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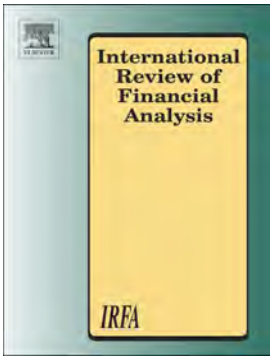

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Target Country's Leadership Style and Bidders' Takeover Decisions

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Abstract

This study provides evidence on how takeover decisions are influenced by the target country's leadership style. Using a sample of failed and completed deals across 45 countries from 1992 to 2015, we show that takeover likelihood and acquisition premiums are significantly related to the target country's leadership style. Specifically, firms located in countries embedded with higher charismatic, participative or human-oriented leadership style are more likely to receive higher premiums and thus be potential targets. These effects are more pronounced in countries embedded with higher charismatic leadership style. This study points out the role of the target country's leadership style, as a valuable asset, on the bidders' decisions that could have a direct effect on the post-M&A outcomes. Our findings are robust to controls for alternative techniques and for selection bias.

Keywords: Mergers and acquisitions (M&As), Takeover likelihood, Leadership style, Takeover premium.
JEL Classification: G34, L2, C33

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1. Introduction

Mergers and acquisitions (M&As) represent today an increasingly important form of investment decisions to broaden new capabilities and knowledge, foster innovation, and enhance the overall performance through the organization. Before signing an M&A agreement to acquire a potential firm, the acquirer faces several important decisions inherent to the choice of a potential target and the premium offered. Such decisions are likely to be associated with the target's information available to the bidders as the attractiveness of the target firm in terms of valuable assets and skills (Bena & Li, 2014). Besides the diverse array of former works on bidder's takeover decisions, almost no scholarly attention has been devoted to the leadership style of the target country, since leadership style may signal important information to bidders to better select and evaluate the target. In this study, we address this issue by examining the role of target country's leadership style, as value-enhancing information provided to the bidder, in explaining cross-country differences in acquisition decisions, especially, the takeover likelihood and acquisition premiums.

Earlier researches suggest that mergers and acquisitions are often driven by the bidders' desire to increase efficiency, enhance corporate learning or obtain the highly skilled human capital of the target companies (Graebner, 2004). When a bidder acquires a firm, he doesn't only "acquire" the target's financial resources but also its knowledge resources (Ranft and Lord, 2002). Bidders may seek to obtain the in-depth skills and expertise of the employees or of specific managerial person in the target firm (Ranft and Lord, 2002). The human capital of the target firm represents valuable assets for the bidder but can also distract the bidder from its own objectives to pursue successful integration and higher performance (Schuler & Jackson, 2001). Based upon the study carried out by the Society for Human Resource Management (SHRM), 70% of M&As failed because of HR-related factors (leadership style, poor motivation, loss of key talents....). Effective integration demands a substantial commitment of the managerial resources of the target firm (Graebner, 2004) and the implementation of an effective leadership that could be the driver of human elements (commitment to change, organizational and cultural integration) during M&A process (Waldman & Javidan, 2009).

Defining leadership as an influence process concerned with facilitating the performance of a collective task (Yukl, 2006), several studies suggest that leadership and employees play a relevant role on M&A outcomes. Within the realm of M&A leadership, leadership behaviour

was found to create a common organizational culture and a shared identity (Clark, Gioia, Ketchen & Thomas, 2010), increasing employees acceptance to change (Schweiger & Goulet, 2005), supporting cultural integration and improving post-M&A outcomes (Nemanich and Keller (2007). Behavioural theory of leadership in M&A context provides evidence that such types of leader behaviours as charismatic behaviour is associated with greater attempts at integration through increasing employees commitment to the collective goals of the merger via sharing vision and information during M&A process (Waldman & Javidan, 2009). An early survey on the view that corporate leadership has an effect on post-M&A outcomes, is Nemanich & Keller (2007), who found that transformational leaders affect post-M&A outcomes of the bidder in terms of integration, employees reactions, post-M&A success through individualized consideration, intellectual stimulation, idealized influence and inspirational motivation. A related view to these studies is that the ethical aspects of leadership style such as-sincere integration efforts, corporate social respectability, employment security and caring practices-increase employee commitment (Lin & Wei, 2006), decrease turnover (Edwards & Edwards, 2013), support collaboration, and minimize the risks of integration failure.

While most studies have been devoted to the leadership style at the firm level, and especially the bidder firm, few studies have focused on the target firm. Two studies point out the role of the proactive behaviour of target's leadership style on firm outcomes (Graebner, 2004; Marks & Vansteenkiste (2009). Graebner (2004) argue that acquired leaders have the responsibility to achieve the expected value and the serendipitous value of the M&A by preserving the target organizational momentum and by taking cross-organizational responsibilities during the integration process. Additional support produced by Marks & Vansteenkiste, (2009), who argue, in their survey of the relationship between post-M&A outcomes and target leaders behaviour, that leaders have to manage the transition effectively by coping with employees emotions and understanding how it can affect work activities.

Although these researches have produced valuable insights, yet, few studies have been devoted to target's leadership style, and no research has systematically investigated how target country's leadership style influences the bidders' decisions**.** In view of the current state of the literature, this study addresses this gap by exploring the effect of target country's leadership style on the probability of being a potential target and on the takeover premium. Despite the relevance of leadership style on corporate decisions in general, M&As provide an interesting context in which to examine its effects on managerial decision-making, since M&A success in

terms of creating shareholders' wealth and achieving post-integration depends on leadership style (Waldman & Javidan, 2009).

Our samples of takeovers and of all Worldscope firms across 45 countries are obtained from SDC database and Worldscope, respectively. Using SDC, we identify 12,327 deals from 45 countries for the period 1992-2015. Of these 12,327 M&A deals, 11,449 are completed and 878 are failed deals. We use the value-based measure of premium, defined as the difference between the offer price and the market value of equity 43 days before announcement date, to avoid the run-up effect on the stock price of the target prior to announcement date. Our research builds on the Globe (Global Leadership and Organization Behavior Effectiveness) leadership dimensions, which include charismatic, participative and human-oriented leadership dimensions.

We empirically find results consistent with the prediction that the target country's leadership style has an effect on the bidders' takeovers decisions, after controlling for deal-level, firm-level and country-level variables. First, we provide evidence that the likelihood of being taken over is increasing with the target country's leadership style level. Second, a positive and significant relation is found between all leadership dimensions and the takeover premium. These effects are more pronounced for targets located in countries embedded in higher charismatic leadership style. The selection of the potential target and the premium paid depend on the perception of the bidder of how attractive the target country's leadership style is. The attractiveness of the charismatic leadership style stems from the fact that the bidder overvalues the target's managerial resources and seeks thereby to transfer managerial competences, knowledge and good leadership of the target and learn about the other targets to foster innovation and competitiveness. The leadership style that encourages subordinates' efforts and commitment consistent with the overall strategic vision of merger and gives employees the opportunity to take actions to support collaboration is more likely to be attractive to bidder firm, to enhance a better organizational performance. Likewise, the attractiveness of the target country's charismatic leadership style boosts the competition and increases the bargaining power of the target pushing the bidders to offer higher premium for these targets to deter observable competition and unobserved private auctions.

Besides using controls in most specifications, we use the Heckman model to control for selection problem. When employing the Heckman selection model to isolate the

endogeneity effect, we find robust evidence that firms embedded in countries with higher charismatic leadership style tend to be targeted and to obtain higher premium.

Our paper gives contributions to the prior M&A literature in the following dimensions. It contributes to the long-standing theoretical literature examining takeover likelihood and the acquisition premium. Our work makes an important empirical contribution to the M&A leadership theory as we show that target country's leadership style dimensions affect the bidder's decisions during organizational change. Our paper also adds to M&A literature that target country's leadership style is a valuable asset because of its potential relationship to achieve successful implementation and create shareholders' wealth.

The remainder of this work is organized as follows. Section II provides a brief overview of M&A leadership literature and hypothesis development. Section III describes the Data and variables construction. Section IV provides estimates for the probit model and the premium equation. Finally, section V gives the discussion of the paper.

2. Prior literature and hypotheses development

2.1. Prior literature on leadership and M&A

The following paragraphs provide a brief overview of the literature on leadership style and its relation to M&As.

Leadership is "a process whereby intentional influence is exerted over other people to guide, structure and facilitate activities and relationships in a group or organization" (Yukl, 2006, p. 21). Leadership featured prominently in management studies and is an intriguing topic within the field of organizational behaviour, as empirical evidence suggests that it is a crucial factor influencing a range of social and organizational outcomes. According to Wang, Tsui and Xin (2011), CEOs people oriented leadership behaviour leads positive attitudinal responses of the company's middle managers and thus promotes firm performance. In the M&A field, many studies found that leadership behaviours have positive effect on post-M&A outcomes such as employees acceptance to change (Schweiger & Goulet, 2005), cultural integration (Barmeyer & Mayrhofer, 2008) and M&A performance (Gill, 2012; Nemanich & Keller 2007). As advanced by Waldman and Javidan (2009), effective integration is achieved by charismatic leadership behaviour that results in collaborative decision-making processes and vision-formation.

Further, Nemanich and Keller (2007) argue that transformational leadership is drawn by the potential of the leader to inspire subordinates to accept that a bright future lies in an integration of two firms, and to transform their behaviour by going beyond the status quo and, doing so, foster their motivation and capabilities to enhance their job satisfaction and performance.

Despite the rewarding insights found, by these studies, they present some limitations. Countless of studies have focused on the acquirer's leadership style. Fewer studies have investigated the target's leadership style and its effects on firm's outcomes. Dunbar (2014) argues that the assessment of the collective leadership capabilities of the firms involved in an M&A deal (bidder and target) should be carried out during the due diligence preceding an M&A offer and likewise following the integration planning. From the target perspective, Graebner (2004) finds that acquired leaders play a crucial role in realizing the expected value through accelerating interaction with the acquirer and mitigating employees' concerns. These leaders also take cross-organizational responsibilities and identify opportunities for unexpected resources reconfiguration to promote the serendipitous value. Additionally, Marks and Vansteenkiste (2008) describe the role and the actions target leaders should undertake to assist employees confronting organizational death and support transition.

In spite of the diverse array of former works on leadership styles, M&A researches have shifted their focus away from the effect of target country's leadership style on takeover likelihood and acquisition premium. To address this issue, we use the Globe study that includes scores for each country's leadership dimensions. The Globe leadership dimensions are the result of two-order factor analysis, where the initial analysis is built on a survey addressed to 17.300 CEOs in 951 organizations from 62 countries**.** The second analysis produces a set of six global leadership dimensions: Charismatic/Value-Based Leadership, Team-Oriented Leadership, Participative Leadership, Humane-Oriented Leadership, Autonomous Leadership and Self-Protective Leadership. In our study, we emphasis Charismatic/Value-Based Leadership, Participative Leadership and Humane-Oriented Leadership because of their relevance on firm outcomes in prior literature.

2.2. Hypothesis development

2.2.1. Charismatic leadership style

Charismatic leadership "reflects the ability to inspire, motivate, and expect high performance outcomes from others based on firmly held core values." (House et al. 2004 p.675). It is defined in the Globe within six dimensions: visionary, inspirational, self-sacrifice, integrity, decisive and performance oriented. As visionary leaders, they articulate an inspirational and a compelling vision about the future of the merger, employees and stakeholders. Leaders' integrity could reduce costs associated to employees' turnover, lower morale employees and loss of firm reputation (Stahl & Sitkin , 2010) during the M&A process. Charismatic leaders show determination and act decisively when they accomplish goals or change. These attributes are associated with challenging the status quo, self-scarifying and risk-taking for the benefits of the whole organization. Being engaged in self-sacrificing behaviour is seen as extraordinary behaviour since the leader has a commitment to the collective stakeholders' welfare (Knippenberg & Knippenberg, 2005) in M&A.

Along these lines, such leadership behaviour is more likely to be attractive and appreciated by the bidder as "followers who believe the charismatic leader knows how to attain the shared objective, will work harder, thereby increasing the actual probability of success" (Yukl, 2006, p 264). Charismatic leaders generate momentum through emphasising on collective commitment to the objective of the acquisition. Hence, charismatic leadership style values are in congruence with the acquirer's motives to acquire a certain target, since the important objective of the bidder is to lead successful M&A implementation. Since the bidder's objective is to create growth opportunities and generate synergies, acquiring a firm with higher level of charismatic leadership could allow the acquirer to achieve these goals through access to target's valuable assets or resources or target's human talents. Indeed, the attractiveness of target country's leadership style may signal future growth prospects for the bidder, intensifying thereby competition and increase expected synergies. By boosting the competition for the target firm, the bidder is willing to pay a huge premium to acquire the target in such country.

In cross-culture analysis, Yukl (2006) argued that charismatic leadership style is the effective leadership in any country and in any situation due to its direction and reassurance during organizational change. Therefore, we expect that firms located in these countries are more attractive for bidders that are willing to pay higher takeover premium to acquire such firms. The effect of leadership is more pronounced in these countries because competition for the target is more pronounced.

On the basis of the arguments presented above, we predict the following hypothesis:

Hypothesis 1: Firms located in countries embedded with higher charismatic leadership style are more likely to be a target and to receive higher premiums.

2.2.2. Participative leadership style

Participative leadership style is defined as the leadership that encourages the involvement of the top down level (employees and managers) in making and implementing decisions. Two subscales are retained from the Globe study to define participative leadership: autocratic (reversed score) and non-participative. Earlier researches on M&A suggest that ineffective post-deal implementation could explain M&A failure. Graebner (2004) highlighted the importance of the proactive participation of target leaders in making successful implementation of acquisitions. By building cooperative relationship and collaboration, this leadership encourages the dialogue to cope with the acquisition process. Likewise, more participation increases information sharing and communication that facilitate the integration process. Collaborative decision-making is likely to give rise to a common commitment to pursue integration for the purpose of organizational alignment. These leaders use collaborative decision-making to increase collective commitment to steer implementation and integration for the purpose of organizational alignment. As a result, target employees' resistance to change and uncertainties are likely to be alleviated and their tolerance for uncertainty as well as their ability to adapt to new changing conditions is raised because employees are more informed and more involved in the M&A decisions. In line with upper echelons theory, we expect that bidders prefer firms located in countries characterized by higher participative leadership style to facilitate integration and conflict resolution. Further, firms endorsed in countries with higher participative leadership style have higher bargaining power and thereby are more likely to be targeted and to receive high premium.

We state our second formal hypotheses below.

Hypothesis 2: The higher the firm's country participative leadership style, the more likely it is to be a potential target and to be paid a higher premium.

2.2.3. Human-oriented leadership style

Human oriented leadership style is defined as a leadership behaviour that reflects support, consideration, generosity and compassion toward employees (House et al. 2004).

Two primary attributes are included in The Globe study to measure this dimension: human oriented and modesty. As suggested by Waldman & Javidan (2009), M&As are undertaken by a firm to enhance its position through learning and access to new or improved resources. However, firms located in countries with higher level of human-oriented leadership style are undervalued by the bidder as these leaders could protect their employees from change, which distracts the bidder from achieving successful implementation. The more the bidder undervalues the target, the less costly is the offer price, and the less likely is the bidder's willingness to pay a higher premium. However, bidders could be more interested in firms located in countries characterized by poorer leadership style in order to improve it and doing so; they pay higher premiums to acquire these firms.

Our third hypothesis is stated as follows.

Hypothesis 3: Firms that belong to countries with higher level of human-oriented leadership style are less likely to be taken over and to receive higher premiums.

3. Data and variables specification

3.1. Sample selection

The takeover sample is obtained from the securities data corporation's (SDC) database from 1992 to 2015. We consider in our sample both completed and failed deals. Our sample covers target firms from 45 different countries. All acquisitions identified from the SDC database satisfy the following criteria: 1. All bidders are required to hold less than 50% of the target's shares prior to acquisition and will control 100% of the shares of the target at deal completion. 2. The target is a publicly traded firm and can be identified on CRSP and Datastream. 3. The target's share price is non-missing 43 days prior to takeover announcement. 4. We further require that deal value is at least one million dollars, is completed, unconditional or a withdrawn deal.

For US firms, we obtain stock prices from CRSP while for other countries these prices are retrieved from Datastream. Offer prices as well as information on deal characteristics are provided by SDC. Given these data constraints, the final sample obtained after the filtering process consists of 12,327 M&A transactions by 11,668 target firms, in which 11,449 deals have been completed and 878 deals are failed ones. With respect to the takeover likelihood, the data collected cover all Worldscope firms across 45 GLOBE countries for the period 1992-2015. We obtain 68,214 firms and 374,340 firm-year observations across 45 GLOBE

countries, for which data on firm characteristics is available in Datastream. The detailed list for all variables is reported in Appendix 1.

3.2. Variables construction

3.2.1. Takeover premium measures

The dependent variable in our study is the premium offered by the bidder to the target's shareholders. To measure the premium, two variables are used in the literature: the return-based measure of takeover premium (the cumulative abnormal returns (CARs)) and the value-based measure of the premium. The value-based premium is the difference between the value of the bidder's offer and the target's market value of equity on trading day -43 (Officer, 2003). The value-based measure is an appropriate measure of the premium because the CARs could be a proxy for firm success (Martynova & Renneboog, 2008) or a noisy estimates since the probability of bid failure and the completion are included at the initial offer date (Eckbo, 2009).Indeed, the difference between the bidder offer and the market value prior to takeover announcement could explain better the gains expected from the transaction and the bidding behaviour (Aktas, De Bodt & Roll, 2009).

The value of the bidder offer is given by SDC which gives the value of cash, stock and other securities offered by the acquirer (the "component" data). It also provides the initial and final price per share of target stock offered by the acquirer without indicating the payment method (the "price" data). Because premium measures (computed either from the price data, or component data) yield extreme positive and negative outliers, we integrate both of these databases (the component and price data) to find the composite premium or the combined premium (Officer, 2003). Therefore, the combined premium is equal to the premium provided by the component data if their values are between zero and two. If they are not, the combined premium is equal to the premium provided by the price data (that is equal to the initial price or final price if the initial price is missing) if that provides a number between zero and two. If neither condition is met, the combined premium is left as a missing observation.

The transactions where the takeover premium is greater than 2 or less than 0 are excluded from the sample because they don't represent normal transactions and lead thereby to unnecessary noise. A target receiving more than two times its current market price could be a smaller target or having a greater bargaining power. A bidder offering a price below its

current market price could be explained either by a dominant bidder's bargaining power or not a serious takeover decision.

3.2.2. Target Dummy

To estimate the effect of leadership style on the probability of being a potential target, we collected data on public listed firms across 45 GLOBE countries. These firms are retrieved from Worldscope database over the period of 1992 to 2015. We obtain a large international sample of 38,796 listed firms and 335,445 firm-year observations, which represents the available universe of public firms. The dependent variable constructed is a binary variable. It takes the value one if the publicly traded firm receives a bid for control during our sample period and 0 otherwise.

3.2.3. Leadership Style

Our leadership styles measures are provided by the GLOBE leadership survey. This survey is a study conducted by House et al. (2004). The project started in 1994 and the findings were made available in 2004. The Globe leadership dimensions are the result of two-order factor analysis, where the initial analysis is built on a survey addressed to 17.300 CEOs in 951 organizations from 62 countries. The second analysis produces a set of six global leadership dimensions: Charismatic/Value-Based Leadership, Team-Oriented Leadership, Participative Leadership, Humane-Oriented Leadership, Autonomous Leadership and Self-Protective Leadership. These leadership scores are invariant over the time. In our work, we focus on the first three leadership styles because of their relevance in prior literature.

3.2.3. Control variables

Various variables are introduced in the premium and the likelihood equation. With regards to the premium equation: firm-specific characteristics, deal-level and country level variables are included, meanwhile for the likelihood equation only firm-specific characteristics and country-level variables are introduced.

With respect to the takeover likelihood, scholars have advanced a diverse set of hypotheses to explain the probability of being a target. Principal among them: the inefficient management hypothesis, financial leverage hypothesis, the size hypothesis and the growth-resources imbalance hypothesis. To predict takeover likelihood, we include a comprehensive set of controls for the target firm. We follow Cremers, Nair and John (2009) and use ROA, leverage,

cash availability and asset structure as control variables. All these independent variables are measured at the end of the previous fiscal year and winsorized at the 5 % and 95% levels to limit the effects of anomalous values (outliers).

Leverage is the ratio of total debts (book value) to total assets at the beginning of the fiscal year period according to Worldscope definition. Leverage is included in our models because firms with a growth-resource imbalance tend to be takeover targets. These firms have low growth and high resources (over-investment problem) and are targeted by bidder firms having the opposite growth-resource imbalance (Ambrose & Megginson, 1992; Cai & Vijh, 2007).

The target size is equal to the natural logarithm of market capitalization one year prior to the offer. Because of size-related transaction costs, larger firms are less likely to be potential targets (Palepu, 1986; Powell, 1997). These costs include the target absorption costs into the bidder's organizational framework and the fighting costs that a target may wage to defend itself. As these costs are more likely to increase with size, therefore the potential number of acquirers will decrease as well. Unlike the transaction costs hypothesis, the vulnerability hypothesis advanced by Vijh and Yan (2013) suggests an inverted U-relation between firm size and targetiveness (the likelihood to be a target). Moreover, Tobin's Q Ratio, defined as the ratio market value of a company's assets to book value of total assets, is included because undervalued firms are more attractive targets (Champagne & Kryzanowski, 2008; Cai & Vijh, 2007).

Asset structure is a measure of the firm's tangible assets (measured by the property, plant and equipment to assets ratio). As argued by Powell (1997), the takeover likelihood increases with the asset structure ratio. Two explanations have been developed to explain this effect: asset structure could proxy for greater debt-capacity (Scott, 1977; Stulz & Johnson, 1985) or for asset-rich firms in declining industries (Ambrose & Megginson, 1992). Besides, firms with lower return on assets (ROA) are more attractive to potential bidders with superior management (Papelu, 1986). However, poorly managed firms could be targets when it is less costly for managers to make opportunistic acquisition. ROA (return on assets) is a proxy for the profitability of the firm and it is computed as EBITDA (earnings before interests, taxes and depreciations) divided by book value of total assets. Finally, cash availability (cash and short-term investments) is included as a control variable and it is computed as a fraction of the book value of total assets ratio.

For the premium equation, we introduce leverage, market-to-book and target size as controls for the target firm. These controls are computed one year prior to announcement date. First, we control the target size (the natural logarithm of the target's market value) as large targets could provide private benefits or have stronger negotiating power, extracting therefore higher offers from acquirers (Harford and Li, 2007). Second, in order to control firm's investment opportunity and the level of the target's stock misevaluation prior to takeover announcement, market-to-book is included. Firms that are better managed receive higher premiums (Lang, Stulz, and Walkling, 1989). In addition, leverage is introduced in the premium equation to proxy for financial constraints. Acquirer public status is included as control in the premium equation since the target's shareholders tend to receive higher premiums if the acquisition is made by a public bidder rather than a private acquirer. Unlike privately listed firms, public acquirers, with highly concentrated managerial ownership, over pay the target because they expect higher gains. Bargeron, Schlingemann, Stulz, Zutter (2008) find evidence that the difference between private and public bidders falls, as the ownership by insiders decreases, alleviating thereby agency problems.

We also control country-level corporate governance by including two widely used proxies for the quality of the legal system and for the legal protection of shareholders, as the premiums are higher if the shareholder protection regime is stricter (Rossi and Volpi, 2004). These proxies are: the Anti-Self-Dealing Index, developed by Djankov, La Porta, Lopez-de-Silanes, and Shleifer (2008), and the Regulatory Quality Index, developed by Kaufman, Kraay, and Mastruzzi (2009).

Indeed, following, we include: 1. GDP, GDP growth, GDP per capita to control the macroeconomic conditions and because these factors could boost merger activity. 2. Openness Trade index, to measure the country's degree of capital account openness, because a high trade between two countries intensifies takeovers activity. 3. The national culture, sine it plays an important role in explaining the cross-country and international differences in takeover likelihood and premiums. 4. Year-fixed effect, to capture the time-varying unobserved heterogeneity and because the aggregate M&A activity varies across time.5. Country-fixed effect to avoid time invariant country specific attributes. 6. Industry-fixed effect as the results can be driven by M&A waves. Natural logarithm transformation of GDP, GDP per capita and national-culture dimensions is used to normalize distribution and to avoid potential outliers and biases in the regression results. As a measure of national culture we include the Hofstede's scores-power distance index, individualism, uncertainty avoidance and masculinity- obtained from Hofstede (2001).

Additional deal-level variables are controlled when we examine the premium-leadership style relationship. These variables include: tender offer dummy, diversifying dummy, competing bidder dummy, toehold, stock payment, attitude dummy, cross-border dummy and bidder status (public/private).

SDC reports the percentage of shares owned by the bidder during the run-up period (the period prior to the announcement date). If the acquirer owns more than 5% of the target's shares before the takeover announcement, we construct a dummy variable that equals to one in this case, and zero otherwise. A higher bidder toehold can circumvent the free-riding problem (Betton, Eckbo & Thornburn, 2009). Another important factor is introduced: the industry effect. The indicator variable of diversifying takeovers is equal to one if the target and the bidder do not operate in the same industries (Diversifying deal) and zero otherwise (same two-digit SIC code). A takeover bid is classified as friendly by SDC if the bid faces no "hostile" or "unsolicited" takeover attempt and zero otherwise. Premiums for friendly takeovers are lower than hostile M&A deals (Schwert, 2000)

Tender offer is a dummy variable that equals to one whether the bidder is recorded by SDC as "tender" and zero otherwise. We control the tender offer as it was found that premiums increase, decrease or have no effect on a tender offer. This is a costly offer compared to other types of takeovers and it is an aggressive takeover boosting the bidder to pay a higher offer price in order to reduce the probability of a competing bid (Schwert, 2000 and Rossi & Volpin, 2004). However, Eckbo (2009), finds a negative relationship between tender offer and premium. Indeed, premiums are expected to be higher in cross-border takeovers compared to domestic deals (Eckbo, 2009). According to SDC, we classify a target as having a competing offer if this firm has multiple bidders who bid for it when an offer is proposed. Morellec and Zhdanov (2005) argue that the target has an advantageous position when there is competition among bidders allowing target’s shareholders to extract a higher premium from the bidding firms.

All cash-offers versus all stock-offers is a variable used to design all deals paid totally by cash or by stock. In line with Dong, Hirshleifer, Richardson, & Teoh, (2006) the relationship between all-stock payment and the premium is expected to be positive because bidders pay with stocks when their shares are overvalued. However, La Bruslerie (2013) suggest that in all-cash payment, the premium is higher because high capital gains tax are paid by the target on their realized profits.

3.3. Model specification

Our first empirical test concerns the functional relationship between the probability of being a potential target and the leadership style. To test this hypothesis, we model the likelihood of a firm being a takeover target using all Worldscope firms. We run probit regressions with the Worldscope panel data including 11,668 firms:

$$\Pr_{ij}\left(being\ a\ takeover\ taget = 1|X_j\right) = F(\alpha + B_1 * Leadership\ style + B_2 * Controls_i)$$

Where: The probit specifies the probability $\Pr_{ij}$, that the firm denotes j belongs to the outcomes i (where the dependent variable is a dummy variable that takes value one if a firm is a takeover target in that year, and zero otherwise), given X_i. X_i represents the leadership style scores and the control variables, and F is the standard normal distribution. The control variables included to assess the likelihood of being a takeover target are: firm-specific and country-level variables.

The second empirical test concerns the premium-target of a country leadership style relationship. For the premium equation, the conceptual model is as follows:

$$Takeover\ Premium = \alpha_0 + \alpha_1\ Leadership\ Style + \alpha_2 Control\ Variables + \varepsilon_i$$

We control several variables used in prior literature to explain the takeover premium. The controls used in this regression include: the toehold dummy, the dummy of tender, the dummy of competing offers, the dummy of hostile takeovers, the percentage of stock component in the payment, the dummy of diversifying takeovers and target size (market capitalization). We control for deal and country characteristics. All specifications include year-fixed effects to control time-varying unobserved heterogeneity.

4. Univariate analysis

4.1. Sample description

Table 1 shows the number of transactions, the transaction value along with the premium size across years and over 45 different countries. It includes 12,327 failed and completed takeovers with an aggregated market value of $13.400 million. The distribution of deals across years (Panel B) and countries (Panel A) is summarized in table 1. Sample description by country is presented in Panel A, where the highest number of M&A transactions is recorded by US (6140), United Kingdom (1613) and Canada (1543). The increase in transaction value is partially driven by developed and emerging countries. As shown in table 1

of Panel B, the worldwide M&A activity knows an increasing trend in the numbers and in the deal value from 168 in 1992 to 921 in 1999 and from 495 in 2003 to 717 in 2007 but fells from 2000 through 2002. This number also drops after the global financial crisis of 2008 from 444 deals with an aggregated dollar value of 512,269 million in 2008 to 393 deals with an aggregated dollar value of 933,436 million in 2015. This table also shows that the total premiums vary over time and across countries. As seen in table 1, of the 45 target countries that undertook 12,327 completed and failed takeovers from 1992 to 2015, two developed countries received the highest premium (France and Germany).

Insert Table 1 about here

4.2. Descriptive statistics

Table 2 displays descriptive statistics of the takeover premium for the whole and completed sample. Average deal premium of the target is 20.4% for completed deals while targets receive on average 20.7 % for the whole sample. An average target in the whole sample has a target size of $11.958 million, a leverage ratio of 0.156, a deal value of $1088.053 million and a market-to-book ratio of 1.97 before the deal offer. In terms of the whole sample, 27.2% of bids are all-stock (3365 deals) whereas all-cash offers make up 44.6% of the sample (5502 deals) and the rest use a hybrid payment. On average, 34.1 % of the offers are tender, and 24.6% are cross-border. About 45.5% of the deals are made by bidders and targets that are not in the same 2-digit SIC code (diversifying bids). The majority of deals (87.4%) use toeholds and are friendly bids (93, 5%).

Insert Table 2 about here

Table 3 provides univariate statistics for the total takeover premium distribution by deal characteristics and the difference between these characteristics. Statistical difference in means is assessed using the t-test. For the entire sample, table 2 indicates that the total premium offered by bidders is on average 20.7%, relative to the target pre-market value on the trading day -43. The total premium is significantly and slightly different between the failed and completed takeovers. This could be attributed to the takeover success. From the t-test, we observe that the total value of premium is higher for non-tender, non-diversifying, hostile deals, public bidders, and all-stock offers. On average, all-stock offers represent 20.5% of

total value-based of premium. The total premium paid in deals involving public bidders comparing to private ones is significantly higher by 2.5%. The deal premiums average approximately 17.7 % when the target is subject to tender offer, relatively 4.6% less than the targets involved in non-tender offer.

Table 4 contains the pairwise correlations for the leadership style variables, which are based on completed takeovers sample. Although the positive correlations found between leadership style and premium as well as for the takeover likelihood, the pairwise correlations don't give a precise test for our leadership styles scores, since we should control for other variables. We also note that we exclude power distance index, GDP per capita and openness Trade index from our models because of multicollinearity problem.

Insert Tables 3 & 4 about here

4.3. Empirical evidence on leadership style and takeover premium

Empirically, we run our model by only including the completed deals in order to minimize the impact of takeover success likelihood. Withdrawn deals are excluded because the premiums estimated within these deals are not directly comparable (Maduraa, Ngob & Viale, 2012). Indeed, we perform robustness checks by using the whole sample (failed and completed deals).

Table 5 reports estimates of regression model that predicts the premium-leadership style relationship, where premium is computed using the value-based measure. All the leadership styles dimensions are significantly associated to the value-based premium. The premiums increase by 13.6%, 6.9% and 10.9% with an increase of one percent of the charismatic, participative and human-oriented leadership style, respectively.

This evidence supports our hypothesis H1, H2 and H3. As expected, the takeover premium is significantly higher when the target is located in a country embedded with higher charismatic leadership style. Our results could be attributed to higher competitiveness and bargaining power of the target firms located in countries with higher charismatic leadership style. This is in line with the studies of Rossi & Volpin (2004) and Alexandridis, Petmezas & Travlos (2010), who argue that targets in countries with the most competitive acquisition market received higher premium. Aktas, De Bodt & Roll (2010) argue likewise that higher bid premium could be offered by the acquirer to the target firm in order to deter competitors.

After controlling for several firm & deal characteristics, the leadership style has a positive effect on the value-based premium. The premium is larger in cross-border takeovers, in competing bids, in non tender offers, when the target size is smaller and when the target's leverage is lower. When a competing bidder exists at the time of the offer is made, the value-based premium is on average 8.8 % (for charismatic leadership style) higher than when there is no competition. Targets with higher leverage and lower size command higher total premiums. The target size has significantly negative coefficients, suggesting that, contrary to a common belief, bidders pay more for small targets. Alexandridis, Fuller, Terhaar and Travlos (2013) attributed this effect to the heightened complexity of integration or to the high value-at-stake associated with these deals.

Consistent with the models of Israel (1991) and Israel (1992), the results suggest that the higher leveraged firms prior to the deal offer, the lower the premium paid by the acquirers. According to their models, targets with higher leverage have more concentrated share ownership structure resulting in higher takeover premiums. Over the sample period, we find that tender offers have negative effects in all regressions, significant at the 1% level in specifications (1) and (2) and at 5 % in specification (3). This result is consistent with Eckbo (2009). Based on the results presented in table 5, the coefficient associated to cross-border variable is positive and significant, suggesting the existence of cross-border effect, consistent with Harris and Ravenscraft (1991). Since the premiums offered by bidders are increasing with multiple bidders, this suggests that competition may lead bidders to overpay the target to discourage the competing firms (Morellec & Zhdanov, 2005). Although all-stock payment, bidder public status, friendly attitude, toehold and Tobin's Q tend to influence the premium, none of these controls are significant. Therefore, the poorer management (Tobin's Q) of the firm has no effect on takeover premium. Our results are also consistent with Eckbo (2009) as takeover premiums are unaffected by hostility and diversifying deals.

Indeed, we introduce, along with firm and deal-level variables, country-specific variables as they could affect our results. The results hold when we control for country-level variables across all specifications. Among the coefficients estimates of national culture variables, one is positive and significant. Therefore, targets located in countries with higher individualism are more likely to receive higher premium. GDP growth is positive and statistically significant at the 5% level. Therefore, higher premium is paid for targets within countries with higher GDP growth.

Insert Table 5 about here

4.4. Multivariate analysis of takeover likelihood and leadership style

Furthermore, in all regressions presented in Table 6 the leadership style dimensions are positively associated to the probability of being a target. The statistically significant coefficients at the 1% level support our main hypotheses H1, H2 and H3. Our results confirm our assumption that leadership style has an effect on takeover likelihood, consistent with the notion that leadership style may signal value-enhancing information to the bidder about the target's quality to help him choosing the best target. An increase of one percent of the level of target's country leadership style increases the probability to be a target by 133.9 %, 80.5% and 52.5 %, in specifications (1), (2) and (3), respectively. Consistent with hypothesis 1, acquirers are more likely to select targets located in countries embedded with higher charismatic leadership style. The bidders tend to select a target within countries with higher charismatic leadership style, as they perceived that charismatic leadership style is a good leadership and a valuable asset to transfer to the acquiring firm to facilitate the integration process.

With respect to the results estimated in all specifications using the probit, the higher the takeover likelihood, the lower the target's leverage and Tobin's Q and the smaller the target size. Firms with low leverage are more likely to be taken over. These firms may signal an unused debt capacity which can be maximized by another acquiring firm. Firms with low resources (low leverage) may be targeted by a bidder with the opposite growth-resource imbalance. Bidders seem to bid for larger targets firms, as advanced by the significantly lower target size measure (market capitalization). This is consistent with the vulnerability hypothesis, which suggests that small firms are less attractive to overpriced stock bidders due to the small wealth expropriation potential offered by the target or to managers' resistance to overvalued acquirers (Vijh & Yan, 2012). Indeed, an increase of Tobin's Q by one percent decreases the probability of being taken over by 2.7%, 2.3%, and 1.5% in specifications (1), (2) and (3), respectively.

This could be attributed to the poorer management of the target or to "a greater benefit from resistance to allow market participants to learn about the value of assets of an undervalued target firm" (Schwert, 2000, p. 2622). The findings concerning ROA in specifications (1) and (2) are unlike the inefficient management hypothesis proposed by Papelu (1986). Acquiring inefficient firms decreases the takeover likelihood. Therefore, firms with higher ROA are

more likely to be targets due to the opportunistic behaviour of acquiring' managers (Ali, Kravet & Li, 2016).

As a specification check, the probit model is re-estimated using country-level variables. The coefficients estimates associated to the leadership style are similar to those obtained with the main model. Among the country-level variables, we find that GDP, anti-self dealing index, regulatory quality and two dimensions of national culture are significant in all specifications. The results suggest that the probability of being a target is higher in countries with higher individualism and lower in countries with higher masculinity.

Insert Table 6 about here

4.5. Robustness Tests

4.5.1. Robustness Tests for the premium equation

In the following, we perform robustness tests of the results that are presented in Table 5. To conduct the robustness of these results, we re-run the regressions by using the whole sample that includes the completed and failed takeovers. Results from the OLS regressions are presented in Table 7, with time fixed effects in all regressions. We find that in all specifications (Models 1-3) the coefficient of charismatic, human oriented, participative leadership style remain positive and significant. Therefore, the results of this robustness test are consistent with the results in table 4 and the findings support our assumption that the effect of target's country leadership style on value-based premium is not driven by takeover's status (failed versus completed).

Second, we check for endogeneity bias as our sample of completed takeovers could not be randomly selected, if firms located in countries with higher charismatic, higher participative or human-oriented leadership style are also more likely to receive the deal and to complete the takeover. To address the potential selection problem, we use the Heckman two-step selection model whereby we estimate the probability of a firm to be a target in the first stage and in the second stage; we include the inverse Mills' ratio as an independent variable in the premium equation. The results obtained are reported in Table 8 and are similar to those estimated based upon the completed takeovers. The inverse Mills' ratio has a positive and non significant relation with the premium, revealing that there is no selection problem in our study.

Insert Tables 7 & 8 about here

As a specification check, the OLS model is re-estimated using a subsample that eliminates the countries having limited observations related to leverage, target size and MTB. Therefore, the main results of this robustness test presented in table 9 are consistent with the results previously found.

Insert Table 9 about here

4.5.2. Robustness Tests for the Takeover Likelihood

Furthermore, for the first robustness test of the takeover likelihood, we check whether the results presented in Table 6 are robust. A relatively substantial proportion of takeovers occurred in the U.S markets. To ensure that our results are not driven by U.S effects, we re-estimate our model on a subsample of non-US targets. With respect to this robustness test, we examine the effect of leadership style in influencing takeover likelihood by removing all U.S targets and re-estimating all models reported in table. The findings presented in Table 9 corroborate the results previously reported in table 5.

For the second robustness check, we check whether the results found in Table 6 are affected by accounting structures of financial and non-financial firms. Specifically, we have 13,336 firms in the financial sector with 229,787 firm-year observations, which presents 19.3 % of the whole sample of firms across the world. We delete financial firms as their regulatory structure is different from the other firms and this could biases our results. The results obtained by re-estimating our models by removing all financial targets are consistent across all different leadership style dimensions. Therefore, the results reported in Table 10 do confirm that the financial effect is unlikely to drive our results on the relation between takeover probability and leadership style.

Insert Tables 10 & 11 about here

Indeed, because almost half of countries have limited observations, we perform a robustness test where the results are presented in table11. This test consists in using a subsample without the missing values related to ROA, leverage, Tobin's Q, cash assets, target size, and asset structure. Therefore, the results of this robustness test are consistent with the results in table 4.

Insert Tables 12 about here

Finally, we have to check for causality problem. To claim causality, the change in the geographic location of the target or in the country leadership could be used. However, the change in the geographic location of the target is not provided by SDC. SDC database only gives the nation of the target whatever the period. Indeed, the leadership styles scores are measured at one time period (1994-2004). House et al. (2004) consider that these leaderships scores are invariant over the time. So, we don't have causality problem.

5. Discussion and future researches

Using a sample of 12,327 international deals, we examine in this study the extent to which the leadership style dimensions affected the takeover likelihood and the value-based premium. In this work, we provide evidence on the role of leadership style in explaining the cross-country differences in takeover probability and premium. Firms located in countries embedded with higher charismatic leadership style are more likely to become targets than firms in participative or human oriented leadership style. We also suggest that higher premiums are paid for targets within countries with higher charismatic leadership style. Our results related to the premium analysis stay robust to alternative techniques employed to controlling for deal, firm and country characteristics and to control for potential endogeneity bias. Results also hold when we exclude US and financial firms from the takeover sample to estimate takeover likelihood.

Future researches could examine the role of target's country leadership style on post-M&A outcomes (like synergies realized by the acquirer or the combined firm) and could assess the success of the integration process. Future researches could likewise assess whether taking into account the target's country leadership could decreases information asymmetry problems when selecting the target.

Table 1
Panel A: Sample composition by country.

This table reports descriptive statistics of M&A deals from the SDC database for the years 1992 through 2015. Panel A presents statistics for the whole sample of bids. Panel B reports statistics for bids across years. The sample consists of 12327 failed and completed deals from 1992 to 2015 identified from the SDC Database. The transaction value is in millions of dollars as reported by SDC Database.

	Distribution across Countries			
	No. of M&A bids	Transaction value	Transaction value (%)	Average premium
Argentina	5	15148	0.113	0.012
Australia	830	395334	2.950	0.215
Austria	4	2828	0.0211	0.026
Brazil	47	62251	0.464	0.299
Canada	1543	704938	5.260	0.242
China	102	82171	0.613	0.358
Colombia	6	2829	0.021	0.309
Denmark	58	39962	0.298	0.123
Egypt	3	388	0.002	0.028
Finland	27	22181	0.165	0.072
France	118	160878	1.200	0.353
Germany	52	76260	0.569	0.388
Greece	29	11244	0.083	0.187
Hong Kong	102	67274	0.502	0.215
Hungary	5	15970	0.119	0.098
India	54	19673	0.146	0.209
Indonesia	8	4553	0.033	0.928
Ireland	52	68420	0.510	0.099
Israel	47	14449	0.107	0.268
Italy	44	129159	0.963	0.179
Japan	440	393448	2.936	0.210
Kazakhstan	2	463	0.003	0.202
Kuwait	3	318	0.002	0.186
Malaysia	71	34422	0.256	0.352
Mexico	17	43167	0.322	0.251
Morocco	1	374	0.002	0.000
Netherlands	99	171626	1.280	0.162
New Zealand	56	11157	0.083	0.277
Philippines	12	4317	0.032	0.260
Poland	23	4034	0.030	0.193
Portugal	13	10485	0.078	0.251
Qatar	2	1994	0.014	0.330
Russian Fed	18	32784	0.244	0.322
Singapore	104	36217	0.270	0.285
South Africa	143	84799	0.632	0.215
South Korea	70	32158	0.239	0.161
Spain	34	59534	0.444	0.145

Sweden	194	119994	0.895	0.139
Switzerland	42	142445	1.063	0.153
Taiwan	60	38390	0.286	0.187
Thailand	25	12452	0.092	0.331
Turkey	7	5373	0.040	0.798
United	1.613	1495880	11.163	0.142
United States	6.140	8777611	65.504	0.213
Venezuela	2	3052	0.022	0.108
All countries	12327	13.400.000	100	12327

Panel B: Sample composition by year

	Distribution across years			
year	No. of M&A bids	% Of M&A Bids	Transaction Value	Average premium
1992	168	1.362	49496	0.263
1993	191	1.549	66953	0.255
1994	312	2.531	126310	0.263
1995	449	3.642	318009	0.211
1996	492	3.991	383389	0.221
1997	693	5.621	517798	0.223
1998	781	6.335	1163761	0.236
1999	921	7.471	1270952	0.231
2000	826	6.700	1194327	0.209
2001	624	5.062	459430	0.209
2002	451	3.658	240884	0.220
2003	495	4.015	304597	0.187
2004	473	3.837	562014	0.155
2005	587	4.761	803884	0.178
2006	651	5.281	817279	0.172
2007	717	5.816	1035092	0.159
2008	506	4.104	512269	0.207
2009	444	3.601	414706	0.292
2010	502	4.072	410156	0.192
2011	472	3.828	506700	0.192
2012	432	3.504	359196	0.198
2013	374	3.033	375212	0.185
2014	373	3.025	586568	0.165
2015	393	3.188	933436	0.210
Total	12327	100	1.34e+07	12327

Table 2: Descriptive statistics

Our sample covers both completed and failed deals across 45 countries. The total premium is computed using the value-based measure (bidder offer/ market value of the target on the trading day -43). MTB is the ratio of the target's market-to-book. Target size is the natural logarithm of market capitalization. Public status is the public status of the acquirer. Tender, Diversifying, Competing offer, Hostile, Toehold and Cross-border are indicator variables. Deal value is the value of transaction in millions of $. This table provides descriptive statistics for the control variables in both the completed and withdrawn deals.

	Completed takeovers			Whole sample		
Variables	# of Obs.	Mean	Median	# of Obs.	Mean	Median
Total premium	8,894	0.204	0.084	9451	0.207	0.088
Deal & firm-level variables						
Tender	11449	0.335	0.000	12327	0.341	0.000
Diversifying	11449	0.438	0.000	12327	0.455	0.000
Competing offer	11449	0.053	0.000	12327	0.069	0.000
Toehold (>5%)	11449	0.881	0.000	12327	0.875	0.000
All stock offers	3365	0.452	0.000	3365	0.272	0.000
All cash offers	5502	0.432	0.000	5502	0.446	0.000
Friendly	11449	0.964	0.000	12327	0.935	0.000
Cross-border	11449	0.246	0.000	12327	0.246	0.000
Public status	11449	0.699	1.000	12327	0.679	1.000
MTB	8152	2.139	1.553	8825	1.970	1.528
Target size	8159	11.966	11.890	8832	11.958	11.877
Leverage	8288	0.212	0.153	8972	0.156	0.216
Transaction value	11449	1110.481	159.472	12327	1088.053	154.477
Country-level variables						
GDP	11449	28.916	29.620	12327	28.859	29.508
GDP growth	11449	2.810	2.806	12327	2.847	2.806
GDP per Capita	11449	10.414	10.503	12327	10.395	10.499
Regulatory Quality	11449	1.508	1.597	12327	1.497	1.597
Openness trade	11449	2.201	2.389	12327	2.181	2.389
Anti-self-dealing	11449	0.676	0.651	12327	0.679	0.651
Power distance index	11449	3.691	3.688	12327	3.698	3.688
Individualism index	11449	4.381	4.510	12327	4.364	4.499
Uncertainty avoidance	11449	3.828	3.828	12327	3.825	3.828
Masculinity	11449	4.052	4.127	12327	4.051	4.127

Table 3: Descriptive statistics for total premium by deal characteristics

This table contains descriptive statistics for the premium received by target's shareholders in a sample of 12,327 failed and completed deals from 1992 to 2015. Premium is computed using the value-based measure (offer bidder/ market value of equity 43 days before the bid announcement). Difference refers to differences between mean (Tender) and mean (Non-tender offers), Diversifying and non-diversifying, hostile and friendly deals. The total premium is measured as the ratio of bidder's offer value over target's equity market value on the trading day -43 minus one. To determine the significance of difference in means, the t-test is used. Variables definitions are in Appendix1. *, **, and *** indicate significant differences at the 10%, 5%, and 1% levels, respectively.

	Value-based Total Premium					
	# of Obs.	Mean	SD	25th pct.	Median	75th pctl.
Whole sample	12327	0.207	0.298	0.026	0.088	0.55
Failed deals	878	0.262	0.315	0.057	0.154	0.342
Completed deals	11449	0.204	0.297	0.025	0.084	0.251
Difference(t-stat)	12327	0.058***	0.0104			
Tender offers	4211	0.177	0.274	0.018	0.059	0.223
Non-tender offers	8116	0.223	0.310	0.033	0.101	0.275
Difference(t-stat)	12327	-0.046***	0.005			
Diversifying takeovers	5612	0.186	0.282	0.022	0.074	0.230
Non-diversifying takeovers	6715	0.224	0.310	0.029	0.099	0.281
Difference(t-stat)	12327	-0.038***	0.005			
Public bidder	8377	0.220	0.302	0.031	0.101	0.278
Private bidder	1,900	0.195	0.305	0.022	0.070	0.237
Difference(t-stat)	10277	0.025**	0.007			
Friendly	11532	0.204	0.298	0.025	0.085	0.253
Hostile	795	0.311	0.334	0.082	0.198	0.436
Difference(t-stat)	12327	-0.107***	0.011			
Domestic	9288	0.211	0.296	0.029	0.094	0.264
Cross-border	3039	0.196	0.305	0.020	0.065	0.234
Difference(t-stat)	12327	0.015**	0.006			
All-cash offers	5502	0.175	0.283	0.017	0.051	0.214
All-stock offers	3365	0.203	0.261	0.051	0.114	0.249
Difference(t-stat)	8867	-0.028***	0.0060			

Table 4: Correlation Matrix

***, **, * indicate significance at 1%, 5% and 10% respectively.

Independent variables		Premium	Target Dummy
Charismatic Leadership Style	(1)	0.014***	0.047***
Participative Leadership Style	(2)	0.046***	0.050***
Human oriented Leadership Style	(3)	0.050***	0.027***

Table 5: OLS regression

In this table, we present the results obtained from the OLS regression. The dependent variable is the takeover premium computed using value-based measure. Independent variables definitions are reported in appendix 1. The sample consists of completed takeovers. Failed takeovers are included in robustness checks. Leadership style scores are retrieved from the GLOBE Study. Year fixed effects is controlled for all regressions. Firm characteristics are winsorized at the 5% and 95% levels to remove outliers. Statistical significance at 1%, 5% or 10% level are denoted by ***, **,*, respectively.

	(1)	(2)	(3)	(1)	(2)	(3)
Independent variables						
Charismatic Leadership Style (1)	0.136***			0.203**		
Participative Leadership Style (2)		0.069***			0.093**	
Human oriented Leadership Style (3)			0.109**			0.144***
Deal & firm characteristics						
Tender	-0.069***	-0.059***	-0.050**	-0.030	-0.025	-0.020
Diversify	-0.008	-0.007	-0.005	0.016	0.019	0.017
Competing bidder	0.088 **	0.085**	0.089**	0.029	0.024	0.028
Toehold	0.002	0.008	0.003	-0.001	0.001	0.001
Stock payment	0.036	0.027	0.028	0.083**	0.075**	0.078**
Friendly	-0.037	-0.039	-0.034	-0.028	-0.024	-0.023
Cross-border (Yes)	0.040**	0.057**	0.048**	0.036	0.037	-0.043
Bidder Pubic	0.029	0.037	0.028	-0.008	-0.008	-0.011
Market-to-Book	-0.004	-0.004	-0.003	-0.002	-0.001	-0.002
Target size	-0.013***	-0.015**	-0.014**	-0.018***	-0.021***	-0.020***
Leverage	0.122***	0.115***	0.122**	0.045	0.043	0.048
Country Characteristics						
GDP				0.005	-0.002	-0.002
GDP growth				0.017***	0.018**	0.015**
Regulatory Quality				0.016	0.002	0.029
Anti-self-dealing				-0.168	-0.184	-0.222*
Individualism index				-0.007	0.032**	0.043
Uncertainty avoidance				-0.011	-0.052	-0.034
Masculinity				0.032	0.055	0.042
# of Obs.	11,449	11,449	11,449	11,449	11,449	11,449
Year fixed effect	yes	yes	yes	yes	yes	yes
Industry fixed effect	yes	yes	yes	yes	yes	yes
Country fixed effect	yes	yes	yes	yes	yes	yes
Adj. R-Squared	0.091	0.0521	0.0531	0.1077	0.1048	0.1068
F-Ratio	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Table 6: Probit Regression

In this table, the dependent variable is a dummy variable equal if the firm receives a bid for control in the sample period and 0 otherwise. All firm-characteristics are estimated using one-year-lagged values.

		(1)	(2)	(3)	(1)	(2)	(3)
Independent variables							
Charismatic Leadership Style	(1)	1.339***			0.461***		
Participative Leadership Style	(2)		0.805***			0.323***	
Human-oriented Leadership Style	(3)			0.525***			0.406***
Firm characteristics							
ROA		0.232***	0.265***	0.039	0.441***	0.441***	0.451***
Leverage		-0.063**	-0.075***	-0.122***	-0.063***	-0.046*	-0.051*
Market-to-Book		-0.027***	-0.023***	-0.015***	-0.032***	-0.033***	-0.032***
cash assets		0.117***	0.116***	0.051*	0.135***	0.148***	0.130***
Target size		0.048***	0.041***	0.047***	0.033***	0.034***	0.035***
Asset structure		-0.002	0.034*	-0.011	0.104***	0.096***	0.081***
Country Characteristics							
GDP					0.091***	0.069***	0.059***
GDP growth					-0.003	-0.000	-0.008
Anti-self-dealing					0.661***	0.760***	0.520***
Regulatory Quality					0.170***	0.119***	0.209***
Uncertainty avoidance					0.099	0.001	0.081***
Individualism index					0.368***	0.412***	0.488***
Masculinity					-0.183***	-0.123***	-0.171***
# of Obs.		560,226	560,226	560,226	436,226	436,226	436,226
Year fixed effect		Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effect		yes	yes	yes	yes	yes	yes
Country fixed effect		yes	yes	yes	yes	yes	yes
Adj. R-Squared		0.071	0.071	0.035	0.101	0.101	0.102
F-Ratio		0.000	0.000	0.000	0.000	0.000	0.000

Table 7: Robustness Test 1 (OLS regression)

This robustness check concerns the OLS regression (the effect of the leadership style on the premium takeover). It consists in using the whole sample to assess whether our results presented in table 5 are robust**.**

		(1)	(2)	(3)
Independent variables				
Charismatic Leadership Style	(1)	0.107**		
Participative Leadership Style	(2)		0.083**	
Human oriented Leadership Style	(3)			0.081**
Control variables				
Deal & firm characteristics				
Tender		-0.024	-0.023	-0.021**
Diversify		-0.000	0.002	0.000
Competing bidder		0.045*	0.038	0.046*
Toehold		-0.001	0.001	0.001
Stock payment		0.080**	0.046	0.076**
Friendly		-0.000	-0.000	-0.000
Cross-border		0.004	0.006	0.009
Bidder Pubic		-0.013	-0.014	-0.014
Market-to-Book		0.004	0.005	0.004
Target size		-0.023***	-0.023***	-0.022***
Leverage		0.060	0.059	0.060
Country Characteristics				
GDP		0.013	0.007	0.008
GDP growth		0.019***	0.019***	0.018***
Regulatory Quality		-0.003	-0.012	0.003
Anti-self-dealing		-0.011	-0.015	-0.043
Individualism index		-0.074*	-0.066*	0.046
Uncertainty avoidance		0.015	-0.006	0.005
Masculinity		-0.001	0.015	0.002
Year fixed effects		Yes	Yes	Yes
Industry fixed effects		Yes	Yes	Yes
Country fixed effects		Yes	Yes	Yes
# of Obs.		12,327	12,327	12,327
Adj. R-Squared		0.0839	0.0851	0.0839
F-statistic		0.000	0.000	0.000

Table 8: Robustness Test 2 (Heckman Selection Model)

This table reported the results estimation using Heckman Selection Model. This model is used to check the robustness of the results found in table 5.

Variables		(1)	(2)	(3)
Independent variables				
Charismatic Leadership Style	(1)	0.253***		
Participative Leadership Style	(2)		0.192***	
Human oriented Leadership Style	(3)			0.208***
Inverse Mills Ratio		0.400	0.397	0.408
Deal & firm characteristics				
Tender		-0.027	-0.026	-0.025
Diversify		-0.001	0.000	-0.000
Competing bidder		-0.051*	0.044	-0.051*
Toehold		0.005	0.005	0.006
Stock payment		0.031	0.035	0.030
Friendly		0.004	0.005	0.005
Cross-border		0.008	0.010	0.010
Bidder Pubic		-0.013	-0.015	-0.014
Market-to-Book		-0.008	-0.007	-0.008
Target size		-0.005	-0.005	-0.003
Leverage		0.039	0.041	0.040
Country characteristics				
GDP		0.042***	0.028**	0.028*
GDP growth		0.019***	0.020***	0.017**
Regulatory Quality		0.064*	0.038	0.085**
Anti-self-dealing		0.223*	0.253*	0.152
Individualism index		0.056	0.074	0.127*
Uncertainty avoidance		0.057	0.002	0.040
Masculinity		-0.062	-0.025	-0.055
Year fixed effects		Yes	Yes	Yes
Industry fixed effects		Yes	Yes	Yes
Country fixed effects		Yes	Yes	Yes
# of Obs.		12,327	12,327	12,327
Adj. R-Squared		0.087	0.088	0.087
F-statistic		0.000	0.000	0.000

Table 9: Robustness Test 3 (OLS, Subsample without the missing values)

Variables		**(1)**	**(2)**	**(3)**
Independent variables				
Charismatic Leadership Style	(1)	0.203**		
Participative Leadership Style	(2)		0.093**	
Human oriented Leadership	(3)			0.144**
Target Controls		Yes	Yes	Yes
Year fixed effects		Yes	Yes	Yes
Industry fixed effects		Yes	Yes	Yes
Country fixed effects		Yes	Yes	Yes
# of Obs.		8,146	8,146	8,146
Adj. R-Squared		0.1077	0.1048	0.1068
F-statistic		0.000	0.0000	0.0000

Table 10: Robustness Test 1 (Probit)

Variables		**(1)**	**(2)**	**(3)**
Independent variables				
Charismatic Leadership Style	(1)	0.575***		
Participative Leadership Style	(2)		0.313***	
Human oriented Leadership	(3)			0.514***
Target Controls		Yes	Yes	Yes
Year fixed effects		Yes	Yes	Yes
Industry fixed effects		Yes	Yes	Yes
Country fixed effects		Yes	Yes	Yes
# of Obs.		345,683	345,683	345,683
Adj. R-Squared		0.1043	0.102	0.106
F-statistic		0.000	0.000	0.000

Table 11: Robustness Test 2 (Probit)

Variables		**(1)**	**(2)**	**(3)**
Independent variables				
Charismatic Leadership Style	(1)	0.490***		
Participative Leadership Style	(2)		0.323***	
Human oriented Leadership	(3)			0.405***
Target Controls		Yes	Yes	Yes
Year fixed effects		Yes	Yes	Yes
Industry fixed effects		Yes	Yes	Yes
Country effects		Yes	Yes	Yes
# of Obs.		385,800	385,800	385,800
Adj. R-Squared		0.1044	0.1040	0.1049
F-statistic		0.0000	0.0000	0.0000

Table 12: Robustness Test 3 (Probit, Subsample without the missing values)

Variables		**(1)**	**(2)**	**(3)**
Independent variables				
Charismatic Leadership Style	(1)	0.461***		
Participative Leadership Style	(2)		0.323***	
Human oriented Leadership	(3)			0.406***
Target Controls		Yes	Yes	Yes
Year fixed effects		Yes	Yes	Yes
Industry fixed effects		Yes	Yes	Yes
Country effects		Yes	Yes	Yes
# of Obs.		561,943	561,943	561,943
Adj. R-Squared		0.1018	0.1016	0.1026
F-statistic		0.0000	0.0000	0.0000

Appendix 1: Variables Definition

Dependent variable		
Variables	**Definition**	**Source**
Target Dummy	Dummy variable that takes the value one if a firm is a takeover target in that year, and zero otherwise.	SDC
Premium	The ratio of [(Bidder's Offer price to the target's market value of equity on day -43) -1)].	SDC & DataStream
Independent variables		
Charismatic leadership style	Country Charismatic leadership style dimension	Globe (House et al. 2004)
Participative leadership style	Country Participative leadership style dimension	Globe (House et al. 2004)
Human-oriented leadership style	Country Human-oriented leadership style dimension	Globe(House et al. 2004)
Firm-level variables		
Variables	**Definition**	**Source**
ROA	The ratio of Earnings before interest, taxes, depreciation and amortization (EBITDA) to the book value of total assets.	Worldscope
Market-to-book ratio	Target's ratio of market value to book value of total assets.	Worldscope
Leverage	The ratio of the book value total debts to book value of total assets.	Worldscope
Target size	Natural logarithm of market capitalization one year prior to the deal.	Worldscope
Assets structure	The ratio of property, plant & equipment to total assets.	Worldscope
Cash	The ratio of cash & short-term investments to total assets.	Worldscope
Acquirer public status	Dummy variable: one if the acquirer is a public firm, zero otherwise	SDC
Deal-level Characteristics		
Variables	**Definition**	**Source**
Transaction value	Value of transaction in millions of dollars.	SDC
Attitude	Dummy variable; one for friendly deals and zero for hostile.	SDC
Cross-border	Dummy variable; one for Domestic, zero otherwise.	SDC
Tender	Dummy variable; one for tender offer, zero otherwise.	SDC
Full stock payment	Dummy variable; one if the deal is financed by 100 stock, 0 if the deal is 100 cash.	SDC
Competing bid	Indicator variable; one if there is multiple bidders for the target, zero otherwise.	SDC
Toehold	Indicator variable; one if Toehold > 5%, zero otherwise.	SDC
Diversifying deals	Indicator variable; one for Cross-border, zero otherwise.	SDC
Percentage of stock	Indicator variable; one for all deals paid in stocks, zero otherwise.	SDC
Country-level variables		
GDP	Natural logarithm of annual GDP (Gross Domestic Product)	World Bank
GDP per Capita	Natural logarithm of GDP per capita is gross domestic product divided by midyear population.	World Bank
GDP Growth	Annual percentage growth rate of GDP of target countries at market prices based on constant local currency.	World Bank
Regulatory Quality	Measure of the legal system and public enforcement quality.	World Governance Indicators (WGI)
Anti-Self-Dealing	Measure of investor protection against shareholder expropriation.	Djankov et al. (2008)

Country-level variables		
Openness Trade index	Measure of the country's degree of capital account openness.	Chin & Ito(2006)
Power Distance index	Hofstede's cultural index on Power Distance.	Hofstede (2001).
Individualism index	Hofstede's cultural index on Individualism.	Hofstede (2001).
Uncertainty avoidance	Hofstede's cultural index on Uncertainty avoidance.	Hofstede (2001).
Masculinity index	Hofstede's cultural index on masculinity.	Hofstede (2001).

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Highlights,

- Big data

- New subject

- New determinant of the takeover premium and takeover likelihood.