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Organizational characteristics of cross-border mergers and acquisitions: A synthesis and classic case examples from around the world

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A synthesis and classic case examples from around the world

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Abstract

Purpose – Given that several publicly announced international merger and acquisition deals have been abandoned in recent years, the purpose of this paper is to present a synthesis of influential articles that examine organizational characteristics of cross-border acquisition transactions. The synthesis is framed through general traits and resources, learning and prior acquisition experience, and top-level management and governance attributes. Specifically, the paper conceptualizes key organizational attributes influencing the propensity of cross-border negotiations, and the most common characteristics and post-deal effects by illustrating several case examples from around the world.

Design/methodology/approach – Owing to fairness and integrity principles of the literature survey studies, the paper adopts an exploratory review design to present a synthesis of several influential articles published in strategy, international business and corporate finance journals. Since case method and storytelling are the best qualitative approaches to conceptualizing extant theoretical contributions, a number of case examples—successful, delayed and abandoned—from around the world have been discussed by leveraging the case information from archival sources.

Findings – Drawing on resource-based view, organizational learning, upper echelons and agency theory perspectives, the paper underscores three observations. First, organizational characteristics such as firm age, firm size, ownership structure, slack resources, marketing resources, technological intensity, export intensity and business group affiliation have different impacts on the propensity of publicly announced cross-border deals. Second, firm's prior acquisition experience and firm's acquisition experience in the target country have positive or moderating effects on the success of a cross-border merger. Third, top-level management characteristics such as CEO foreign nationality and CEO international career experience, and governance characteristics such as board size, the number of independent directors and directors with overseas experience, have mixed effects on the incidence of cross-border acquisitions.

Practical implications – The paper puts forth several recommendations for top-level managers participating in cross-border acquisition negotiations, such as learning from peers in the same industry, learning from predecessors in the target country and learning from failure negotiations in the same industry and other industries.

Originality/value – Nested within the organizational, international business strategy and corporate finance literature, the paper presents a synthesis of influential publications that study organizational characteristics affecting the propensity of cross-border acquisitions. The cases discussed in this paper are unique examples from around the world.

Keywords Emerging economies, Board of directors, CEO, Organizational learning, Cross-border mergers and acquisitions, Organizational characteristics, Top-level management, Acquisition experience

Paper type Research paper

1. Introduction

1.1 The global market for corporate control

The global market for mergers and acquisitions (M&A) has reported a significant growth in value and volume of transactions, especially since the outbreak of the 2007–2009 global

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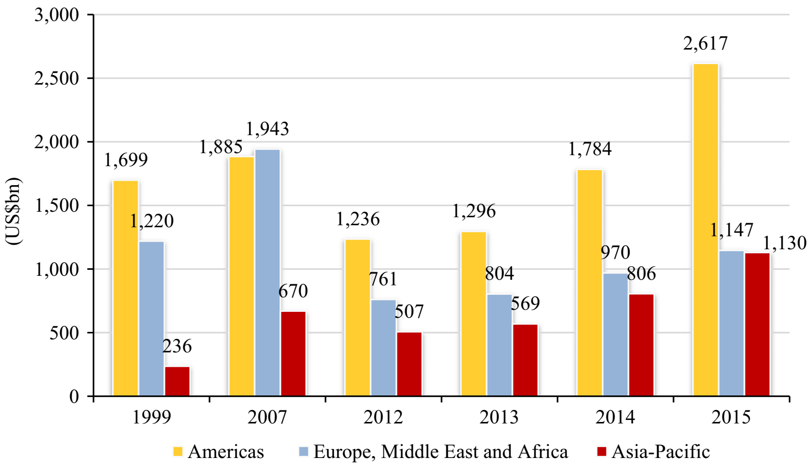
financial crisis. According to McKinsey (2015), the value of global M&A—local and international deals—reported being US$4.5tn in 2007 and US$13.6tn during 2012–2015 (see Figure 1). Of this, Americas market announced by approximately US$7tn, then Europe, Middle East and Africa markets to be US$3.7tn, and Asia-Pacific markets to be US$3tn. More interestingly, Asia-Pacific markets' share remarkably increased from 7 percent of the global M&A value in 1999 to 15 percent in 2007 and further rose by 23 percent in 2015. While Americas share raised by 53 percent in 2015 from 42 percent in 2007, the Europe, Middle East and Africa markets' share dropped by 23 percent from 43 percent. On the other hand, a closer look at the global M&A market reveals that about 30–35 percent of the announcements reported being cross-border transactions. For example, the market value (the number of deals) of cross-border M&A increased from US$960bn (10,500) in 2000 to US$1tn (12,000) in 2007 and considerably reported being US$6.7tn (140,500) during 2001–2015 (UNCTAD, 2017). These patterns indicate promising opportunities for M&A deals in Asia-Pacific markets due to home country development, competition effects, economic-policy reforms, lower asset valuations in developed economies, growing participation of private equity and investment banks, and, particularly, the emergence of national champions from emerging economies such as China, Russia, India and Brazil (Peng, 2003, 2012; Luo and Tung, 2007; Young *et al.*, 2014; Lebedev *et al.*, 2015; Mutlu *et al.*, 2015; Hitt *et al.*, 2016).

In the context, we argue that although a large number of announced deals are driven by home country (push) and target country (pull) factors, some deals are mainly determined by organizational factors (e.g. slack resources, marketing intensity, R&D intensity, target firm's liquidation) and deal characteristics (e.g. a friendly transaction, an easy payment arrangement). For example:

> *Royal Dutch Shell*'s acquisition of BG for US$70 billion; *Actavis Pharma*'s buyout of Allergan for US$68.4 billion; *Microsoft*'s takeover of LinkedIn for US$26 billion; *Holcim* and *Lafarge* merger for US$20.6 billion to create a combined firm—LafargeHolcim; *Thomson*'s acquisition of Reuters for US$17.6 billion; *Novartis*'s acquisition of GlaxoSmithKline's Oncology Business for US$16 billion etc.

These classic large-scale acquisitions are mainly driven by organizational slack resources, firm's unique resources and technological capabilities, a friendly deal, global branding and



Source: Prepared by authors based on data accessed from McKinsey & Company reports (McKinsey, 2015)

Figure 1. Geographic trends of the global M&A market

prior acquisition experience. This is also true in the case of midsize valuation deals, such as Publicis Groupe acquisition of Sapient for US$3.7bn, Lenovo-IBM's X86 Servers deal for US $2bn, Nikkei-Financial Times deal for US$1.3bn, etc.

1.2 Motivation and objectives of the study

The market statistics and extant M&A literature underscore two interesting questions. First, how many deals are actually reaching a final merger agreement after publicly announcing the deal? In other words, why are some deals successful and others unsuccessful after the public announcement? For example, based on Thomson M&A database for the period 1982–2009, Zhang *et al.* (2011) report that approximately 70 percent of the publicly announced transactions were completed. Second, what do we know about organizational characteristics influencing the success of publicly announced international acquisitions? In recent years, we notice a growing research interest on the completion likelihood and the time required to reach a final agreement of publicly announced deals in and out of emerging economies (e.g. Muehlfeld *et al.*, 2012; Serdar Dinc and Erel, 2013; Zhang and He, 2014; Tingley *et al.*, 2015; Zhang *et al.*, 2011, 2017; Li *et al.*, 2017; Popli *et al.*, 2016; Reddy *et al.*, 2016b; Zhou *et al.*, 2016; Ferreira *et al.*, 2017; Lim and Lee, 2017; Reddy and Xie, 2017). The extant literature, however, suggest contradicting views on the likelihood of completing cross-border acquisition negotiations (Dikova *et al.*, 2010).

In literature, scholars have surveyed M&A stream for several reasons, such as the country-specific determinants of cross-border M&A (Xie *et al.*, 2017), M&A in and out of emerging economies (Lebedev *et al.*, 2015; Zhu and Zhu, 2016), theoretical foundations of cross-border acquisitions (Shimizu *et al.*, 2004), M&A process (Haleblian *et al.*, 2009; Marks and Mirvis, 2015; Caiazza and Volpe, 2015), leadership attributes in M&A (Junni and Sarala, 2014), the impact of acquisitions on executive compensation (Bodolica and Spraggon, 2009), stock returns around the public announcement (Martynova and Renneboog, 2008; Yaghoubi *et al.*, 2016), the process of post-merger integration (Öberg and Tarba, 2013; Graebner *et al.*, 2017; Öberg, 2018) and bibliometric analysis (Ferreira *et al.*, 2014). No study has yet been surveyed organizational characteristics affecting the completion likelihood and the equity control of foreign acquisition negotiations. A synthesis of organizational traits such as unique resources and capabilities, cash reserves, prior acquisition experience and top-level management (TMT) and governance characteristics such as CEO global career and outside directors on the board may contribute to our knowledge on the equity participation and completion likelihood of border-crossing merger transactions.

Inspired by extant theory-driven reviews of M&A theme (e.g. Bodolica and Spraggon, 2009; Lebedev *et al.*, 2015) and conceptual frameworks in emerging economies (e.g. Luo and Tung, 2007; Peng, 2012), we first present a synthesis of influential journal articles that examine organizational characteristics affecting the propensity of cross-border M&A negotiations. Drawing on resource-based view, organizational learning, upper echelons and agency perspectives, the synthesis is framed through general traits and resources, learning and prior acquisition experience, and top-level management and governance attributes. Second, given that qualitative approaches such as case method and storytelling are appropriate to explore a particular phenomenon or research problem (Yin, 2003; Garcia and Gluesing, 2013; Haley and Boje, 2014), we conceptualize the most common organizational attributes and post-deal effects of cross-border acquisitions by illustrating a number of impactful case examples—successful, delayed and abandoned—from around the world. The paper contributes to the literature on the success of M&A negotiations, in general, and emerging economies, in particular.

The remainder of this paper is structured as follows. Section 2 presents an overview of factors affecting the propensity of cross-border M&A negotiations. Section 3 defines research design of the paper. Section 4 summarizes organizational characteristics of cross-border M&A deals, such as general traits and resources, learning and prior acquisition experience, and top-level management and governance attributes. In Section 5, we discuss theoretical implications of organizational resources and TMT and governance attributes, and the most common organizational characteristics and post-deal effects of cross-border M&A deals by leveraging classic case examples from around the world. Section 6 explains contributions, practical implications, and limitations and future research ideas.

2. An overview of factors affecting the propensity of cross-border M&A negotiations

According to strategic management and corporate finance literature, M&A choice is a long-term investment project of a focal firm's inorganic growth strategy. This growth mode grants immediate ownership and controlling rights over target firm's resources and capabilities (Jensen and Meckling, 1976). The M&A stream has been greatly contributed by the finance and accounting stream and largely focused on developed markets such as the USA and the UK. Scholars have examined M&A stream from the lenses of industrial organization, economics, finance, strategy, international business, accounting, law and sociology (Cartwright and Schoenberg, 2006; Haleblian *et al.*, 2009). Herewith, we highlight three observations. First, given the fact that most scholars have investigated M&A using statistical research tools and archival sources, there is inadequate literature using qualitative research tools (De Bernardis and Giustiniano, 2015; Reddy *et al.*, 2016b). For instance, Haleblian *et al.* (2009) find a total of 3 percent case-based research in the M&A literature. Second, the literature on cross-border M&A is limited, relative to M&A grounded in corporate finance perspectives and other foreign market entry modes literature (Shimizu *et al.*, 2004). Third, there is a burgeoning research on the outward foreign direct investment by firms from emerging economies, especially state-owned enterprises (e.g. Bruton *et al.*, 2015; Tingley *et al.*, 2015; Li *et al.*, 2017; Zhu and Zhu, 2016), and the impact of nationalism and home-host country institutional mechanisms on the success of foreign acquisitions (e.g. Serdar Dinc and Erel, 2013; Zhang and He, 2014).

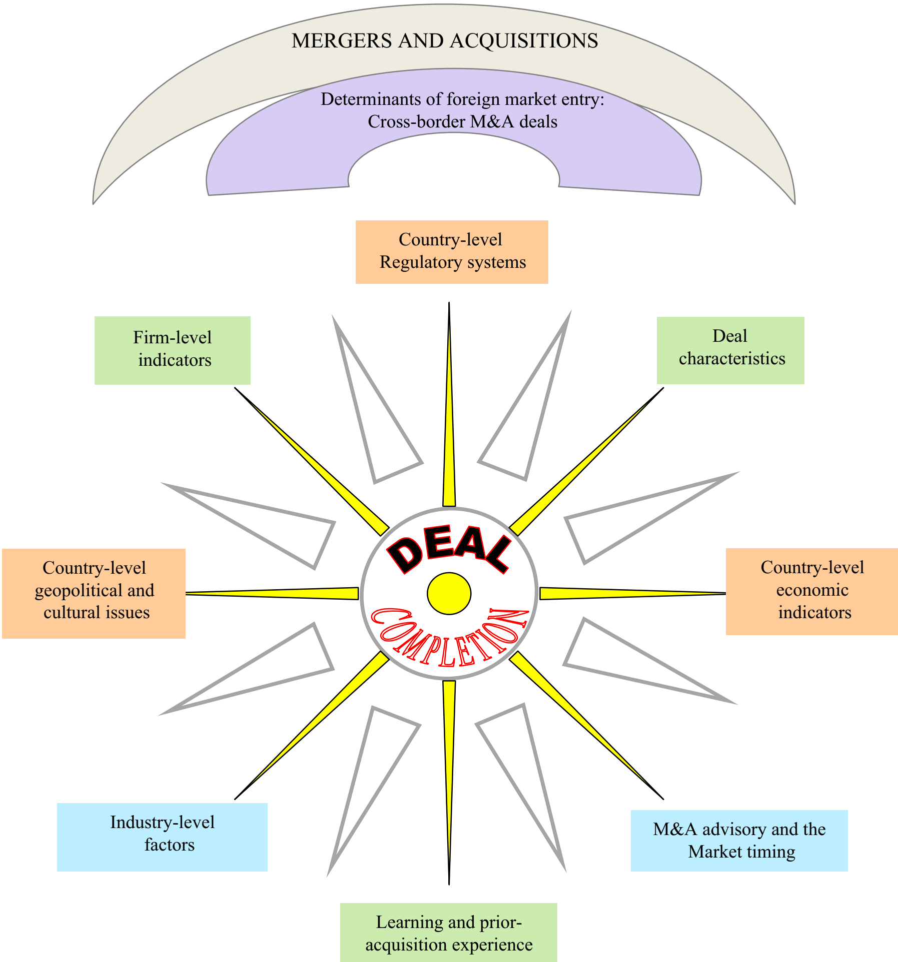
Internationalization as a process through which a firm increases its level of involvement in foreign markets over time, and traditionally considered it as a series of events that take place over time (cf. Casillas and Acedo, 2013). While acquisition choice is driven by the quick access to target's resources and ownership benefits, greenfield investment is determined by the economic aspects of the production function (Penrose, 1959; Dunning, 1980; Porter, 1985; Wernerfelt, 1984). A focal firm's M&A choice aims to create value for the shareholders and improve the overall business value, though the extant research argue that shareholders value is largely destroyed during merger announcement and post-acquisition stages due to firm-level and business environment risks. The failure rate of cross-border settings is much higher than the failure rate of domestic contexts (Shimizu *et al.*, 2004; Martynova and Renneboog, 2008; Haleblian *et al.*, 2009; Xie *et al.*, 2017). Notwithstanding the contradicting results, multinational firms are still likely to prefer acquisition to greenfield (begins from the scratch) in their internationalization process of business operations (Hitt and Pisano, 2003; Ahammad *et al.*, 2016; Hitt *et al.*, 2016; Ourvoie, 2016).

At the firm level, M&A strategy has a significant impact on the equity control and integration process of the combined firm (Bansal, 2015; Ahammad *et al.*, 2016), whereas at the macro-level, it has a great effect on the balance of payments and foreign exchange reserves of the acquirer and target countries (Erel *et al.*, 2012; Lien and Filatotchev, 2015; Boateng *et al.*, 2017). Thus, the probability of completing a publicly announced cross-border acquisition not only depends on the deal and organizational characteristics but also country-level institutional factors (see Dikova and Sahib, 2013; Lee *et al.*, 2014; Munjal and Pereira, 2015).

Learning from conceptual frameworks in developed and emerging economies, and extant reviews of M&A, foreign direct investment and corporate finance perspectives (e.g. Peng, 2003; Luo and Tung, 2007; Martynova and Renneboog, 2008; Lebedev *et al.*, 2015), we present an overview of factors affecting the propensity (completion) of cross-border M&A negotiations. Broadly, there are three categories of influencing factors—deal characteristics, organizational characteristics and macro-environment determinants. Figure 2 explicitly presents six sub-group determinants, such as deal characteristics (e.g. bid value), firm-level indicators (e.g. slack resources), learning and prior acquisition experience, industry-specific factors (e.g. industry concentration), M&A advisory and the market timing, and country-level institutions (e.g. regulatory systems, economic indicators, and geopolitical and cultural issues; see a comprehensive review by Xie *et al.*, 2017).

3. Research design

This paper aims to conceptualize some influential studies that examine organizational characteristics affecting the propensity of cross-border M&A negotiations. In the literature, scholars have recommended several literature review designs to discuss the findings of



Source: Composed by authors

Figure 2. An overview of factors affecting the success of cross-border M&A negotiations

previous studies on a particular research topic (Hart, 1998), and theoretical and conceptual frameworks to explore a specific phenomenon or research problem (Rocco and Plakhotnik, 2009). For instance, strategy scholars have adopted the systematic review and exploratory review approaches for different reasons, including the gap-spotting, theoretical underpinnings, contemporary trends, bibliometric analysis and meta-analysis (e.g. Ferreira *et al.*, 2014; Zhu and Zhu, 2016). In the M&A literature, extant systematic or integrative reviews have adopted the step-wise process to present the state-of-the-art literature and knowledge gaps (e.g. Haleblian *et al.*, 2009; Xie *et al.*, 2017), whereas exploratory reviews have synthesized some impactful articles and conceptualized the patterns or observations by exploring a particular phenomenon or research problem (Shimizu *et al.*, 2004; Luo and Tung, 2007; Peng, 2012). Yet, a synthesis of organizational traits affecting the success of cross-border deals is overlooked in the strategy and international business literature.

We choose an exploratory review design for two reasons. First, while M&A stream is an interdisciplinary research, it is practically not possible to review and summarize a large number of studies that explore several internal/external factors affecting the success of cross-border deals. Second, although an exploratory review design may less likely survey the whole stock of published literature on a particular research stream, it is still one of the ways to conceptualize some important theoretical contributions by exploring a specific research problem such as the probability of completing a publicly announced cross-border acquisition (Creswell, 2013; Hart, 1998). According to Rocco and Plakhotnik (2009), "a conceptual framework grounds the study in the relevant knowledge bases that lay the foundation for the importance of the problem statement and research questions," and it explicitly "concepts, empirical research, and relevant theories to advance and systematize knowledge about related concepts or issues" (pp. 126-128).

We have collected several hundreds of journal articles published over the past two decades. Our article search is open to subscription-based publishers, such as the Cambridge, Emerald, Elsevier, John Wiley, JSTOR, Oxford, Sage, Springer, Taylor & Francis, etc. In addition, we have traced several articles through open search and advanced keyword search on scholarly platforms like Google Scholar, SSRN and MPRA.

Owing to scholarly recommendations, we strictly follow the two common functions of the literature review and conceptual and theoretical frameworks, such as to conceptualize the study and to provide a reference point for interpretation of findings (Merriam and Simpson, 2000; Rocco and Plakhotnik, 2009). Researchers have suggested that case method and storytelling are the best qualitative approaches to conceptualizing extant theoretical contributions (Yin, 2003; Gibbert and Ruigrok, 2010; Garcia and Gluesing, 2013; Haley and Boje, 2014). Thus, a number of case examples—successful and failure—from around the world have been discussed by leveraging case information from archival sources (e.g. UNCTAD, 2017; Google News Archive) and journal articles.

4. Organizational characteristics of cross-border M&A: a review and synthesis

4.1 General traits and resources

In strategy and corporate finance literature, scholars suggest that firm's ownership structure or shareholding pattern has a significant impact on firm's strategic investment choices (Jensen and Meckling, 1976; La Porta *et al.*, 1999; Ferreira *et al.*, 2010). The shareholding pattern indicates the percentage of ownership stakes, including majority and minority ones. The majority shareholders of the firm typically include family members, provincial and central governments and their agencies, domestic institutional investors, foreign institutional investors, banks, insurance companies, mutual funds, private equity and high net-worth individuals (Geppert *et al.*, 2013; Grossi *et al.*, 2015; Bruton *et al.*, 2015; Peng *et al.*, 2016; Boyd and Solarino, 2016). A firm's ownership structure signifies whether a focal firm is affiliated to a particular business group or stand-alone firm (see Holmes *et al.*, 2018), and also describes if a focal firm is a publicly listed stock or privately distributed stock. It is because firm's ownership pattern is a key aspect of shareholders' voting rights and defines board size and composition such as inside directors and outside directors. For instance, Lien and Filatotchev (2015) propose that ownership stakes of block shareholders in the parent firm and equity stake in the subsidiary firms controlled by parent firms affect the choice of FDI locations in emerging economies. Based on a behavioral risk-taking perspective, Chittoor *et al.* (2015) find that bidder's promoter shareholding and foreign institutional shares have positive effects on the propensity of acquisitions initiated by Indian firms, which is stronger for stand-alone firms compared to the business group-affiliated firms. Thus, we argue that ownership structure has a significant impact on firm's long-term growth decisions such as international acquisitions.

Drawing on acquirer and target perspectives, a large number of studies analyze the impact of organizational determinants (e.g. age, size, operating performance, slack resources, leverage position) on the propensity of overseas negotiations (Forssbæck and Oxelheim, 2008; Raff *et al.*, 2012; Zhu *et al.*, 2011). From acquirer's standpoint, firms with better financial advantages (e.g. cash reserves), and low price-to-earnings are inclined to participate in outbound deals (Gonzalez *et al.*, 1997). Paul and Wooster (2008) suggest that using a sample of 173 US firms from 15 industries invested in transition countries, firms with sales growth and greater advertising intensity are likely to prefer an acquisition strategy to obtain more market share and first-mover advantages. Besides seeking market advantages, firms in the concentrated industry invest with high-equity commitment, and firms with greater intangible assets (e.g. technology intensity) less likely complete deals due to the weakness of intellectual property laws in the host country. For UK firms' deals that flow into emerging economies, Graham *et al.* (2008) highlight that although transaction value relative to the bidder's size has a negative effect, large firms with adequate liquid assets are more likely to reach the negotiations completion stage without any delay. Forssbæck and Oxelheim (2008, 2011) find that European bidders with adequate cash flows, superior valuation of equity and cross-listing on large stock exchanges are more likely to partake in foreign acquisitions. Raff *et al.* (2012) analyze direct international investments in 21 developed countries made by Japanese firms, suggesting that firms with the higher levels of productivity are likely to choose an FDI mode (greenfield) to export strategy (acquisition). For Bena and Li (2014), firms with the higher number of patents and lower amount of R&D expenses tend to choose an acquisition strategy.

In recent years, several studies examine the patterns and motives of outbound acquisitions by firms from emerging economies. Exploring the determinants of early movers' acquisitions by Indian enterprises, Popli and Sinha (2014) report that previous experience (strategic alliances or networking), asset size and international outlook of business group influence the timing of firms pursuing an acquisition choice. For Das and Kapil (2015), technology firm's size (assets, cash flows), low debt with the higher market capitalization and previous acquisition experience influence the acquisition decision and subsequent acquisitions. Akin to these observations, Chittoor *et al.* (2015) and Buckley *et al.* (2016a, b) suggest that firms with larger asset size and lower financial leverage are more likely to internationalize through the acquisition route. Firm's internal financial resources such as retained earnings, technological resources such as R&D spending to sales, export intensity, marketing resources and business group affiliation have positive effects on the propensity of acquisitions (see also Holmes *et al.*, 2018).

The East Asian firms are less likely to choose an acquisition strategy due to financing constraints (Chen *et al.*, 2009). For the Latin American region, Pablo (2009) reports that firms that make successful deals generally possess significant cash and equivalents, as a proportion of total assets. Firms that purse cross-border deals possess higher market-to-book ratio and lower levels of cash compared to firms that initiate local deals. In a multi-country study, Rabbiosi *et al.* (2012) report that using a sample of 808 acquisitions made by firms from BRIC countries in developed economies, prior overseas acquisition experience positively affects the likelihood of exploitative (related) acquisitions. These firms indeed benefit from the knowledge obtained from multinational diversity and acquisition experience.

From target's standpoint, firms with low price-to-earnings ratio are more likely to become targets (Gonzalez *et al.*, 1997). Leveraging a sample of 1,171 domestic and 537 cross-border deals in emerging economies, Zhu *et al.* (2011) suggest that foreign firms tend to acquire emerging economy targets that possess larger size, adequate financial performance and less competitive industry. For deals that flow into to China and India, firms with the higher cash-reserve ratio and growth opportunities tend to become targets (Nagano and Yuan, 2013). A recent study by Erel *et al.* (2015) underscores that acquirers mainly pick targets with financial constraints and cash flow problems.

4.2 Learning and prior acquisition experience

Several strategy and organizational scholars examine the impact of organizational determinants such as learning mechanism and previous experience on firm's growth choices like product diversification and market expansion. Learning is a continuous process in human life and business organizations as well (see Selznick, 1948; Cangelosi and Dill, 1965; Levitt and March, 1988; Huber, 1991). For Barkema and Schijven (2008, p. 630), organizational learning as "just positive experience transfer, or the appropriate generalization of prior experience to a subsequent event." To our understanding, learning is a process of procuring information and gaining knowledge on a particular event prior to performing a series of actions to accomplish organizational goals.

Organizational learning plays a critical role in firm's internationalization strategies. In strategy and international business literature, scholars analyze learning mechanism and prior local and international experience impacts on the choice of entry mode and the propensity of cross-border acquisitions (e.g. Barkema and Vermeulen, 1998; Barkema and Schijven, 2008; Yang *et al.*, 2011; Theodorakopoulos and Figueira, 2012; Hotho *et al.*, 2015; Trichterborn *et al.*, 2016; Galavotti *et al.*, 2017). Learning, indeed, depends on the heterogeneity in acquisition experience (Haleblian and Finkelstein, 1999), and the time between two or more consecutive deals are driven by the firm size and product relatedness (Hayward, 2002). For the experiential learning theory, experiences contribute to organizational routines that include collective, repetitive and stable patterns of activities within organizations (Muehlfeld *et al.*, 2012). Both entrepreneurs and managers acquire knowledge relating to various business strategies through four channels, namely, learning-by-doing, learning from prior experience, learning from industry peers and learning from failures and successes. In recent years, strategy and finance scholars have explored some interesting themes, such as learning-by-doing, learning-by-observing and learning from sequential acquisitions (Nadolska and Barkema, 2007; Lin *et al.*, 2009; Aktas *et al.*, 2013; Francis *et al.*, 2014; Cuypers *et al.*, 2017; Galavotti *et al.*, 2017).

A survey by Very and Schweiger (2001), based on 26 middle-market firms in France, Germany, Italy and the USA, identifies 55 influential problems in the acquisition process of domestic and cross-border deals. It is found that acquirers' prior experience in the host country positively influences the success of sequential deals. By contrast, the lack of multinational experience creates several problems in cross-border acquisition deals, ranging from negotiations break-up to post-merger integration difficulties. Firms entering an unknown country may encounter newness liabilities (e.g. legal, tax, constitutional and local political systems). Nadolska and Barkema (2007) find that, for 1,038 deals by 25 Dutch firms, each firm has made three overseas deals per year and some acquirers have had an adequate experience by 25 international deals, 17 local deals and six overseas joint ventures. The frequency of firm's acquisitions increases with the proportion to the increase in firm's participation in local and international deals. For French acquisitions in the USA, Meschi and Métais (2006, 2013) suggest that acquisition experience has an insignificant effect on the acquisition performance, measured by abnormal returns. It indicates that prior deal experience does not influence stock returns around serial acquisition announcements. Using the resource dependence theory, Lin *et al.* (2009) report that, based on 126 alliances and 74 acquisitions made by the US and Chinese firms, firms with knowledge on networks, learning and institutions are likely to make successful negotiations.

In the case of learning-by-doing, Collins *et al.* (2009) suggest that firm size, product diversification, exchange rate and degree of internationalization have a positive influence on the propensity of acquisitions; prior acquisition experience in the local and international settings influences the subsequent acquisitions, in which overseas experience influences more than the local experience; and previous acquisition experience in the target country has a positive effect on the success of subsequent deals. Elango *et al.* (2013) report that, based on 1,091 high-technology deals, although firms with larger asset size and adequate research funding choose partial ownership stakes in target countries, they still prefer to take higher or full-equity stakes when acquirers possess some prior international deal experience. Akin to Elango *et al.* (2013) and Faelten *et al.* (2014), Oguji and Owusu (2017) find that Finnish firms are more likely to choose full acquisitions, given that acquirers have prior experience in Africa region, retain target's top management team and when a target is a smaller size. For Ferreira *et al.* (2017), foreign firm's recent acquisition experience leads to shortening the time required to complete a publicly announced deal in Brazil, relative to foreign firm's older acquisition experience.

With particular regard to acquisitions in the USA and other developed countries by state-owned enterprises, the probability of deal completion is lower and the time required to sign a final merger agreement is higher (Zhang *et al.*, 2011; Tingley *et al.*, 2015; Li *et al.*, 2017). However, state-owned firms having acquisition experience and alliance experience in the USA are more likely to complete a publicly announced deal and require less time to reach a final approval stage (Li *et al.*, 2017; see also C. Zhou *et al.*, 2016 for acquisitions in and out of BRIC countries). Studies also argue that the completion likelihood of acquisitions by state-owned firms and private firms is contingent on differences in economic, institutional and cultural factors between the acquirer country and the target country, institutional ownership, public status of the target, industry relatedness and government control in concentrated industries such as oil and gas (Tingley *et al.*, 2015; Popli *et al.*, 2016; Zhou *et al.*, 2016; Ferreira *et al.*, 2017; Lim and Lee, 2017; Zhang *et al.*, 2017; see also Zhang and He, 2014 for deals in China; Reddy *et al.*, 2016b for deals in India).

For learning-by-observing (from industry peers), Francis *et al.* (2014) suggest that, based on 317 acquisitions made by US firms in developing economies, acquirers learn from industry peers due to information spillovers through communication channels, and learning from the past acquisition experiences of industry peers helps acquirers to overcome barriers in the negotiation stage. Yang and Hyland (2012) argue that mimetic isomorphism (new entrants consider other firms as a reference model) has a positive influence on the success of deals and this relationship is strengthened by environmental instability but weakened by firm's own experience (see also Xie and Li, 2016). In addition, industry peers' average premium has a strong effect on a focal acquiring firm's takeover premium decision (Malhotra *et al.*, 2015).

In the case of sequential acquisitions (frequent acquirers), Zhu (2011) investigates the stock performance of acquirers for 2,712 transactions involving 70 bidder nations and 145 target countries, suggesting that 54 percent of sample acquisitions produced positive stock earnings around the announcement. On average, bidders experience mixed earnings around previous and subsequent deals. Al Rahahleh and Wei (2012) analyze 2,340 merger deals representing 17 emerging economies, reporting that firms participating in subsequent deals experience decreasing stock returns. For 321,610 local and cross-border deals, Aktas *et al.* (2013) suggest that since repetitive acquisitions contribute to organizational learning determinants like knowledge, experience and expertise of the takeover process, they have significant positive effects on firm size and enhance takeover-related benefits such as minimizing integration costs and integrating operational efficiencies. A recent study Basuil and Datta (2015) underscores that, for a sample of 222 international deals by US service firms, acquirer's industry-specific and region-specific experiences are more likely to generate superior value for the shareholders in subsequent deals. By contrast, Meschi and Métais (2015) argue that using a sample of 741 deals undertaken by French firms in the USA, past acquisition failures have a negative effect on firm's future acquisitions.

4.3 Top-level management and governance attributes

Since long-term investment strategies such as M&A have a great impact on firm's growth prospects, top-level executives such as CEO and governance members such as the board of directors play crucial roles in the globalization of business operations. According to the upper echelons theory (Hambrick and Mason, 1984), executives' demographic factors such as gender, age, education and professional experience greatly influence firm's strategic actions and performance. For the agency theory, since shareholders are owners of the firm, firm's governance indicators such as board size and independent and outside directors have significant impacts on firm's long-term strategies, performance and governance measures (Jensen and Meckling, 1976; Demirtaş, 2017). Although an acquisition choice provides immediate ownership benefits and controlling rights over target firm's resources, it still exerts several investment risks and costs such as liability of foreignness, host country regulatory hurdles, unavoidable transaction costs and international tax litigations (Erel *et al.*, 2012; Xie *et al.*, 2017). In the context, top-level managers and directors offer help in firm's international expansion decisions targeting host countries with the higher uncertainty risk and a weak institutional environment. In this direction, not many studies have explored the direct (moderating) effect of top-level managers and corporate boards' characteristics on the propensity of cross-border acquisitions.

With regard to TMT characteristics, scholars have examined the effects of CEO nationality, CEO age, CEO education, CEO experience in local and international deals, CEO experience in the host country, CEO continuity, CEO personal investment, CEO celebrity, CEO social status such as global media awards and CEO leadership styles in various merger waves on the propensity, equity participation and acquisition premium of M&A transactions (e.g. Hayward and Hambrick, 1997; Junni and Sarala, 2014; Malmendier and Tate, 2008; Piaskowska and Trojanowski, 2014; Cho *et al.*, 2016; Park and Gould, 2017; Shi *et al.*, 2017). From an acquirer's view, Malmendier and Tate (2008) find that CEO overconfidence, measured by CEOs' personal overinvestment in their acquiring firms and their press portrayal, has a negative effect on bidder's stock returns around the public announcement. This indicates that CEOs overpay for targets and attempt to make an acquisition costly by approximately 65 percent when CEO is classified as overconfident. An interesting result is that target CEO's preferences influence the merger activity and good corporate governance is linked with acquisitions by firms led by young CEOs. Based on 2,122 deals completed by 561 UK firms, Piaskowska and Trojanowski (2014) report that TMT international orientation in terms of executives formative-years' international experiences, coupled with their multiple nationalities and multinational career experiences, moderate the negative effects of cultural distance and host country risk on the equity participation of cross-border M&A decisions. For Chittoor *et al.* (2015), concentric ownership, foreign institutional investors, marketing and technological resources and business group affiliation are the most important characteristics of acquisitions undertaken by Indian firms, while CEO's international experience positively affect the propensity of acquisitions. Using structuration and agency theories, Dutta *et al.* (2016) suggest that, for a sample of 4,812 deals by US firms in 44 target nations, because prior acquisition experience and organizational slack resources have positive effects on the internationalization process, CEO overconfidence strengthens the path dependencies.

From target's view, Dang and Henry (2016) find that independent directors, CEO power and blockholder shareholdings have significant positive impacts on a focal bidder's ownership choices and acquisition outcomes. More interestingly, the likelihood of receiving a successful bid is higher when the target CEOs near age 65 (Jenter and Lewellen, 2015).

In the case of corporate board characteristics, Datta *et al.* (2009) report that, for 383 acquisitions and 171 joint venture entries in the US manufacturing sector, bidders with the higher percentage of outside directors and independent leadership roles with the absence of duality function are more likely to choose acquisitions to joint ventures in firm's globalization process. Bidders with insiders holding a significant equity stake and receiving a great compensation package are more inclined to prefer acquisitions. In emerging economies setting, Yang (2015) suggests that using 1,358 deals made by 699 firms from nine countries, industry relatedness and board concentration have positive effects on the equity participation (ownership stakes) of publicly announced international takeovers. A recent study by Stroup (2017) underscores that acquiring firms with directors on the board having prior cross-border deal experience are more likely to conduct their first international deals. The likelihood of completing a publicly announced deal in the target country is higher with which directors on the board having prior acquisition experience.

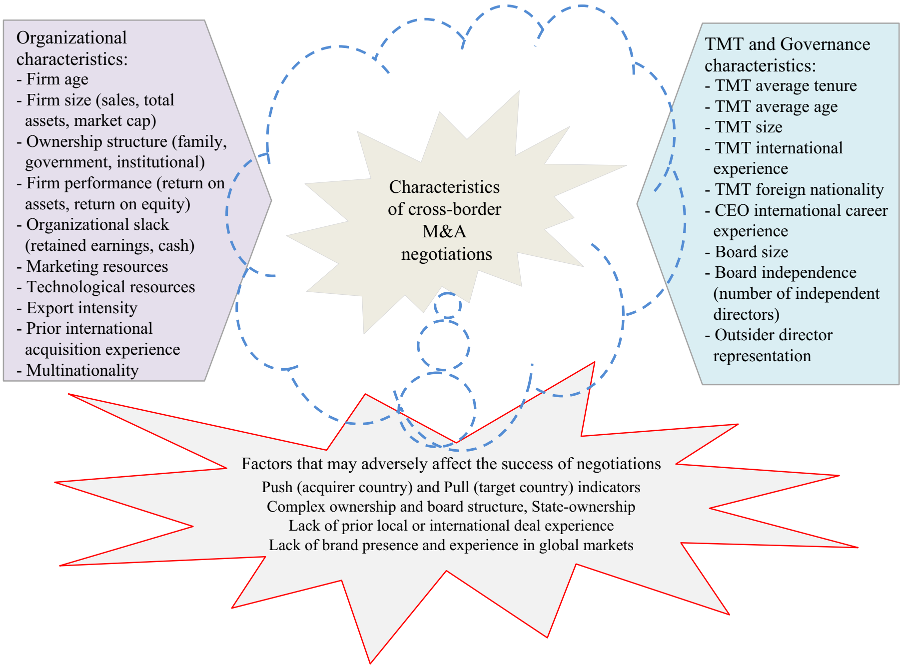
5. Conceptualization and classic case examples from around the world

5.1 Resources and TMT and governance attributes

Drawing on multi-theoretical frameworks in M&A literature such as resource-based view, organizational learning, upper echelons and agency perspectives, we explicitly discuss three organizational characteristics of cross-border M&A negotiations—firm's resources, prior acquisition experience, and TMT and governance attributes—by illustrating relevant case examples from around the world (see Figure 3). In addition, a few interesting deals are supported, given the fact that country-level institutions have strong effects on the success of publicly announced cross-border deals.

First, resource-based view suggests that firm's resources such as cash flows and capabilities such as marketing and technology have significant positive effects on strategic investment choices like M&A (Penrose, 1959; Wernerfelt, 1984). Because acquisitions are high-risk investments and intend to improve the overall business value of the acquiring firm, acquiring firm must possess adequate cash reserves and capabilities to raise equity from external capital markets, to secure long-term loans from banks or to invite an additional equity partner from private equity investment firms (Faccio and Masulis, 2005). There is no thumb rule that firms with an ample amount of cash reserves make successful deals, though firms with adequate financial resources, expertise and capabilities make at least satisfactory deals without burning their time and without spending too much on transaction costs. A few classic examples support this point:

- a Swiss-based Holcim agreed to consolidate the equity shares of a French cement company—Lafarge—for US$20.6bn to create a combined firm—LafargeHolcim;
- Microsoft announced to buy LinkedIn for US$26bn in June 2016, in which the deal has a significant positive impact on Microsoft's market value; and
- in the hospitality industry, Blackstone, a global private equity investment firm, bought Hilton Hotels & Resorts for US$26bn, and Marriott International's acquisition of Starwood Hotels for US$14bn.



Source: Composed by authors

Figure 3.
Organizational and TMT and governance characteristics of cross-border M&A negotiations

We also acknowledge some impactful acquisitions announced by firms from emerging economies such as BRICS group. Thus:

- China: Lenovo Group is one of the best examples, which acquired IBM ThinkPad for US$1.75bn in 2005, and IBM's X86 Servers for US$2.3bn and Google's divested unit —Motorola—for US$3bn in 2014 (see also Rui and Yip, 2008; Deng, 2009; Kothari *et al.*, 2013); Shuanghui International acquired a US-based Smithfield Foods for US $4.8bn; Dalian Wanda bought a US-based AMC Entertainment for US$2.6bn; Fosun International bought an 80 percent equity control in a Portugal-based Caixa Seguros e Saude, a banking and finance firm, for US$1.4bn, and also acquired an 80 percent stake in a Bermuda-based Ironshore, a general insurance firm, for US$1.8bn; in the automobile industry, Geely acquired Volvo's Cars division for US$1.5bn in 2010 (see also Fang and Chimenson, 2017).
- India: apart from the Corus acquisition, Tata Group acquired UK's Tetley tea and its automobile giant—Tata Motors—bought Jaguar & Land Rover for US$2.5bn; Aditya Birla's Hindalco acquired a US-based Novelis for US$6bn; Bharti Airtel bought a Kuwait-based Zain's Africa business for US$10bn; ONGC, a public-sector enterprise, acquired UK's Imperial Energy for US$3bn and Petrobras's oil and gas assets in Brazil for US$1.4bn; and several overseas acquisitions were made by local champions like Dr. Reddy's, Wipro and Infosys, among others (Sun *et al.*, 2012; Reddy *et al.*, 2016a; see also Kothari *et al.*, 2013; Rienda *et al.*, 2013; Thite *et al.*, 2016).
- Brazil: JBS is the world's largest meat producer, which globalized its processing hubs, meat packaging plants and diverse range of products through acquisitions in the USA, Latin American region and other emerging countries. It is a classic example

how JBS diversified its products and processing units globally through the step-wise internationalization process, such as exporting to acquisitions and setting up a wholly owned subsidiary (see Uppsala theory by Johanson and Vahlne, 1977). In 2015, JBS acquired a US-based meat packing plant—Cargill's pork business—for US$1.5bn, and an Australian meat packing plant—P&M Quality Smallgoods—for US$1.3bn; other noteworthy cases like Gerdau-steel industry, Petrobrás-oil and gas industry and Vale-mining industry (see also Mazon *et al.*, 2017). To note, Gerdau holds a 40 percent of ownership rights in Sidenor, a Spanish steel company. In 2006, Vale acquired Canada's nickel producer—Inco—for more than US$18bn in cash and other debt considerations (Vale, 2006).

- Russia: in 2012, Sberbank, a majority stake is owned by the Russian Government, acquired Belgian bank Dexia's shares in Turkey's DenizBank for approximately US$4bn. It also bought German's Volksbank International in which the deal helped the bank to expand into Eurasian countries.
- South Africa: in 2014, Woolworths Holdings, a multi-retail chain store company, acquired full-equity control in Australia's David Jones—retail business stores—for US$2bn. Since the company had historical ties with the London-based Marks & Spencer (friends and then became family members), the family ties helped Woolworths to operate a number of retail stores in developed markets and making it a cross-listing firm.

Second, accessible M&A literature propose that adequate knowledge on the process and consequences of M&A negotiations, learning from prior acquisitions, learning from prior acquisitions in the target country and learning from industry peers have positive (moderating) effects on the success of cross-border acquisition transactions (Barkema and Schijven, 2008; Barkema and Vermeulen, 1998; Collins *et al.*, 2009; Dikova *et al.*, 2010). In particular, a focal firm's international deal experience and previous alliance/acquisition experience in the host country may increase the likelihood of completing subsequent deals. For example:

- Vodafone, a multinational telecommunications company, gained significant international experience—acquisition and post-acquisition integration—in diverse markets such as Americas and Europe. In 2007, Vodafone made an entry into the Indian market by acquiring Hutchison's equity stake in a joint venture—Hutchison-Essar Limited—for US$12.7bn. The upshot of this transaction is that Vodafone was able to evade paying a capital gains tax by approximately 20 percent of the cash transaction through the indirect acquisition of Hutchison's subsidiary registered in the Cayman Islands, a tax haven country. The deal's capital gains tax plea had been litigated in the Indian jurisdictions during the period from 2007 to 2012, though Vodafone finally received a favorable judgment made by the Supreme Court of India that Vodafone does not require to pay any capital gains tax (Reddy *et al.*, 2016b).
- Royal Dutch, a global oil and gas company, acquired Shell oil and transport business for US$74bn in 2005. After this deal, the combined firm—Royal Dutch Shell—acquired several medium-size related businesses to improve the operating performance and control the overhead costs of the upstream business. Since Royal Dutch Shell is a large multinational firm with an exceptional track record of takeovers, the company announced to buy BG for US$70bn in 2015. The deal would improve Royal Dutch Shell's global market share, market value of the firm and help to minimize the overhead costs amid the effect of the oil price shocks in recent years (see an influential article on global oil and gas industry deals: Reddy and Xie, 2017).

Even more interesting, we find a series of acquisitions in developed and developing economies announced by national champions from emerging economies. For instance:

- China: state-controlled oil and gas enterprises, such as China National Petroleum Corporation, China National Offshore Oil Corporation (CNOOC) and China Petroleum & Chemical Corporation (Sinopec) initiated a total of 26 large-scale deals—at least US $1bn each—between 2005 and 2014. To note, CNOOC bought Canada's Nexen for approximately US$19bn in 2013, which is the largest cross-border acquisition by any Chinese firm so far (see Reddy *et al.*, 2016a); Lenovo's acquisition of IBM's software divisions and Google's Motorola; Anbang Life Insurance acquired US-based Waldorf Astoria Hotels for nearly US$2bn in 2014; in 2015, Anbang bought full-equity control in a Netherlands-based Reaal NV for US$1.5bn and a 66 percent equity control in a Korea-based Tong Yang Life Insurance for US$1bn.
- Brazil: between 2003 and 2007, Gerdau, a family-owned steel company, acquired ownership control in 36 target businesses; Petrobrás, a public-sector oil and gas enterprise, bought a total of 109 target firms/assets; Vale, a public-sector mining company, acquired a total of 67 target firms/assets (see Mazon *et al.*, 2017); JBS, the largest meat producer in the world, internationalized through strategic alliances and acquisitions. In 2007, it acquired a US-based Swift & Company (beef business) for US $1.4bn; in 2009, it bought a 64 percent of equity stake in a US-based Pilgrim's Pride (chicken business) for US$800m (Market Watch, 2007, 2009; Fleury and Fleury, 2014). In 2015, it acquired Cargill (pork business) for US$1.5bn and P&M Quality Smallgoods (packaging/exporting) for US$1.3bn.
- South Africa: Steinhoff, a global retail company, operates mainly furniture and household goods business and owns a number of retail stores in USA, Europe, Asia and Africa. The company initiated a series of acquisitions during the past decade. In 2011, it bought a French company Conforama for US$1.7bn in which the acquisition helped the firm to expand its retail business into European region. In 2016, it entered the UK market by acquiring Poundland for US$800m and the US market by acquiring a Texas-based mattress firm for US$3.8bn (*Fortune*, 2016; *The Telegraph*, 2016).

Some studies also indicate that the lack of prior international deal experience may exert several difficulties in cross-border negotiations (Dikova *et al.*, 2010). For example:

- Bharti Airtel, a leading telecommunications company in India, with adequate financial resources and capabilities to raise equity from local capital markets, failed to materialize the cross-border merger proposal with a South Africa's telecom company MTN. Bharti Airtel eventually entered the African market by acquiring a Kuwait-based Zain's Nigerian subsidiary operations (Reddy *et al.*, 2016b).

Therefore, organizational characteristics such as firm age, firm size (sales, market capitalization, total assets), ownership structure (family, government, institutional investors), financial performance (return on assets, return on equity), slack resources (retained earnings, liquid assets), marketing resources, technological intensity, export intensity, business group affiliation, prior deal experience and prior acquisition experience in the target country have different (moderating) impacts on the propensity/success of cross-border M&A negotiations. It is important to note that firm characteristics such as complex ownership and board structure, state-ownership, lack of global brand presence and experience in international markets, lack of prior local or international deal experience and lack of managerial expertise may create information asymmetry problems. This asymmetry problem may tempt a focal bidding firm paying a higher takeover premium, delay the negotiation process and completion time, and destroy bidding firm's shareholders value around the public announcement.

Third, extant studies indicate that TMT and governance attributes are grounded in prominent theoretical frameworks such as agency, stewardship, managerial hubris and upper echelons (Jensen and Meckling, 1976; Hambrick and Mason, 1984; Hayward and Hambrick, 1997; La Porta *et al.*, 1999). Because a firm's internationalization strategy through the acquisition method is a high-risk investment strategy, top-level managerial professionals, such as CEO, and governance members, such as the board of directors, are more likely to participate in firm's growth decisions and provide directions for firm's financial performance and governance mechanisms, respectively. It is found that CEOs with multinational career and global experience help a focal acquirer to overcome uncertainty risk and liability of foreignness in the target country (Piaskowska and Trojanowski, 2014; Dutta *et al.*, 2016). A large proportion of outside directors on the acquirer's board are more likely to favor acquisitions (Datta *et al.*, 2009; Demirtaş, 2017). Thus, TMT characteristics such as average tenure, average age, international experience, foreign nationality and CEO international career experience, and governance characteristics such as board size, board independence (the number of independent directors), outside directors image and directors on the board with prior deal experience have mixed (moderating) effects on the propensity of cross-border acquisition negotiations.

In addition, country-level institutions such as the bilateral trade, investment and tax agreements, historical links and defense ties have different impacts on the incidence of cross-border acquisitions (Lee *et al.*, 2014; Xie *et al.*, 2017). For example:

- In 2011, British Petroleum acquired a 30 percent equity control in 23 oil and gas blocks owned by India's Reliance Industries for US$7.2bn (informal ties with the ruling political party, and historical ties between India and the UK).
- Rosneft, a Russian Government oil and gas company, formally signed an agreement to acquire a 49 percent of equity control in India's Ruia's family-business (brothers Shashi Ruia and Ravi Ruia)—Essar Oil—for approximately US$7bn. Kesani Ltd, led by a consortium of Trafigura (the world's largest commodity trader) and United Capital Partners (private equity group), agreed to acquire a 49 percent of equity control, and the remaining 2 percent will hold by Essar. The agreement was officially signed in the presence of the Russian President Vladimir Putin and the Indian Prime Minister Narendra Modi during the BRICS Summit in Goa on October 15–16, 2016 (Business Line, 2016; informal ties with the ruling political party, and defense ties between India and Russia).

At the same time, regulatory framework of foreign M&A, government ownership in concentrated industries, ruling political party ministers, doing business environment, economic performance and cultural differences in the target country have mixed effects on the success of publicly announced cross-border M&A deals (Zhang *et al.*, 2011, 2017; Erel *et al.*, 2012; Tingley *et al.*, 2015; Xie *et al.*, 2017). In recent years, several developed and developing economies have tightened the competition rules, governance mechanisms and merger process guidelines. Thus:

- In 2005, CNOOC-Unocal cash deal for US$18.5bn had been abandoned due to "unprecedented political opposition from the US Congress"; the Unocal shareholders finally approved the deal with Chevron (Wan and Wong, 2009, pp. 449-452).
- In 2006, the Dubai Ports World's proposal to manage five US ports had been failed (Wan and Wong, 2009).
- The Indian foreign investment and tax regulations have had detrimental effects on the time required to complete a publicly announced telecommunications deal between Vodafone and Hutchison (Reddy *et al.*, 2016b).

- In the case of greenfield projects also, India's Adani Group proposal to invest US$4bn in the Carmichael coal mine and railway in Australia had been delayed for years due to local environmental agencies' protest for global warming concerns (Business Line, 2017).

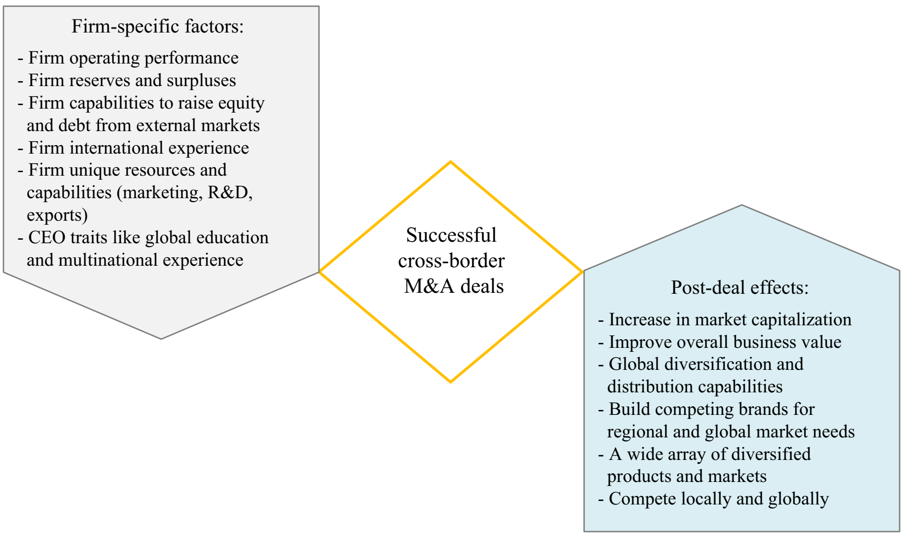
5.2 The most common characteristics and post-deal effects of successful cross-border deals

In this section, we discuss the most common characteristics and post-deal effects of successful cross-border M&A negotiations (see Figure 4). On the one hand, we suggest that friendly deals, firm's reserves and cash flows, firm's unique resources and capabilities like marketing, R&D and exports, firm capabilities to raise equity and debt from external capital markets, firm's international experience, CEOs with multinational career and cross-country experience, and directors on the board with overseas experience are the most common characteristics of successful international deals. These organizational attributes have positive (moderating) effects on the propensity, the completion likelihood and the time required to reach a merger agreement of publicly announced cross-border acquisitions:

- Mittal Steel and Arcelor agreed to form a new consolidated firm—ArcelorMittal—for approximately US$32bn in 2006.

However, although some bidding firms may not have international branding, adequate marketing resources and a higher degree of export intensity, firms still make successful deals given the fact that such firms possess abundant slack resources and also led by CEO with international experience. This is particularly true in the case of information technology and knowledge-intensive industries. Moreover, industry-specific events such as crude oil price shocks in the global oil industry, and technology shocks in the mobile and communications sector influence a focal firm's propensity to pursue strategic choices such as acquisitions, joint ventures and divestitures (Xie *et al.*, 2017).

On the other hand, we propose that successful negotiations may improve the overall value of the bidding firm, measured by market capitalization, global diversification and



Source: Composed by authors

Figure 4.
The most common organizational characteristics and post-deal effects of successful cross-border acquisitions

distribution capabilities, and a portfolio of brands for regional and global market needs together will help the firm to compete locally and globally. For example:

- Sanofi-Aventis/Genzyme for US$21bn; Kraft Foods/Cadbury for US$18bn; Thomson/Reuters for US$17.6bn; Alcatel/Lucent Technologies for US$13.6bn; SAB Miller/Fosters for US$10.8bn; the most recent deals—Bayer/Merck for US$14.2bn, Holcim/Lafarge for US$20.6bn, Nikkei/Pearson's Financial Times for US$1.3bn etc.

We also refer to some successful acquisitions and multinationals from emerging economies:

- China: Geely's takeover of Volvo Cars division (see Fang and Chimenson, 2017); Lenovo, Acer, Haier, Founder Technology, Huawei Technologies, ZTE Corporation, BOE Technology, Nanjing Automotive and large-scale state-owned firms, banks, insurance companies and financial services (see Rui and Yip, 2008; Deng, 2009; Duysters *et al.*, 2009; Kothari *et al.*, 2013; Lai *et al.*, 2015; Hung and Tseng, 2017).
- India: Tata Group, Reliance Industries, Aditya Birla Group, Infosys, Wipro Technologies, Dr. Reddy's, Ranbaxy (now Sun Pharma), Biocon, and government's ONGC, among others (Kothari *et al.*, 2013; Thite *et al.*, 2016). To note, Endurance, an auto-ancillary firm, acquired Italy-based Fondalmec in 2007. The acquisition facilitated Endurance to serve some of the best car makers in the Europe, such as Fiat, Daimler and two leading French automobile manufacturers. By the end of 2013, Endurance's revenues increased by 30 percent and total assets raised by 24 percent (see Aureli, 2015; Aureli *et al.*, 2017).
- Brazil: Gerdau, Petrobrás, Vale, JBS, etc. (see Fleury and Fleury, 2014; Mazon *et al.*, 2017).

With regard to post-acquisition performance of local and international firms, we accept that "companies advance myriad strategies for creating value with acquisitions—but only a handful are likely to do so" (McKinsey, 2017). Prior literature indicate that M&A strategy fails to create superior value for the shareholders, though the consequences and operating performance of the acquiring firm are contingent on firm, industry- and country-level factors, such as industry-specific experience, region-specific experience, unrelated diversification deals, host country uncertainty risk, global economic shocks, regulatory changes, competition guidelines, geopolitical affairs and, importantly, cross-country cultural conflicts (Erel *et al.*, 2012; Basuil and Datta, 2015; Chen *et al.*, 2016; Caiazza, 2018; Panibratov, 2017). Thus:

- In 2007, India's United Spirits acquired full-equity control in UK-based Whyte & Mackay for US$1.2bn. In 2014, the United Spirits sold its Whyte & Mackay to a Philippines-based Emperador for US$726m due to the fact that UK's competition guidelines impact on the subsequent deal in the same year—Diageo's takeover of a majority of the shares in United Spirits (*(The) Economic Times*, 2014). As of 2015–2016, Diageo acquired more than 55 percent of equity control in United Spirits and spent approximately US$3bn on financial restructuring and post-deal operations of the target firm (*Forbes India*, 2016).
- Bharti Airtel acquired Kuwait-based Zain's Africa business for US$10bn in 2010. In 2014, Airtel sold its 3,500 towers to Eaton towers, 3,100 towers to Helios Towers and 4,800 towers to American Tower Company for nearly US$1bn because Zain's Africa business created serious debt problems on the balance sheet of Bharti Airtel (Business Standard, 2014).
- Tata Steel, a Tata Group company, acquired Corus for approximately US$12bn in 2006. In June 2016, there were national media headlines that Tata Steel plans to sell Corus's UK subsidiary unit due to poor sales, escalated fuel costs, cheap imports of the steel and labor union issues (*(The) Times of India*, 2016).

In summary, publicly announced cross-border deals that feature related business, bidding firm's adequate slack resources, bidding firm's prior deal experience in the target country, bidding firm's unique resources and capabilities, and bidding firm's CEO international career are more likely to be triumphant. Such deals indeed produce superior value for both bidding and target shareholders around the public announcement and improve the operating performance of the combined firm. Leveraging consulting experience globally and with expertise in diverse industries, McKinsey (2017) suggests six archetypes of successful acquisitions:

> […] improving the performance of the target, removing excess capacity from an industry, creating market access for products, acquiring skills or technologies more quickly or at lower cost than they could be built-in house, exploiting a business's industry-specific scalability, and picking winners early and helping them develop their businesses.

6. Discussion

6.1 Contributions

At least three contributions emerge from our study. First, drawing on resource-based view, organizational learning, upper echelons and agency theory perspectives, the paper presents a synthesis of organizational characteristics—general traits and resources, learning and prior acquisition experience, and TMT and governance attributes—influencing the propensity of cross-border acquisition deals. The synthesis of influential publications suggests that ownership structure of the firm, slack resources, marketing, exports and technological intensities, firm's capabilities to raise external finance and prior acquisition experience have significant positive impacts on the incidence of announced deals. At the same time, TMT and governance characteristics such as CEO international career experience and outside directors' overseas experience help bidding firms in matters like estimating target's market value, structuring and negotiating complex deal structures, and dealing with the state affairs.

Second, given that several publicly announced deals initiated by firms from emerging economies have been abandoned in recent years, we conceptualize key organizational factors affecting the completion likelihood and the time required to reach a final agreement of international deals. These factors have been supported by a number of classic case examples from around the world. We argue that complex ownership and board structure of the firm, state-ownership control, firms with the lack of multinational presence and firms with the lack of prior deal experience may create information asymmetry problems, drive paying a higher takeover premium for the target shareholders, delay the negotiation and completion process, and destroy acquiring firm's shareholders value. We also posit that home country institutional support, doing business conditions in the target country and a regulatory environment in the target country have different effects on the success of foreign acquisition deals.

Third, we discuss the most common characteristics and post-deal effects of successful international deals. On the one end, firm's adequate cash flows, firm's unique resources like R&D intensity, firm's capabilities to raise equity from open capital markets, firm's prior acquisition experience in the target country, CEOs with multinational careers, and directors on the board with international experience have positive (moderating) effects on the completion likelihood of acquisition negotiations. On the other end, although a large number of announced deals reach the acquisition agreement stage, there is no statistical evidence whether successful deals produce superior returns for the bidding shareholders during merger announcement window and post-merger period. We hence propose that good deals not only produce higher returns for the target shareholders around the public announcement, but also improve market capitalization and financial performance of the bidding firm.

6.2 *Practical implications*

The study puts forth several recommendations for top-level managers participating in cross-border acquisition negotiations. Organizational characteristics such as cash reserves, capabilities to raise external finance, marketing and technological resources, export intensity, CEO global career experience and outside directors on the board have favorable effects on the success of cross-border merger negotiations. Managers are suggested to adopt dynamic learning mechanisms to enhance the effectiveness of bargaining and deal structuring to complete an announced deal without significant delay in the negotiation process. While managers routinely learn from firm's previous acquisitions and their own experiences, learning from peers in the same industry, learning from predecessors in the target country and learning from failure negotiations in the same industry and other industries may improve managerial knowledge and skills that might help in the adverse state of affairs during pre- and post-negotiation stages. Therefore, we suggest that successful, delayed and abandoned deals in the same industry and target country may enhance managerial understanding of the deal mechanism, the bargaining power and the timing in diverse global markets.

Even at the macro-level, bidding firm managers are suggested to acquire knowledge relating to the target country's legal environment, political structure and tax policies that may help to overcome the state of regulatory approvals and eventually complete a merger agreement. For national champions from emerging markets, managers, directors on the board and representatives of state-owned enterprises participating in cross-border deals must evaluate target firm's financial performance, the due-diligence process of the announced deal and financing alternatives of the payment, and may consult professional M&A advisors. It is because a careful evaluation of target firm's business operations and target country's institutional environment may reduce information asymmetry problems and thereby avoid paying a higher takeover premium for the target shareholders. This may also help acquirer and target to reduce the transaction cost of the negotiation process and regulatory approvals.

6.3 *Limitations and future research ideas*

This paper is a synthesis of influential papers that analyze organizational characteristics influencing the propensity of cross-border M&A negotiations. The summary and theoretical implications are grounded in interdisciplinary M&A theories that may enhance our understanding of the effects of dynamic organizational characteristics such as slack resources, firm's prior acquisition experience, firm's deal experience in the target country, CEO with global career, and directors on the board with international experience on the completion likelihood and the time required to reach a merger agreement of M&A negotiations. Future studies could explore both micro- (e.g. deal and industry) and macro-level determinants of cross-border acquisitions by defining a systematic procedure of the state of the art literature—journal and article selection criteria or by employing a meta-analysis procedure. For instance, meta-analysis not only analyzes a large amount of literature published on a particular topic like M&A but also theoretically synthesizes and empirically integrates quantitative research studies that found contradictory results.

In addition, while several studies have examined cross-border M&A deals in and out of developed economies, future research on the motives, antecedents and effects of international takeovers undertaken by firms from emerging economies may contribute to M&A literature and help managers involving in firm's global investment decisions. Since institutional transitions affect firm's strategic choices, future research on the relationship between firm performance and globalization strategies of emerging economy firms such as state-owned enterprises may contribute to agency perspectives and ownership control of the firm as well as welfare economics of the country (e.g. Bruton *et al.*, 2015; Peng *et al.*, 2016).

Given that organizational characteristics are predictable in the internal settings, it is worth to adopt case study research, storytelling approach, grounded theory and mixed-method designs to discuss critical findings of sample cases and build new theoretical constructs (e.g. Eisenhardt, 1989; Yin, 2003; Garcia and Gluesing, 2013; Rosile *et al.*, 2013; Haley and Boje, 2014). For example, what are the reasons for and post-deal effects of unsuccessful or delayed deals initiated by emerging market firms in developed markets? How do CEO global career and CEO prior acquisition experience mitigate the negative effects of target country's institutional environment on the propensity of international acquisitions?

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