hypothesized.

Table 10

Economic Distance and Acquisition Duration

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.098**	0.101**	0.099**	0.088***
Deal Value	0.022	0.021	0.021	0.104***
Domestic Acquisition Experience	0.028	0.025	0.030	-0.016
Cross-Border Acquisition Experience	0.078	0.074	0.060	-0.025
Geographic Distance	-0.091*	-0.062	-0.064	-0.001
Predictor				
Economic Distance	-0.132***	-0.274	-0.282	0.034
Economic Distance Squared		0.149	0.149	-0.028
Moderators				
Domestic Acquisition Experience x Economic Distance			-0.010	-0.044
CBA Experience x Economic Distance			0.024	0.044
MNE Classification x Economic Distance				-0.089**
F	2.399***	2.345***	2.200***	6.015***
Adjusted R ²	0.124	0.125	0.068	0.068
F for Change in R ²		0.747	0.085	

EMNE Sample (Models 1-3): N = 541; DMNE Included (Model 4): N = 2414;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Financial Distance

Table 11 shows the findings of the fixed-effect regression analysis for the effects of financial distance on acquisition duration. The F-statistics for all four models are significant at $p < 0.001$, suggesting that financial distance and the control variables are important predictors of acquisition duration in EMNE cross-border acquisitions. The Adjusted R^2 values of the models (Model 1 = 0.070, Model 2 = 0.070, Model 3 = 0.071, and Model 4 = 0.076) are slightly less, but in line with extant literature (e.g., Dikova et al., 2010).

Model 1 shows that financial distance has a significant negative effect on acquisition duration ($\beta = -0.124, p < 0.05$), which supports hypothesis 3b. To further examine our findings for hypothesis 3b, we test for a curvilinear relationship. Model 2 introduces the squared financial distance term, but the findings are insignificant. Model 3 shows no significant interaction for firm acquisition experience and financial distance, offering no support for hypotheses 7b and 8b. However, in Model 4 we find partial support for 9b, in that there is a statistically significant difference between our samples of EMNE and DMNE behavior in financially distant locations. Financial distance decreases acquisition duration for EMNEs more than for DMNEs ($\beta = -0.185, p < 0.01$) as hypothesized.

Table 11

Financial Distance and Acquisition Duration

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.111**	0.110**	0.103**	0.090***
Deal Value	0.042	0.045	0.036	0.116***
Domestic Acquisition Experience	0.014	0.016	-0.037	-0.040
Cross-Border Acquisition Experience	0.018	0.022	-0.030	-0.042
Geographic Distance	-0.077	-0.067	-0.073	-0.005
Predictor				
Financial Distance	-0.124**	-0.207**	-0.318***	0.009
Financial Distance Squared		0.100	0.167	0.064
Moderators				
Domestic Acquisition Experience x Financial Distance			0.073	0.014
CBA Experience x Financial Distance			0.084	0.026
MNE Classification x Financial Distance				-0.185***
F	2.278***	2.241***	2.193***	6.434***
Adjusted R ²	0.070	0.070	0.071	0.076
F for Change in R ²		1.110	1.397	

EMNE Sample (Models 1-3): N = 514; DMNE Included (Model 4): N = 2320;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Political Distance

Table 12 shows the findings of the fixed-effect regression analysis for the effects of political distance on acquisition duration. The F-statistics for all four models are significant at $p < 0.001$, suggesting that political distance and the control variables are important predictors of acquisition duration in EMNE cross-border acquisitions. The Adjusted R² values of the models (Model 1 = 0.062, Model 2 = 0.060, Model 3 = 0.063, and Model 4 = 0.063) are slightly less, but in line with extant literature (e.g., Dikova et al., 2010).

Model 1 shows that political distance has a positive but insignificant effect on acquisition duration ($\beta = 0.004$) which does not support hypothesis 4b. To further

examine our findings for hypothesis 4b, we test for a curvilinear relationship. Model 2 introduces the squared political distance term, but the findings are insignificant. Model 3 shows no significant interaction for firm acquisition experience and political distance, offering no support for hypotheses 7b and 8b. However, in Model 4 we find partial support for 9b, in that there is a statistically significant difference between our samples of EMNE and DMNE behavior in politically distant locations. Political distance decreases acquisition duration for EMNEs more than for DMNEs ($\beta = -0.091, p < 0.05$) as hypothesized.

Table 12

Political Distance and Acquisition Duration

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.104**	0.104**	0.101*	0.085***
Deal Value	0.036	0.036	0.033	0.104***
Domestic Acquisition Experience	0.035	0.035	0.143	-0.027
Cross-Border Acquisition Experience	0.040	0.040	-0.048	-0.028
Geographic Distance	-0.132**	-0.133**	-0.137**	0.007
Predictor				
Political Distance	0.004	0.025	0.029	-0.262
Political Distance Squared		-0.018	-0.022	0.126
Moderators				
Domestic Acquisition Experience x Political Distance			-0.133	0.001
CBA Experience x Political Distance			0.107	0.041
MNE Classification x Political Distance				-0.091**
F	2.088***	2.017***	1.997***	5.613***
Adjusted R ²	0.062	0.060	0.063	0.063
F for Change in R ²		0.009	1.617	1.128

EMNE Sample (Models 1-3): N = 492; DMNE Included (Model) 4: N = 2320;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Cultural Distance

Table 13 shows the findings of the fixed-effect regression analysis for the effects of cultural distance on acquisition duration. The F-statistics for all four models are significant at $p < 0.001$, suggesting that cultural distance and the control variables are important predictors of acquisition duration in EMNE cross-border acquisitions. The Adjusted R^2 values of the models (Model 1 = 0.092, Model 2 = 0.091, Model 3 = 0.099, and Model 4 = 0.069) are slightly less, but in line with extant literature (e.g., Dikova et al., 2010).

Model 1 shows that cultural distance has a significant negative effect on acquisition duration ($\beta = -0.133, p < 0.05$), but this is the opposite of what was hypothesized in 5b. To further examine our findings for hypothesis 5b, we test for a curvilinear relationship. Model 2 introduces the squared cultural distance term, but the findings are insignificant. Model 3 shows no significant interaction for firm acquisition experience and cultural distance, offering no support for hypotheses 7b and 8b. However, in Model 4 we find support for the reverse of our hypothesized relationship in 9b. While there is a statistically significant difference between our samples of EMNE and DMNE behavior in culturally distant locations, cultural distance decreases acquisition duration for EMNEs more than for DMNEs ($\beta = -0.182, p < 0.01$), which is the opposite of what was hypothesized.

Table 13

Cultural Distance and Acquisition Duration

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.180***	0.182***	0.171***	0.090***
Deal Value	0.024	0.028	0.023	0.122***
Domestic Acquisition Experience	-0.022	-0.021	-0.185	-0.039
Cross-Border Acquisition Experience	0.051	0.048	0.020	-0.052
Geographic Distance	-0.022	-0.015	-0.018	0.029
Predictor				
Cultural Distance	-0.133**	-0.241	-0.434**	0.146
Cultural Distance Squared		0.107	0.208	-0.144
Moderators				
Domestic Acquisition Experience x Cultural Distance			0.196*	0.009
CBA Experience x Cultural Distance			0.047	0.042
MNE Classification x Cultural Distance				-0.182***
F	2.430***	2.366***	2.407***	4.585***
Adjusted R ²	0.092	0.091	0.099	0.069
F for Change in R ²		0.520	2.729*	

EMNE Sample (Models 1-3): N = 422; DMNE Sample (Model 4): N = 1686;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Knowledge Distance

Table 14 shows the findings of the fixed-effect regression analysis for the effects of knowledge distance on acquisition duration. The F-statistics for all four models are significant at $p < 0.001$, suggesting that knowledge distance and the control variables are important predictors of acquisition duration in EMNE cross-border acquisitions. The Adjusted R² values of the models (Model 1 = 0.062, Model 2 = 0.073, Model 3 = 0.081, and Model 4 = 0.065) are slightly less, but in line with extant literature (e.g., Dikova et al., 2010).

Model 1 shows that knowledge distance has a negative, but insignificant effect on acquisition duration ($\beta = -0.033$) offering no support hypothesis 6b. To further examine

our findings for hypothesis 6b, we test for a curvilinear relationship. Model 2 introduces the squared knowledge distance term. The knowledge distance coefficient is negative ($\beta = -0.486, p < 0.05$) with the squared knowledge distance coefficient positive ($\beta = -0.483, p < 0.05$). This shows that there is a U-shaped relationship between knowledge distance and acquisition duration. This finding offers partial support to our hypothesis 6b, in that acquisition duration does decrease in knowledge distant locations to a point, but then sharply increases as knowledge distance climbs from moderate to high levels. Model 3 tests for interaction for firm acquisition experience and knowledge distance. While domestic acquisition experience is found to be an insignificant moderator, cross-border acquisition experience positively moderates the relationship between knowledge distance and acquisition duration ($\beta = 0.168, p < 0.05$). This suggests that as EMNEs gain more cross-border acquisition experience, differences between the home and host country increases the duration of completed deals. Thus hypothesis 7b is not supported, but 8b is partially supported by these findings. Furthermore, in Model 4 we find partial support for 9b, in that there is a statistically significant difference between our samples of EMNE and DMNE behavior in knowledge distant locations. Knowledge distance decreases acquisition duration for EMNEs more than for DMNEs ($\beta = -0.092, p < 0.05$) as hypothesized.

Table 14

Knowledge Distance and Acquisition Duration

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	0.099*	0.102*	0.093*	0.086***
Deal Value	0.041	0.057	0.051	0.112***
Domestic Acquisition Experience	0.065	0.072	0.076	-0.032
Cross-Border Acquisition Experience	0.013	0.003	-0.070	-0.007
Geographic Distance	-0.102*	-0.138**	-0.139**	0.018
Predictor				
Knowledge Distance	-0.033	-0.486**	-0.587***	0.165
Knowledge Distance Squared		0.483**	0.513***	-0.181
Moderators				
Domestic Acquisition Experience x Knowledge Distance			-0.050	0.028
CBA Experience x Knowledge Distance			0.168**	-0.026
MNE Classification x Knowledge Distance				-0.092**
F	2.069***	2.237***	2.299***	5.673***
Adjusted R ²	0.062	0.073	0.081	0.065
F for Change in R ²		6.542**	2.957*	

EMNE Sample (Models 1-3): N = 488; DMNE Included (Model 4): N = 2342;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Equity Participation

Administrative Distance

Table 15 shows the findings of the fixed-effect regression analysis for the effects of administrative distance on equity participation. The F-statistics for all four models are significant at $p < 0.001$, suggesting that administrative distance and the control variables are important predictors of equity participation in EMNE cross-border acquisitions. The Adjusted R² values of the models (Model 1 = 0.125, Model 2 = 0.126, Model 3 = 0.124, and Model 4 = 0.131) are slightly less, but in line with extant literature (e.g., Malhotra et al., 2011).

Model 1 shows that administrative distance has an insignificant effect on equity participation ($\beta = -0.013$), which does not support hypothesis 1c. To further examine our findings for hypothesis 1c, we test for a curvilinear relationship. Model 2 introduces the squared distance term, but the findings are insignificant. In Model 3, we did not find any evidence of moderation of the institutional sub-dimension by firm acquisition experience, offering no support for hypotheses 7c and 8c. Furthermore, in Model 4, there is no statistically significant difference between the effect of administrative distance on equity participation for DMNEs and EMNEs, offering no support for hypotheses 9c.

Table 15

Administrative Distance and Equity Participation

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	-0.114**	-0.112**	-0.116**	-0.147***
Deal Value	0.075*	0.073*	0.074*	0.067***
Domestic Acquisition Experience	-0.008	-0.005	-0.076	0.062
Cross-Border Acquisition Experience	-0.046	-0.049	-0.007	-0.111**
Geographic Distance	0.100**	0.121**	0.120**	0.009
Predictor				
Administrative Distance	0.013	-0.219	-0.220	0.120
Administrative Distance Squared		0.231	0.227	-0.074
Moderators				
Domestic Acquisition Experience x Administrative Distance			0.092	-0.028
CBA Experience x Administrative Distance			-0.056	-0.027
MNE Classification x Administrative Distance				-0.037
F	3.678***	3.614***	3.412***	11.525***
Adjusted R ²	0.125	0.126	0.124	0.131
F for Change in R ²		1.564	0.413	0.448

EMNE Sample (Models 1-3): N = 565; DMNE Included (Model 4): N = 2446;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation
Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Economic Distance

Table 16 shows the findings of the fixed-effect regression analysis for the effects of economic distance on equity participation. The F-statistics for all four models are significant at $p < 0.001$, suggesting that economic distance and the control variables are important predictors of equity participation in EMNE cross-border acquisitions. The Adjusted R^2 values of the models (Model 1 = 0.125, Model 2 = 0.147, Model 3 = 0.151, and Model 4 = 0.143) are slightly less, but in line with extant literature (e.g., Malhotra et al., 2011).

In Model 1, economic distance has a positive, but insignificant effect on equity participation ($\beta = 0.034$), which does not support hypothesis 2c. To further examine our findings for hypothesis 2c, we test for a curvilinear relationship between economic distance and equity participation. Model 2 introduces the squared economic distance term. The economic distance coefficient is positive ($\beta = 0.631$, $p < 0.01$) with the squared economic distance coefficient negative ($\beta = -0.627$, $p < 0.01$). This shows that there is an inverted U relationship between economic distance and equity participation. This finding offers partial support to our hypothesis, in that equity share does have a positive relationship with economic distance to a point, but then becomes sharply negative as the level of economic distance climbs from moderate to high levels. Model 3 shows that domestic acquisition experience has a positive effect on equity participation in economically distant locations ($\beta = 0.094$, $p < 0.10$), which offers partial support for 7c. However, the interaction between cross-border acquisition experience and this sub-dimension is insignificant, which does not support 8c. Furthermore, in Model 4 we find partial support for 9c, in that there is a statistically significant difference between our

samples of EMNE and DMNE behavior in economically distant lands. Economic distance increases equity participation for EMNEs more than for DMNEs ($\beta = 0.143$, $p < 0.01$) as hypothesized.

Table 16

Economic Distance and Equity Participation

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	-0.110**	-0.121***	-0.119**	-0.143***
Deal Value	0.074*	0.079*	0.075*	0.063***
Domestic Acquisition Experience	-0.003	0.011	-0.040	-0.004
Cross-Border Acquisition Experience	-0.052	-0.032	0.017	-0.098***
Geographic Distance	0.098**	-0.020	-0.010	0.024
Predictor				
Economic Distance	0.034	0.631***	0.580***	-0.235***
Economic Distance Squared		-0.627***	-0.571***	0.083
Moderators				
Domestic Acquisition Experience x Economic Distance			0.094*	0.104***
CBA Experience x Economic Distance			-0.086	-0.078**
MNE Classification x Economic Distance				0.143***
F	3.652***	4.087***	3.990***	12.649***
Adjusted R ²	0.125	0.147	0.151	0.143
F for Change in R ²		14.362***	2.209	

EMNE Sample (Models 1-3): N = 558; DMNE Included (Model 4): N = 2441;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* $p < 0.10$. ** $p < 0.05$. *** $p < 0.01$.

Financial Distance

Table 17 shows the findings of the fixed-effect regression analysis for the effects of financial distance on equity participation. The F-statistics for all four models are significant at $p < 0.001$, suggesting that financial distance and the control variables are important predictors of equity participation in EMNE cross-border acquisitions. The Adjusted R² values of the models (Model 1 = 0.121, Model 2 = 0.120, Model 3 = 0.121,

and Model 4 = 0.166) are slightly less, but in line with extant literature (e.g., Malhotra et al., 2011).

In Model 1, financial distance has a positive, but insignificant effect on equity participation ($\beta = 0.058$), which does not support hypothesis 3c. To further examine our findings for hypothesis 3c, we test for a curvilinear relationship. Model 2 introduces the squared financial distance term, but the findings are insignificant. Model 3 shows no significant interaction for firm acquisition experience and financial distance, offering no support for hypotheses 7c and 8c. However, in Model 4 we find partial support for 9c, in that there is a statistically significant difference between our samples of EMNE and DMNE behavior in financially distant locations. Financial distance increases equity participation for EMNEs more than for DMNEs ($\beta = 0.292, p < 0.01$) as hypothesized.

Table 17

Financial Distance and Equity Participation

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	-0.115**	-0.115**	-0.116**	-0.133***
Deal Value	0.079*	0.077*	0.074*	0.061***
Domestic Acquisition Experience	0.028	0.028	0.112	0.054*
Cross-Border Acquisition Experience	-0.052	-0.054	-0.133*	-0.180***
Geographic Distance	0.077*	0.073	0.072	0.019
Predictor				
Financial Distance	0.058	0.092	0.071	-0.315***
Financial Distance Squared		-0.040	-0.004	0.023
Moderators				
Domestic Acquisition Experience x Financial Distance			-0.120	-0.026
CBA Experience x Financial Distance			0.098	0.091**
MNE Classification x Financial Distance				0.292***
F	3.428***	3.319***	3.207***	14.302***
Adjusted R ²	0.121	0.120	0.121	0.166
F for Change in R ²		0.201	1.383	

EMNE Sample (Models 1-3): N = 529; DMNE Included (Model 4): N = 2342;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation
Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Political Distance

Table 18 shows the findings of the fixed-effect regression analysis for the effects of political distance on equity participation. The F-statistics for all four models are significant at $p < 0.001$, suggesting that political distance and the control variables are important predictors of equity participation in EMNE cross-border acquisitions. The Adjusted R^2 values of the models (Model 1 = 0.164, Model 2 = 0.172, Model 3 = 0.170, and Model 4 = 0.145) are slightly less, but in line with extant literature (e.g., Malhotra et al., 2011).

In Model 1, political distance has a positive significant effect on equity participation ($\beta = 0.180, p < 0.05$), which is the opposite of hypothesis 4c. To further examine our findings for hypothesis 4c, we test for a curvilinear relationship between political distance and equity participation. Model 2 introduces the squared political distance term. The political distance coefficient is positive ($\beta = 0.658, p < 0.01$) with the squared political distance coefficient negative ($\beta = -0.410, p < 0.05$). This shows that there is an inverted U relationship between political distance and equity participation. Model 3 doesn't offer support for firm acquisition experience moderating the effects of political distance on equity participation, offering no support for hypotheses 7c and 8c. However, in Model 4 we find partial support for 9c, in that there is a statistically significant difference between our samples of EMNE and DMNE behavior in politically distant lands. Political distance increases equity participation for EMNEs more than for DMNEs ($\beta = 0.156, p < 0.01$) as hypothesized.

Table 18

Political Distance and Equity Participation

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	-0.113**	-0.119**	-0.117**	-0.150***
Deal Value	0.077*	0.075*	0.078*	0.064**
Domestic Acquisition Experience	-0.028	-0.027	-0.059	0.039
Cross-Border Acquisition Experience	-0.038	-0.036	0.037	-0.130***
Geographic Distance	0.086*	0.068	0.073	-0.021
Predictor				
Political Distance	0.180**	0.658***	0.750***	0.770***
Political Distance Squared		-0.410**	-0.465**	-0.363***
Moderators				
Domestic Acquisition Experience x Political Distance			0.040	-0.012
CBA Experience x Political Distance			-0.085	-0.001
MNE Classification x Political Distance				0.156***
F	4.322***	4.391***	4.157***	12.664***
Adjusted R ²	0.164	0.172	0.170	0.145
F for Change in R ²		5.283**	0.634	

EMNE Sample (Models 1-3): N = 508; DMNE Included (Model 4): N = 2343;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Cultural Distance

Table 19 shows the findings of the fixed-effect regression analysis for the effects of cultural distance on equity participation. The F-statistics for all four models are significant at $p < 0.001$, suggesting that cultural distance and the control variables are important predictors of equity participation in EMNE cross-border acquisitions. The Adjusted R² values of the models (Model 1 = 0.118, Model 2 = 0.121, Model 3 = 0.117, and Model 4 = 0.186) are slightly less, but in line with extant literature (e.g., Malhotra et al., 2011).

In Model 1, cultural distance has a positive significant effect on equity participation ($\beta = 0.119$, $p < 0.05$), which is the opposite of what was hypothesized in 5c. To further

examine our findings for hypothesis 5c, we test for a curvilinear relationship. Model 2 introduces the squared cultural distance term, but the findings are insignificant. Model 3 doesn't offer support for firm acquisition experience moderating the effects of cultural distance on equity participation, offering no support for hypotheses 7c and 8c. However, in Model 4 shows evidence of a significant relationship, but in the opposite direction of what we hypothesized in 9c. Cultural distance increases equity participation for EMNEs more than for DMNEs ($\beta = 0.414, p < 0.01$).

Table 19

Cultural Distance and Equity Participation

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	-0.120**	-0.124**	-0.122**	-0.140***
Deal Value	0.081*	0.077	0.079	0.052**
Domestic Acquisition Experience	0.089	0.087	0.122	0.090**
Cross-Border Acquisition Experience	-0.039	-0.033	-0.029	-0.077
Geographic Distance	0.011	-0.002	-0.001	-0.081***
Predictor				
Cultural Distance	0.119**	0.328**	0.365**	-0.541***
Cultural Distance Squared		-0.210	-0.229	0.336***
Moderators				
Domestic Acquisition Experience x Cultural Distance			-0.042	-0.082*
CBA Experience x Cultural Distance			-0.007	-0.024
MNE Classification x Cultural Distance				0.414***
F	2.929***	2.910***	2.729***	12.073***
Adjusted R ²	0.118	0.121	0.117	0.186
F for Change in R ²		2.104	0.114	

EMNE Sample (Models 1-3): N = 432; DMNE Sample (Model 4): N = 1699;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentation

Change in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

Knowledge Distance

Table 20 shows the findings of the fixed-effect regression analysis for the effects of knowledge distance on equity participation. The F-statistics for all four models are

significant at $p < 0.001$, suggesting that knowledge distance and the control variables are important predictors of equity participation in EMNE cross-border acquisitions. The Adjusted R^2 values of the models (Model 1 = 0.163, Model 2 = 0.165, Model 3 = 0.161, and Model 4 = 0.185) are slightly less, but in line with extant literature (e.g., Malhotra et al., 2011).

In Model 1, knowledge distance has a positive significant effect on equity participation ($\beta = 0.160, p < 0.01$), which supports hypothesis 6c. To further examine our findings for hypothesis 6c, we test for a curvilinear relationship. Model 2 introduces the squared knowledge distance term, but the findings are insignificant. Model 3 doesn't offer support for firm acquisition experience moderating the effects of knowledge distance on equity participation, offering no support for hypotheses 7c and 8c. However, in Model 4 we find partial support for 9c, in that there is a statistically significant difference between our samples of EMNE and DMNE behavior in knowledge distant locations. Knowledge distance increases equity participation for EMNEs more than for DMNEs ($\beta = 0.207, p < 0.01$) as hypothesized.

Table 20

Knowledge Distance and Equity Participation

Variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β
Controls^a				
Acquirer Size	-0.125**	-0.123**	-0.123**	-0.137***
Deal Value	0.096**	0.103**	0.104**	0.058***
Domestic Acquisition Experience	0.009	0.012	0.010	0.036
Cross-Border Acquisition Experience	-0.042	-0.047	-0.044	-0.150***
Geographic Distance	0.005	-0.013	-0.013	-0.071***
Predictor				
Knowledge Distance	0.160***	-0.074	-0.073	-0.795***
Knowledge Distance Squared		0.249	0.250	0.941***
Moderators				
Domestic Acquisition Experience x Knowledge Distance			0.005	-0.002
CBA Experience x Knowledge Distance			-0.006	0.046
MNE Classification x Knowledge Distance				0.207***
F	4.256***	4.194***	3.924***	16.296***
Adjusted R ²	0.163	0.165	0.161	0.185
F for Change in R ²		2.071	0.004	

EMNE Sample (Models 1-3): N = 503; DMNE Included (Model 4): N = 2365;

^a Control Dummies for Year, Country, and Industry are not shown in table for ease of presentationChange in R² for Model 2 is with respect to Model 1, and Model 3 is with respect to Model 2

* p < 0.10. ** p < 0.05. *** p < 0.01.

CHAPTER 6

DISCUSSION

The emerging markets of Brazil, Russia, India, and China have been a major source of cross-border acquisitions during the recent global recession, spurring the need for increased scholarly investigation into the antecedents and deal characteristics of this form of internationalization by Emerging Market Multinational Enterprises (EMNEs). Furthermore, extant literature posits that new theories are needed to explain the EMNE internationalization process as the behavior appears to be fundamentally different from that of traditional MNEs from the developed world (DMNEs). This dissertation offers empirical evidence on both accounts by analyzing all cross-border acquisitions by publicly traded EMNEs from Brazil, Russia, India, and China for the last 11 years (2000-2010) and then comparing the findings to a parallel sample of cross-border acquisitions by publicly traded MNEs from a major developed country.

Institutional theory holds two important tenets for cross-border acquisitions. First, the theory suggests that the institutional context of the home country will influence the strategic orientation of MNEs originating there. Second, it suggests that MNEs must conform, to some degree, with the institutional context of the host country to earn legitimacy (i.e., the pressure of isomorphism). Thus, differences between the institutional frameworks of the home and host country (i.e., institutional distance) are theorized to decrease the ability of MNEs to successfully complete acquisitions and will increase the time it takes to complete announced deals (Dikova et al., 2010). Including cultural dimensions in an institutional analysis helps give a fuller understanding of the formal and informal institutional effects on MNE cross-border acquisition behavior (Leung & Ang,

2009). Thus, building on the recent work on institutional distance by Berry et al. (2010), this dissertation has explored how sub-dimensions of institutional distance - Administrative, Economic, Financial, Political, Cultural, and Knowledge - affect the completion rate and duration of EMNE cross-border acquisitions.

Furthermore, EMNE specific internationalization literature suggests that these firms are more aggressive, proactive, and risk taking than DMNEs (Luo & Rui, 2009; Luo & Tung, 2007; Mathews, 2002, 2006). These perspectives suggest that the effects of institutional distance may be less negative, and in some cases positive in effect, than what is found within a sample of cross-border acquisitions by DMNEs. Specifically, it would seem that certain dimensions of distance, in particular those that would help compensate for the institutional voids said to be present in Emerging Markets (Khanna & Palepu, 2006), would actually increase the chances that EMNE cross-border acquisitions are completed, shorten duration of the acquisitions, and increase acquisition aggressiveness in general. Specifically, since EMNEs generally look to acquire strategic assets abroad in institutionally distant locations (Kedia et al., 2012), they will prefer to have greater control over the assets and will thus pursue a larger ownership stake (Equity Participation).

A EMNEs previous acquisition experience (domestic or international) would also be expected to lessen the negative effects of distance, as the particular EMNE becomes more comfortable and skilled with cross-border acquisition deal making. Furthermore, the sub-dimensions of institutional distance should have less effect on EMNE cross-border acquisition outcomes than DMNEs, as they are more aggressive in their

internationalization behavior and may be less inclined to see institutional distance as a negative (Luo & Tung, 2007; Mathews, 2002, 2006).

General Findings

None of the sub-dimensions of institutional distance were found to have a significant effect on EMNE acquisition completion rates. This was somewhat surprising as recent research (Dikova et al., 2010; Zhang et al., 2011) found significant relationships between different proxies of institutional quality and acquisition completion rate. However, both previous studies had a larger sample than the EMNE sample used in this dissertation. This may have reduced the power to detect the nuanced relationships. Furthermore, after revisiting Dikova et al.'s (2010) study, I see that they also had trouble finding significant effects on acquisition completion as well. Several of their main hypothesis were only supported at $p < 0.10$. This may mean that while an important outcome variable, acquisition completion may be difficult to predict. One potential limitation may be that many acquisitions are only publicly announced when the parties are somewhat certain that they have a high chance for completion, understating the real chances of failure.

Four institutional sub-dimensions - economic, financial, cultural, and knowledge distance - had a significant negative effect on acquisition duration. As predicted, more economically, financially, and knowledge distant locations facilitate the EMNEs acquisition process, shortening duration. This suggests that better institutions may, unlike the institutional voids present in emerging markets, improve the ability of EMNEs to complete deals in a timely fashion. However, the most interesting finding was that the relationship between culture and duration was found to be the opposite of what was hypothesized. In other words, culturally distant locations also decreased acquisition

duration for EMNEs. This is surprising as cultural distance would be assumed to increase the chances for miscommunication that might slow the process. Perhaps culture's significant correlation with indicators of institutional quality caused the unexpected finding. Administrative distance had a significant positive effect on duration, as hypothesized. Recent research has found that cultural distance has a curvilinear relationship (U shaped) with various cross-border acquisition outcomes (Malhotra et al., 2011), thus I test for curvilinear relationships. In the case of acquisition duration, knowledge was found to have a U-shaped effect, meaning that as knowledge distance grows from small to moderate distances acquisition duration falls. However, from moderate to high levels of knowledge distance, acquisition duration increases.

Economic, political, cultural and knowledge distance were found to have a significant positive effect on EMNE cross-border acquisition equity participation, though cultural and political distances were hypothesized to have a negative relationship. Perhaps these counter intuitive findings reflect the desire of EMNEs to gain greater control over firms when they are in countries with culturally or politically distant institutions. Furthermore, economic distance is found to have a curvilinear inverted U-shaped relationship with equity participation. Meaning equity share has a positive relationship with economic distance to a point, but then becomes sharply negative as the level of economic distance climbs from moderate to high levels.

In regards to the moderating effect of firm acquisition experience on the three dependent variables, there was minimal support found in the study. The sole significant finding was that cross-border acquisition experience was found to positively moderate the link between knowledge distance and acquisition duration, but this was opposite of what

was hypothesized. While it is surprising that previous acquisition experience, domestic or international, did not reduce the effects of institutional distance on EMNE cross-border acquisition outcome, this may hold an interesting implication for EMNE-specific Internationalization Theory. Perhaps the lack of findings supports the notion that EMNEs are more aggressive and risk taking in their international acquisitions, negating the effect of previous experience.

With the exception of financial distance, there was no support for a statistical difference in how the sub-dimensions of institutional distance alter acquisition completion for EMNEs and DMNEs. However, all six sub-dimensions – economic, financial, political, administrative, cultural, and knowledge distance – are shown to affect EMNE acquisition duration differently that they do DMNEs. Similarly, with the exception of administrative distance, the sub-dimensions were shown to have a significantly different effect on EMNE equity participation than for DMNEs. This is the most interesting finding of the entire dissertation in that it provides direct evidence that EMNEs are different from DMNEs.

Implications

While some implications become clear in the previous section. There are additional implications of this dissertation for the research stream. Overall, this dissertation contributes to the extant literature by offering evidence that EMNE cross-border acquisition behavior is affected differently by institutional differences between the home and host country than traditional MNEs from developed countries. Thus, it offers empirical support to EMNE specific FDI theories that suggest EMNEs internationalize differently than MNEs from the developed world.

Furthermore, this study not only suggests that EMNE cross-border acquisition behavior is affected differently, but explores how it varies. Specifically, the effects of institutional distance on EMNE cross-border acquisition outcomes (Completion, Duration, and Equity Participation) vary based on what sub-dimensions of distance are being tested (Administrative, Economic, Financial, Political, Cultural, and Knowledge). More importantly, the effects on EMNE cross-border acquisition outcomes are often positive, which is opposite of what is predicted by the vast majority of extant institutional distance literature. This not only suggests that EMNEs are often not deterred by institutional differences, but that some differences might actually make them more risk taking. This coupled with the findings that previous acquisition experience (domestic and international) has minimal effect on these EMNE cross-border acquisition outcomes, again offers support for EMNE specific FDI theories that suggest EMNEs are more aggressive in their internationalization behavior than DMNEs.

Thus the institutional context of Emerging Markets or the “Institutional Voids” (Khanna & Palepu, 2006) that are often present, create a counter intuitive motivation for EMNEs. They seek acquisitions in locations that are institutionally different from the home country context. The institutional context of developed countries, provide intellectual knowledge protection, more robust and stable economic, financial, political institutions which facilitate acquisitions, decreasing duration. Furthermore, since EMNEs are argued to seeking strategic assets in more developed countries in an effort to learn (Kedia et al., 2012), these firms take a higher equity share (equity participation) in these deals to increase control and the ability to harness these assets and capabilities.

Theoretically, these findings offer support for EMNE specific FDI theory explain how and why EMNEs are internationalizing in a way that seems fundamentally different than MNEs from the developed world (Luo & Tung, 2007; Mathews, 2006; Peng, 2003).

These perspectives – LLL, Springboard, and Ambidexterity – each suggest that EMNEs differ from traditional MNEs in one key respect: the accelerated pace of EMNE internationalization, in order to develop and/or acquire the capabilities necessary to compete on a global level. Factors such as institutional deficiencies, non-competitive industries, and/or a lack of a lucrative domestic consumer market push EMNEs to seek capabilities outside of their home borders through aggressive strategic internationalization that often targets mutually beneficial partnerships and acquisitions that provide access to new knowledge and skills. The pursuit of these competencies often requires the firm to pursue multiple aggressive goals and strategies, which often conflict, in an effort to achieve global competitiveness.

Implicit in these three perspectives is that EMNEs are dealing with changing rules to competition at home (i.e., institutional transitions) and are being forced to adapt in order to survive. Thus their need to engage in proactive and risky investment in an effort to catch up with established competitors. The effects of these shifts in the norms, values, and regulatory environments of developing countries has been shown to have an impact on the nature of organizational transactions (i.e., from relationship based to rule based) (e.g., Peng, 2003), as well as on the mentality of individuals and firm level strategic orientation (e.g., Ahlstrom & Bruton, 2010; Aulakh & Kotabe, 2008; Bruton et al., 2010; Kreiser et al., 2010; Luo et al., 2010; Mathews & Zander, 2007).

Thus, these EMNE-specific internationalization theories suggest that EMNEs are different from MNEs from the developed world because they more aggressive during internationalization, of which cross-border acquisitions are an increasingly visible form. Since EMNEs are argued to have a need to pursue aggressive internationalization, then perhaps these firms would be less affected by institutional differences, many of which are an improvement. This is counter the traditional thought on institutional distance as a deterrent of cross-border acquisition risk, but this is because EMNEs start from a relatively opposite perspective. They are looking to escape institutional voids, while DMNEs are looking to mitigate risks in institutionally different, and assumed poorly institutional quality.

Furthermore, the effects of distance are more nuanced than can be deciphered through an aggregate measure of institutional distance. Thus, I join Berry et al. (2010) in examining specific sub-dimensions of distance in this new context of EMNEs to gain a fuller understanding of how unique aspects of distance may affect the characteristics of EMNE cross-border acquisitions. Six of their sub-dimensions are hypothesized to have a direct effect on the dependent variables of interest (Administrative, Economic, Financial, Political, Cultural, and Knowledge Distance), and a seventh is used as a control (Geographic Distance). These sub-dimensions of institutional distance are empirically verified and theoretically separate, and offer a more nuanced understanding of the broader concept, which more accurately depicts when, how, and why institutional distance matters in the context of EMNEs, and MNEs broadly.

Investigating acquisition completion and acquisition duration is a relatively new outcome variable within cross-border acquisitions (Dikova et al., 2010; Zhang et al.,

2011). While a relatively simple measure, the dichotomous completion variable is important because unlike most outcomes that are post-acquisition (e.g., value creation), completion looks at the pre-completion stage of acquisitions. This stage is important, as Holl and Kyriazis (1996) found that up to 25% of announced acquisitions are abandoned, which has real costs for companies (Luo, 2005; Rosenkranz & Weitzel, 2005). Similarly, the duration from acquisition announcement to completion also is accompanied with increased costs and negative perceptions. Thus, while institutional distance has been found to decrease the chances of acquisition completion and increase the acquisition duration in developed multinationals (Dikova et al., 2010), EMNE specific Internationalization Theory would suggest that institutional distance may not be as important to EMNEs, who are engaging in proactive, aggressive, and risky acquisitions in order to catch up with established global competitors (Luo & Tung, 2007, Mathews, 2006).

While this study did not find significant relationships between the sub-dimensions of institutional distance and EMNE cross-border acquisition completion rates, perhaps the lack of findings is interesting in of itself. EMNEs being less deterred by institutional differences, and perhaps benefiting from these differences, may not decrease completion rates as found in previous studies (e.g., Dikova et al., 2010; Zhang et al., 2011). Furthermore, the Dikova et al. study was based on DMNEs, which may be different from EMNEs. However, this study failed to find a significant difference between the two classifications in how the sub-dimensions altered completion rates. This however, might be due to limitations in the sample that was used.

Furthermore, it is important to measure how and when sub-dimensions of institutional distance affect the aggressiveness of EMNE deals. A reasonable proxy that captures this phenomenon is the equity share of the acquired firm sought during a cross-border acquisition (i.e., Equity Participation).

Equity participation has gained increased attention in the literature as an important outcome in cross-border acquisitions, with variations of equity share sought in acquisitions being driven by differing strategies (Chari & Chang, 2009; Chen & Hennart, 2004; Malhotra et al., 2011). While the entry mode literature has generally treated acquisitions as either full or partial, and the latter as a form of joint venture (Barkema & Vermeulen, 1998; Brouthers & Hennart, 2007; Das & Teng, 2000; Hennart, 1991; Inkpen, 2001), the share of equity acquired in cross-border acquisitions varies widely, with a significant number being partial and not full. The level of ownership taken in an acquisition impacts many aspects of a firm's strategy; such as control over the venture, ability to transfer tacit assets, and risk exposure (Chari & Chang, 2009; Das & Teng, 2000; Pisano, 1989). Furthermore, it is not clear that partial cross-border acquisitions should be treated the same as joint ventures. Entry through partial acquisition is not a greenfield venture like traditional JVs (Brouthers & Hennart, 2007; Chen & Hennart, 2004).

Firms pursue different levels of equity participation in cross-border acquisitions because of the perceived cost-benefit analysis of the increased control of higher levels of ownership and the potentially reduced risk exposure of lesser ownership stakes (Inkpen, 2001). Shared ownership may increase the costs of partner opportunism, reduce the firm's ability to fully integrate the operations of the venture, and increase the difficulty of

transferring tacit assets (Anderson & Gatignon, 1986; Hennart, 1991; Kogut & Zander, 1993).

Recently, the effect of differences between institutions and cultures of the home and host country has been shown to affect the level of equity taken in cross-border acquisitions (Malhotra et al., 2011; Morschett et al., 2010; Richards, 2000). Malhotra et al. (2011) found that cultural distance had a curvilinear relationship (U shaped) with equity participation. Chen (2011) found that firms were more likely to opt for a larger equity share in acquisitions when they are trying to acquire complementary capabilities. Interestingly, Chun (2009) found that when intellectual property protection was low, firms sought higher equity shares in acquisitions so as to protect their intellectual property.

The findings of this dissertation extend this extant literature by offering evidence of how the sub-dimensions of institutional distance increase the share of equity sought in EMNE cross-border acquisitions. Specifically, the fact that EMNEs take a larger equity share in countries that offer greater protection of knowledge and are economically, financially, politically, culturally distant to the home country is interesting. Even more interesting is that there is a statistically significant difference in how these five sub-dimensions affect EMNE equity participation as compared to a sample of DMNEs. EMNEs seek a larger equity share in these type deals in institutional distant locations than their DMNE counterparts.

Limitations

Several limitations of this study have been touched on in earlier sections, but there are a few more general issues that should be discussed.

Using the sub-dimensions of institutional distance that were designed by Berry et al. (2010) is limiting in some regards because the underlying measures of each of the six sub-dimensions used as independent variables are not always available for each country pair and year. Thus for each regression the number of deals in which the sub-dimension measures are available, and thus the distance between country pair could be calculated fluctuated. These variations often removed smaller countries with limited cross-border acquisition activity, but might decrease the clarity of interpretation of the findings.

Due to difficulties in acquiring the past acquisition experience variables for acquirers, this dissertation only measured deals initiated by publicly traded EMNEs (and DMNEs in the second sample). While these represent a significant portion of the overall number of deals in the time period, the effects of the sub-dimensions of institutional distance on the cross-border acquisition behavior variables may not fully capture EMNE behavior as a good number of overseas acquisitions are initiated by firms that are privately held or supported by governments.

The decision was made early on to only include cross-border acquisitions that were large enough to be viewed as important. Thus, the decision was made to limit the samples to deals that were valued at greater than \$5 million (US) dollars. While screening out smaller deals makes logical sense and is often done in the extant literature, perhaps the floor was too high. Future research might be benefited by taking all deals greater than \$1 million, because this might capture more smaller acquisitions, many of which might be limited investments that are meant to link to established players in an effort to leverage the relationship into a learning opportunity for EMNEs (Mathews,

2002, 2006). This concern might manifest itself by misstating the effect of the sub-dimensions of institutional distance on equity participation.

Another decision that was made early on to try and make the dissertation process more manageable was to limit the number of countries in each sample. While the EMNE sample included the four most active countries in this classification, the decision was made to limit the DMNE representative sample selection to firms from the UK for the purposes of this dissertation. The reason was the large difference between the number of deals initiated by EMNEs (626) as compared to DMNEs (2844 - for just the UK). The rationale is that UK is different enough from the countries of Brazil, Russia, India, and China, that it serves as a useful point of comparison. However, it is clear that the generalizability of the results of the comparison is limited due to this decision. But, most inference research suffers from the same issues, making decisions like this the norm in our field. Future research should address these concerns by incorporating a larger, more inclusive sample.

Finally, while it is commonly accepted within this specific literature that countries such as Brazil, Russia, India, and China are often grouped together and classified as EMNEs, this classification may be somewhat problematic. It is not entirely clear that the differences between the BRIC countries aren't larger than the differences from the developed world. However, classifying EMNEs into one group is deemed useful because they have similarity of context, in that they are going through market liberalization.

Recommendations for Future Research

This dissertation is a good starting point for many future avenues of research. Specifically, future research should focus on how the effects of the sub-dimensions of

institutional distance interact on the cross-border acquisition behaviors and outcomes both included in this dissertation and those that are not. While this dissertation focused on deal outcomes that have to do with deal success and deal characteristics, which while important, leave many important antecedents and outcomes unstudied. For example, recent work by Hope et al. (2011) on national pride as an antecedent of deal premiums paid by EMNEs is very interesting. Other novel antecedents should be considered in the EMNE context, using the sub-dimensions of institutional context as moderators. Similarly, while fraught with issues, whether cross-border acquisitions in institutionally distant locations create value for EMNEs, and whether these affect EMNEs differently than DMNEs is a necessary step.

Furthermore, future research should further examine the nature of the relationships, specifically whether they are linear. Economic distance is shown to have a curvilinear inverted U shaped relationship with equity participation in cross-border acquisitions. Evidence that distance is not always a linear relationship, but rather sometimes curvilinear is supported in the previous finding that cultural distance has a curvilinear relationship (U shaped) with equity participation (Malhotra et al., 2011). This finding has potentially very important implications for theory and practice, and is an interesting basis for future research. An important future pursuit is to understand why EMNEs decrease equity participation as economic distance increases from moderate to high levels. Perhaps EMNEs would desire high equity participation, but are unable to acquire large ownership stakes in firms in highly developed locations for some reason. Similarly, Knowledge distance was shown to have a U shaped relationship with acquisition duration. Suggesting

low to moderate levels of knowledge decreases acquisition duration, but as this distance continues to grow it slows down the acquisition process.

Building off the work of this dissertation Gaffney et al. (2012) examined how two subcomponents of institutional distance – economic and knowledge – between the home and host country affects equity participation by EMNEs in cross-border acquisitions.

While institutional distance has been shown to decrease the aggressiveness and equity level taken during cross-border acquisitions by MNEs from developed countries (Pan & Tse, 2000), they found that the effect of distance may be different for EMNEs.

Specifically, they found that the effect of distance may actually be positive. EMNEs increase equity participation in cross-border acquisitions so as to gain greater control over the target and acquire the capabilities they seek through the internationalization process.

This corresponds with the findings of Davis et al. (2000) who found that firms from countries with relatively higher quality institutions were more likely to invest in wholly owned subsidiaries, while those from relatively lower quality institutions tend to invest through acquisitions, suggesting cross-border acquisitions will be a primary vehicle of internationalization for EMNEs.

EMNE specific internationalization literature argues that EMNEs are more aggressive, proactive, and risk taking than traditional MNEs when pursuing globally competitive capabilities through internationalization (e.g., Luo & Tung, 2007). Cross-border acquisitions are common for firms seeking to develop capabilities (Chen, 2011). In fact, EMNEs, which seek to acquire globally competitive strategic assets that they do not possess internally (Luo & Tung, 2007), are increasingly prominent cross-border acquirers (Hope et al., 2011). Gaffney et al. (2012) found support for this notion in that

EMNEs are more likely to pursue higher equity participation in targets that are based in locations that are more economically developed and protective of intellectual property. EMNEs take a higher equity share in these locations to gain greater control over the target and its assets, tangible and intangible. Greater control has been found to facilitate the transfer of tacit assets (Chari & Chang, 2009; Das & Teng, 2000), which is a key acquisition motivation of EMNEs (Kedia et al., 2012).

Conclusion

In conclusion, the contributions of this dissertation are: (1) to offer a richer and more nuanced understanding of when and how institutional distance affects EMNE cross-border acquisition success and aggressiveness; (2) that these effects are sometimes different for EMNEs than DMNEs; and (3) add a richer evidence-based understanding to the developing EMNE specific internationalization literature which has been largely theoretical.

The findings of this dissertation have important implications for EMNE research. It was shown that several of the sub-dimensions of institutional distance do not deter EMNE acquisition behavior as much as DMNEs. Furthermore, in many cases it increases EMNE equity participation and decreases the duration of their acquisitions. This supports the core of EMNE-specific FDI theory, which suggests that EMNEs are different from DMNEs in that they are not deterred as much by institutional distance and make actually may be benefited by institutionally distant locations.

REFERENCES

- Ahlstrom, D., & Bruton, G.D. (2010). Rapid Institutional Shifts and the Co-evolution of Entrepreneurial Firms in Transition Economies. *Entrepreneurship: Theory and Practice*, 34, 531-554.
- Boisot, M., & Child, J. (1999). Organizations as adaptive systems in complex environments: the case of China. *Organization Science*, 10, 237-252.
- Anand, J., & Kogut, B. (1997). Technological capabilities of countries, firm rivalry, and foreign direct investment. *Journal of International Business Studies*, 28(3), 445–465.
- Anderson, E., & Gatignon, H. (1986). Models of foreign entry: A transaction cost analysis and propositions. *Journal of International Business Studies*, 17(3), 1–26.
- Anderson, J. E. (1979). A theoretical foundation for the gravity equation. *American Economic Review*, 69(1), 106–116.
- Andersen, O. (1997). Internationalization and market entry mode: a review of theories and conceptual framework. *Management International Review*, 37, 27–42.
- Aulakh, P.S., & Kotabe, M. (2008). Institutional changes and organizational transformation in developing economies. *Journal of International Management*, 14, 209-216.
- Aybar, B., & Ficici, A. (2009). Cross-border acquisitions and firm value: An analysis of emerging-market multinationals. *Journal of International Business Studies*, 40, 1317-1338
- Banerjee, A., & Eckard, E.W. (1998). Are mega-mergers anticompetitive? Evidence from the first great merger wave. *Rand Journal of Economics*, 29, 803-827.
- Barkema, H.G., Bell, J. H. J., & Pennings, J. M. (1996). Foreign entry, cultural barriers, and learning. *Strategic Management Journal*, 17(2), 151–166.
- Barkema, H.G., & Schijven, M. (2008). How Do Firms Learn to Make Acquisitions? A Review of Past Research and an Agenda for the Future. *Journal of Management*, 34(3), 594-634.
- Barkema, H.G., & Vermeulen, F. (1998). International expansion through start-up or acquisition: a learning perspective. *Academy of Management Journal*, 41, 7–26.
- Bates, T. W., & Lemmon, M. L. (2003). Breaking up is hard to do? An analysis of termination fee provisions and merger outcomes. *Journal of Financial Economics*, 69, 469-504.

- Baum, J. A. C., Li, S. X., & Usher, J. M. (2000). Making the next move: How experiential and vicarious learning shape the locations of chains' acquisitions. *Administrative Science Quarterly*, 45, 766-801.
- Beneish, M. D., Jansen, I. P., Lewis, M. F., & Stuart, N. V. (2008). Diversification to mitigate expropriation in the tobacco industry. *Journal of Financial Economics*, 89, 136-157.
- Berglof, E. (1988). *Capital structure as a mechanism of control: A comparison of financial systems*. In M. Aoki, B. Gustafsson, & O. Williamson (Eds), *The firm as a nexus of treaties*. Newbury Park, CA: Sage.
- Berry, H. (2006). Leaders, laggards and the pursuit of foreign knowledge. *Strategic Management Journal*, 27(2), 151-168.
- Berry, H., Guillen, M., & Zhou, N. (2010). An Institutional Approach to Cross-National Distance. *Journal of International Business Studies*, 41, 1460-1480.
- Bhagat, R.S., Kedia, B.L., Harveston, P.D., & Triandis, H.C. (2002). Cultural variations in the crossborder transfer of organizational knowledge: an integrative framework. *Academy of Management Review*, 27, 204-221.
- Brocker, J., & Rohweder, H. (1990). Barriers to international trade. *Annals of Regional Science*, 24(4), 289-305.
- Brouthers, K.D. (2002). Institutional, cultural and transaction cost influences on entry mode choice and performance. *Journal of International Business Studies*, 33, 203-221.
- Brouthers, K.D., & Brouthers, L.E. (2000). Acquisition or greenfield start-up? Institutional, cultural and transaction cost influences. *Strategic Management Journal*, 21, 89-97.
- Brouthers, K. D., & Hennart, J.F. (2007). Boundaries of the firm: Insights from international entry mode research. *Journal of Management*, 33(3), 395-425.
- Brouthers, L. E., O'Donnell, E., & Hadjimarcou, J. (2005). Generic product strategies for emerging market exports into Triad nation markets: A mimetic isomorphism approach. *Journal of Management Studies*, 42(1), 225-245.
- Bruton, G.D., Ahlstrom, D., & Li, H.L. (2010). Institutional Theory and Entrepreneurship: Where are we now and where do we need to move in the future. *Entrepreneurship: Theory and Practice*, 34, 421-440.

- Campa, J., & Guille'n, M. F. (1999). The internalization of exports: Firm- and location-specific factors in a middle-income country. *Management Science*, *45*(11), 1463–1478.
- Capron, L., & Guillen, M. F. (2009). National corporate governance institutions and post-acquisition target reorganization. *Strategic Management Journal*, *30*(8), 803–833.
- Casciaro, T., & Piskorski, M. J. (2005). Power imbalance, mutual dependence, and constraint absorption: A close look at resource dependence theory. *Administrative Science Quarterly*, *50*, 167-199.
- Caves, R. E. (1996). *Multinational enterprise and economic analysis*. New York: Cambridge University Press.
- Chari, M.D., & Chang, K. (2009). Determinants of the share of equity sought in cross-border acquisitions. *Journal of International Business Studies*, *40*, 1277-1297.
- Chakrabarti, R., Gupta-Mukherjee, S., & Narayanan, J. (2009). Mars-Venus Marriages: Culture and cross-border M&A. *Journal of International Business Studies*, *40*(2), 216-236.
- Chatterjee, S., Lubatkin, M., Schweiger, D., & Weber, Y. (1992). Cultural differences and shareholder value in related mergers linking equity and human capital. *Strategic Management Journal*, *13*, 319–334.
- Chen, N. (2004). Intra-national versus international trade in the European Union: Why do national borders matter? *Journal of International Economics*, *63*(1), 93–118.
- Chen, W. (2011). The effect of investor origin on firm performance: Domestic and foreign direct investment in the United States. *Journal of International Economics*, *83*(2), 219-228.
- Chen, S., & Hennart, J. (2004). A hostage theory of joint ventures: Why do Japanese investors choose partial over full acquisitions to enter the United States? *Journal of Business Research*, *57*(10), 1126–1134.
- Child, J., Falkner, D., & Pitkethly, R. (2001). *The Management of International Acquisitions*. Oxford Univ. Press, Oxford, UK.
- Chun, B.G. (2009). Firm's choice of ownership structure: an empirical test with Korean multinationals. *Japan and the World Economy*, *21*(1), 26–38.
- Cuervo-Cazurra, A., & Genc, M. (2008). Transforming disadvantages into advantages: developing-country MNEs in the least developed countries. *Journal of International Business Studies*, *39*, 957-979.

- Dacin, M.T. (1997). Isomorphism in context: the power and prescription of institutional norms. *Academy of Management Journal*, 40, 46-81.
- Dacin, M. T., Goodstein, J., & Scott, W. R. (2002). Institutional theory and institutional change: Introduction to the special research forum. *Academy of Management Journal*, 45, 45–56.
- Das, T. K., & Teng, B.S. (2000). A resource-based theory of strategic alliances. *Journal of Management*, 26(1), 31–61.
- Datta, D., & Puia, G. (1995). Cross-border acquisitions: an examination of the influence of relatedness and cultural fit on shareholder value creation in U.S. acquiring firms. *Management International Review*, 35, 337–359.
- Davis, P., Desai, A., & Francis, J. (2000). Mode of international entry: an isomorphism perspective. *Journal of International Business Studies*, 31, 239–258.
- Deadorff, A. (1998). *Determinants of bilateral trade: Does gravity work in a neoclassical world*. In J. A. Frankel (Ed.), *The regionalization of the world economy*: 7–31. Chicago: The University of Chicago Press.
- Deephouse, D.L. (1996). Does Isomorphism legitimate? *Academy of Management Journal*, 39, 1024-1039.
- Delios, A., & Henisz, W. (2000). Japanese firms' investment strategies in emerging economies. *Academy of Management Journal*, 43(3), 305–323.
- Delios, A., & Henisz, W. (2003). Political hazards, experience and sequential entry strategies: The international expansion of Japanese firms, 1980–1998. *Strategic Management Journal*, 24(11), 1153–1164.
- Dikova, D., Sahib, P., & Witteloostuijn, A. (2010). Cross-border acquisition abandonment and completion: The effect of institutional differences and organizational learning in the international business service industry, 1981-2001. *Journal of International Business Studies*, 41, 223-245.
- DiMaggio, P.J., & Powell, W.W. (1983). The iron-cage revisited: institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48, 147-160.
- Dunlop, John T., Frederick, H. Harbison, Clark, Kerr, & Charles A. Myers. (1975). *Industrialism and industrial man reconsidered*. Princeton, N. J.: Princeton University Press.
- Dunning, J.H. (1980). Toward an eclectic theory of international production: some empirical tests. *Journal of International Business Studies*, 11, 9-31.

- Dunning, J.H. (1988). The eclectic paradigm of international production: a restatement and some possible extensions. *Journal of International Business Studies*, 19, 1-31.
- Dunning, J.H. (1993). *Multinational Enterprises and the Global Economy*. Addison Wesley: Reading, MA.
- Dunning, J.H. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review*, 9, 163-190.
- Dunning, J.H. (2006). Comment on dragon multinationals: new players in 21st century globalization. *Asia Pacific Journal of Management*, 23, 139-141.
- Earley, P.C. (2006). Leading cultural research in the future: a matter of paradigms and taste. *Journal of International Business Studies*, 37, 922-931.
- Florida, R. (2002). *The rise of the creative class*. New York: Basic Books.
- Fратиanni, M., & Oh, C. H. (2009). Expanding RTAs, trade flows, and the multinational enterprise. *Journal of International Business Studies*, 40(7), 1206–1227.
- Furman, J. L., Porter, M. E., & Stern, S. (2002). The determinants of national innovative capacity. *Research Policy*, 31(6), 899–933.
- Gaffney, N., Kedia, B. & Clampit, J. (2012). Distance and Cross-border Acquisition Equity Participation by Emerging Market Multinationals. Presented at the 2012 Academy of Management Annual Meeting, Boston, MA.
- Garcia-Canal, E., & Guillen, M. F. (2008). Risk and the strategy of foreign location choice in regulated industries. *Strategic Management Journal*, 29(10), 1097–1115.
- Gastanaga, V., Jeffrey, M., Nugent, B., & Pashamova, B. (1998). Host country reforms and FDI inflows: How much difference do they make? *World Development*, 26(7), 1299–1314.
- Ghemawat, P. (2001). Distance still matters: The hard reality of global expansion. *Harvard Business Review*, 79(8), 137–147.
- Giddens, A. (1983). Comments on the Theory of Structuration. *Journal for the Theory of Social Behavior*, 13, 75-80.
- Gomez-Mejia, L., & Wiseman, R. M. (1997). Reframing executive compensations: An assessment and outlook. *Journal of Management*, 23, 291-374.
- Graebner, M. E., & Eisenhardt, K. M. (2004). The seller's side of the story: Acquisition as courtship and governance as syndicate in entrepreneurial firms. *Administrative Science Quarterly*, 49, 366-403.

- Gubbi, S., Aulakh, P., Ray, S., Sarkar, M., & Chittoor, R. (2010). Do international acquisitions by emerging-economy firms create shareholder value? The case of Indian firms. *Journal of International Business Studies*, 41(3), 397-418.
- Guillen, M., & Suarez, S. (2005). Explaining the global digital divide: Economic, political and sociological drivers of crossnational internet use. *Social Forces*, 84(2), 681–708.
- Guler, I., & Guillen, M. F. (2010). Institutions and the internationalization of US venture capital firms. *Journal of International Business Studies*, 41(2), 185–205.
- Guler, I., Guillen, M. F., & MacPherson, J. M. (2002). Global competition, institutions, and the diffusion of organizational practices: The international spread of ISO 9000 quality certificates. *Administrative Science Quarterly*, 47(3), 207–232.
- Gupta, A.K., Govindarajan, V., & Wang, H. (2008). *The Quest for Global Dominance: Transforming Global Presence into Global Competitive Advantage*. San Francisco: Wiley.
- Haleblian, J., Devers, C., McNamara, G., Carpenter, M., & Davison, R. (2009). Taking Stock of What We Know About Mergers and Acquisitions: A Review and Research Agenda. *Journal of Management*, 35(3), 469-502.
- Haleblian, J., Kim, J. Y. J., & Rajagopalan, N. (2006). The influence of acquisition experience and performance on acquisition behavior: Evidence from the US commercial banking industry. *Academy of Management Journal*, 49, 357-370.
- Hamilton, C., & Winters, L. (1992). Opening up international trade with Eastern Europe. *Economic Policy*, 7(1), 78–116.
- Harris, R.S., & Ravenscraft, D. (1991). The role of acquisitions in foreign direct investment: evidence from the U.S. stock market. *Journal of Finance*, 46, 825–844.
- Harzing, A. W. (2002). Acquisitions versus greenfield investments: International strategy and management of entry modes. *Strategic Management Journal*, 23, 211-227.
- Henisz, W. J. (2000). The institutional environment for economic growth. *Economics and Politics*, 12(1), 1–31.
- Henisz, W. J., & Delios, A. (2001). Uncertainty, imitation, and plant location: Japanese multinational corporations, 1990–1996. *Administrative Science Quarterly*, 46(3), 443–475.
- Henisz, W. J., & Williamson, O. E. (1999). Comparative economic organization – Within and between countries. *Business and Politics*, 1(3), 261–277.

- Hennart, J.F. (1991). The transaction costs theory of joint ventures: An empirical study of Japanese subsidiaries in the United States. *Management Science*, 37(4), 483–497.
- Hennart, J.F., & Larimo, J. (1998). The impact of culture on the strategy of multinational enterprises: Does national origin affect ownership decisions? *Journal of International Business Studies*, 29(3), 515–538.
- Hennart, J.F., & Reddy, S. (1997). The choice between mergers/acquisitions and joint ventures: the case of Japanese investors in the United States. *Strategic Management Journal*, 18, 1–12.
- Heuguns, P., & Lander, M.W. (2009). Structure! Agency! (and other Quarrels): A Meta-Analysis of Institutional Theories of Organizations. *Academy of Management Journal*, 52, 61-85.
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Beverly Hills, CA: Sage.
- Hofstede, G. (2007). Asian management in the 21st century. *Asia Pacific Journal of Management*, 24, 411–420.
- Hofstede, G., Van Deussen, C.A., Mueller, C.B., & Charles T.A. (2002). What goals do business leaders pursue? A study in fifteen countries. *Journal of International Business Studies*, 33, 785-803.
- Holl, P., & Kyriazis, D. (1996). The determinants of outcome in UK takeover bids. *International Journal of Economics and Business*, 3(2), 165–184.
- Holmes, R., Miller, T., Hitt, M., & Salmador, M. (2011). The Interrelationships among Informal Institutions, Formal Institutions, and Inward Foreign Direct Investment. *Journal of Management*, 37, 1069-1107.
- Hope, O., Thomas, W., & Vyas, D. (2011). The cost of pride: Why do firms from developing countries bid higher? *Journal of International Business Studies*, 42, 128-151.
- Houston, J. F., James, C. M., & Ryngaert, M. D. (2001). Where do merger gains come from? Bank mergers from the perspective of insiders and outsiders. *Journal of Financial Economics*, 60, 285-331.
- Huynh, W., Mallik, G., & Hettihewa, S. (2006). The impact of macroeconomic variables, demographic structure and compulsory superannuation on share prices: The case of Australia. *Journal of International Business Studies*, 37(5), 687–698.
- Inglehart, R. (2004). *Human beliefs and values*. Madrid: Siglo XXI.

- Ingram, P., & Silverman, B. (2002). Introduction. In P. Ingram and B. Silverman (Eds), *The new institutionalism in strategic management*: 1–30. Amsterdam: Elsevier.
- Inkpen, A. C. (2001). Strategic alliances. In A. M. Rugman and T. L. Brewer (Eds), *The Oxford handbook of international business*: 402–427. Oxford: Oxford University Press.
- Inkpen, A.C., Sundaram, A.K., & Rockwood, K. (2000). Cross-border acquisitions of U.S. technology assets. *California Management Review*, 42, 50–70.
- Iyer, G. R. (1997). Comparative marketing: An interdisciplinary framework for institutional analysis. *Journal of International Business Studies*, 28(3), 531–561.
- Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *American Economic Review*, 76, 323-329.
- Johanson, J., & Vahlne, J. E. (1977). The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32.
- Kedia, B., Gaffney, N., & Clampit., J. (2012). Emerging Market Multinationals and Knowledge-Seeking FDI. *Management International Review*, 52, 155-173.
- Khanna, T., & Palepu, K. (2006). Emerging giants: building world-class companies in developing economies. *Harvard Business Review*, 84, 60–70.
- Kim, E. H., & Singal, V. (1993). Mergers and market power: Evidence from the airline industry. *American Economic Review*, 83, 549-569.
- King, D. R., Dalton, D. R., Daily, C. M., & Covin, J. G. (2004). Meta-analyses of post-acquisition performance: Indications of unidentified moderators. *Strategic Management Journal*, 25, 187-200.
- King, D. R., Slotegraaf, R. J., & Kesner, I. (2008). Performance implications of firm resource interactions in the acquisition of R&D-intensive firms. *Organization Science*, 19, 327-340.
- Kogut, B., & Singh, H. (1988). The effect of national culture on the choice of entry mode. *Journal of International Business Studies*, 19(3), 411–432.
- Kostova, T. (1996). Success of the transnational transfer of organizational practices within multinational companies. Unpublished doctoral dissertation, University of Minnesota, Minneapolis.
- Kostova, T. (1999). Transnational transfer of strategic organizational practices: A contextual perspective. *Academy of Management Review*, 24, 308-324.

- Kostova, T., & Zaheer, S. (1999). Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review*, 24, 64-81.
- Kreiser, P.M., Marino, L.D., Dickson, P. & Weaver, K.M. (2010). Cultural Influences of Entrepreneurial Orientation: The Impact of National Culture on Risk Taking and Proactiveness in SMEs. *Entrepreneurship: Theory and Practice*, 34, 959-983.
- Krishna, P. (2003). Are regional trading partners “natural”? *Journal of Political Economy*, 111(1), 202–226.
- Krug, J.A., & Hegarty, W.H. (2001). Research notes and commentaries: predicting who stays and leaves after an acquisition: a study of top managers in multinational firms. *Strategic Management Journal*, 22, 185–196.
- Krug, J.A., & Nigh, D. (2001). Executive perceptions in foreign and domestic acquisitions: an analysis of foreign ownership and its effect on executive fate. *Journal of World Business*, 36, 85–105.
- Kumaresan, N., & Miyazaki, K. (1999). An integrated network approach to systems of innovation: The case of robotics in Japan. *Research Policy*, 28(6): 563–585.
- La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. *Journal of Political Economy*, 106(6), 1113–1155.
- Larsson, R., & Finkelstein, S. (1999). Integrating strategic, organizational, and human resource perspective on mergers and acquisitions: a case survey of synergy realization. *Organization Science*, 10, 1–26.
- Leung, K., & Ang, S. (2009). Culture, Organizations, and Institutions. In R. Bhagat & R. Steers (Eds), *Cambridge Handbook of Culture, Organizations, and Work* (pp. 23-45). New York: Cambridge.
- Li, J., & Guisinger, S. (1991). Comparative business failures of foreign-controlled firms in the United States. *Journal of International Business Studies*, 22, 209–224.
- Li, P.P. (2007). Toward an integrated theory of multinational evolution: The evidence of Chinese multinational enterprises as latecomers. *Journal of International Management*, 13, 296-318.
- Li, P.P. (2010). Toward a learning-based view of internationalization: The accelerated trajectories of cross-border learning for latecomers. *Journal of International Management*, 16, 43-59.
- Liu, C. Z. (2007). Lenovo: an example of Globalization of Chinese enterprises. *Journal of International Business Studies*, 38, 573-577.

- Lubatkin, M., Calori, R., Very, P., & Veiga, J. J. (1998). Managing mergers across borders: A two-nation exploration of a nationally bound administrative heritage. *Organization Science*, *9*(6), 670–684.
- Luo, Y. (2002). Capability Exploitation and Building in a Foreign Market: Implications for Multinational Enterprises. *Organization Science*, *13*, 48-63.
- Luo, Y. (2005). Do insiders learn from outsiders? Evidence from mergers and acquisitions. *Journal of Finance*, *60*(4), 1951–1982.
- Luo, Y., & Rui, H. (2009). An Ambidexterity Perspective Toward Multinational Enterprises from Emerging Economies. *Academy of Management Perspectives*, *23*, 49-70.
- Luo, Y., & Tung, R.L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, *38*, 481-498.
- Luo, Y., Xue, Q., & Han, B. (2010). How emerging market governments promote outward FDI: Experience from China. *Journal of World Business*, *45*, 68-79.
- Malhotra, S., Sivakumar, K., & Zhu, P. (2011). Curvilinear relationship between cultural distance and equity participations: An empirical analysis of cross-border acquisitions. *Journal of International Management*, *17*, 316-332.
- Malmendier, U., & Tate, G. (2008). Who makes acquisitions? CEO overconfidence and the market's reaction. *Journal of Financial Economics*, *89*, 20-43.
- Markides, C.C., & Ittner, C.D. (1994). Shareholder benefits from corporate international diversification: evidence from U.S. international acquisitions. *Journal of International Business Studies*, *25*, 343–367.
- Mathews, J.A. (2002). Competitive Advantages of the Latecomer Firm: A Resource-Based Account of Industrial Catch-Up Strategies. *Asia Pacific Journal of Management*, *19*, 467-488.
- Mathews, J.A. (2006). Dragon multinationals: new players in 21st century globalization. *Asia Pacific Journal of Management*, *23*, 5-27.
- Mathews, J.A., & Zander, I. (2007). The international entrepreneurial dynamics of accelerated internationalization. *Journal of International Business Studies*, *38*, 387-403.
- McMillan, J. (2007). Market institutions. In L. Blume & S. Durlauf (Eds), *The New Palgrave Dictionary of Economics* (2nd ed.). London: Palgrave.

- Meyer, J., & Rowan, B. (1977). Institutional organizations: formal structure as myth and ceremony. *American Journal of Sociology*, 83, 340-363.
- Moeller, S. B., Schlingemann, F. P., & Stulz, R. M. (2004). Firm size and the gains from acquisitions. *Journal of Financial Economics*, 73, 201-228.
- Morck, R., & Yeung, B. (1992). Internalization: an event study test. *Journal of International Economics*, 33, 41-56.
- Morschett, D., Schramm-Klein, H., & Swoboda, B. (2010). Decades of Research on market entry modes: What do we really know about external antecedents of entry mode choice? *Journal of International Management*, 16, 60-77.
- Mueller, F. (1994). Societal effect, organizational effect, and globalization. *Organization Studies*, 15, 407-28.
- Nachum, L., Zaheer, S., & Gross, S. (2008). Does it matter where countries are? Proximity to knowledge, markets and resources, and MNE location choices. *Management Science*, 54(7), 1252-1265.
- Nelson, R. R., & Rosenberg, N. (1993). *Technical innovation and national systems*. In R. Nelson (Ed.), *National innovation systems*: 3-21. New York: Oxford University Press.
- Niosi, J. (2002). National systems of innovation are “x-efficient” (and x-effective): Why some are slow learners. *Research Policy*, 31(2), 291-302.
- North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge, MA: Harvard University Press.
- Ohmae, Kenichi. (1990). *The borderless world*. New York: Harper Business.
- Olie, R. (1994). Shades of culture and institutions in international mergers. *Organizational Studies*, 15, 381-405.
- Oliver, C. (1991). Strategic responses to institutional processes. *Academy of Management Review*, 16, 145-179.
- Oliver, C. (1997). Sustainable competitive advantage: Combining institutional and resource-based views. *Strategic Management Journal*, 18, 679-713.
- Oxley, J., & Yeung, B. (2001). E-commerce readiness: Institutional environment and international competitiveness. *Journal of International Business Studies*, 32(4), 705-723.
- Pan, Y., & Tse, D. (2000). The hierarchical model of market entry modes. *Journal of International Business Studies*, 31, 535-554.

- Peng, M. W. (2003). Institutional transitions and strategic choices. *Academy of Management Review*, 28, 275–296.
- Peng, M.W., Lee, S.H., & Wang, D.Y. (2005). What determines the scope of the firm over time? A focus on institutional relatedness. *Academy of Management Review*, 30, 622-633.
- Peng, M.W., Wang, D.Y., & Jiang, Y. (2008). An institution-based view of international business strategy: a focus on emerging economies. *Journal of International Business Studies*, 39, 920-936.
- Pisano, G. P. (1989). Using equity participation to support exchange: Evidence from the biotechnology industry. *Journal of Law, Economics, and Organization*, 5(1), 109–126.
- Ramamurti, R. (2009). What we have learned about emerging-market MNEs? In R. Ramamurti & J.V. Singh (Eds.), *Emerging Multinationals in Emerging Markets* (pp. 399-424). New York: Cambridge.
- Redding, G. (2005). The thick description and comparison of societal systems of capitalism. *Journal of International Business Studies*, 36, 123–155.
- Richards, M. (2000). Control exercised by U.S. multinationals over their overseas affiliates: does location make a difference? *Journal of International Management*, 6(2), 105–120.
- Risberg, A. (2001). Employee experiences of acquisition processes. *Journal of World Business*, 36, 58–84.
- Rosenkranz, S., & Weitzel, U. (2005). *Bargaining in mergers: The role of outside options and termination provisions*. Discussion Paper Series 05–32, Tjalling C. Koopmans Research Institute, Utrecht University.
- Rueda-Sabater, E. J. (2000). Corporate governance and the bargaining power of developing countries to attract foreign investment. *Corporate Governance: An International Review*, 8(2), 117–124.
- Rugman, A.M. (2009). Theoretical aspects of MNEs from emerging economies. In R. Ramamurti & J.V. Singh (Eds.), *Emerging Multinationals in Emerging Markets* (pp. 42-63). New York: Cambridge.
- Schilling, M. A., & Steensma, H. K. (2002). Disentangling the theories of firm boundaries: A path model and empirical test. *Organization Science*, 13, 387-401.

- Scott, W. R. (1995). *Institutions and organizations*. Thousand Oaks, CA: Sage.
- Scott, W. R. (2001). *Institutions and organizations (2nd Edition)*. Thousand Oaks, CA: Sage.
- Shaver, J. M., & Flyer, F. (2000). Agglomeration economies, firm heterogeneity and foreign direct investment in the United States. *Strategic Management Journal*, 21(12), 1175–1191.
- Shimizu, K., Hitt, M., Vaidyanath, D., & Pisano, V. (2004). Theoretical foundations of cross-border mergers and acquisitions: A review of current research and recommendations for the future. *Journal of International Management*, 10, 307-353.
- Singh, K. (2007). The limited relevance of culture to strategy. *Asia Pacific Journal of Management*, 24, 421–428.
- Stearns, L. B., & Allan, K. D. (1996). Economic behavior in institutional environments: The corporate merger wave of the 1980s. *American Sociological Review*, 61, 699-718.
- Steinherr, A., & Huveneers, C. (1994). On the performance of differently regulated financial institutions: Some empirical evidence. *Journal of Banking and Finance*, 18(2), 271–306.
- Suchman, M.C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20, 571-610.
- UNCTAD. (2007). World Investment Report Overview. United Nations Conference on Trade and Development: New York, NY.
- UNCTAD. (2011). Global and Regional Trends of FDI Outflows in 2010. Global Investment Trends Monitor, April 27, 2011.
- Vermeulen, F., & Barkema, H.G. (2001). Learning through acquisitions. *Academy of Management Journal*, 44, 457–476.
- Very, P., Lubatkin, M., Calori, R., & Veiga, J. (1997). Relative standing and the performance of recent European mergers. *Strategic Management Journal*, 18, 593–615.
- Werner, S. (2002). Recent developments in international management research: A review of 20 top management journals. *Journal of Management*, 28(3), 277–305.
- Westphal, J. D., Seidel, M. D. L., & Stewart, K. J. (2001). Second-order imitation: Uncovering latent effects of board network ties. *Administrative Science Quarterly*, 46, 717-747.

- Whitley, R. (1992). *Business systems in East Asia: Firms, markets, and societies*. London: Sage Publications.
- Wolf, C., & Weinschrott, D. (1973). International transactions and regionalism: Distinguishing “insiders” from “outsiders”. *American Economic Review*, 63(2), 52–60.
- Xu, D., & Shenkar, O. (2002). Institutional Distance and the Multinational Enterprise. *Academy of Management Review*, 27, 608-618.
- Yeung, H. W. C. (1997). Business networks and transnational corporations: A study of Hong-Kong firms in the ASEAN region. *Economic Geography*, 73(1), 1–25.
- Zaheer, S., & Zaheer, A. (1997). Country effects on information seeking in global electronic networks. *Journal of International Business Studies*, 28(1), 77–100.
- Zhang, J., Zhou, C., & Ebbers, H. (2011). Completion of Chinese overseas acquisitions: Institutional perspectives and evidence. *International Business Review*, 20, 226-238.