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Country-specific determinants of cross-border mergers and acquisitions: A comprehensive review and future research directions

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ABSTRACT

This article, to date, is the first to consolidate, review, and integrate over 250 earlier studies that examine the country-specific determinants of cross-border mergers and acquisitions. Following 6Ws' systematic review design and protocol, we survey the taxonomy of research published over the past three decades in international business, strategic management, finance, and economics. We present our syntheses in seven strands: macroeconomic and financial markets environment, institutional and regulatory environment, political environment and corruption, tax and the taxation environment, accounting standards and valuation guidelines, cultural environment, and geographical environment. Our integrative review and discussions are framed through Home–Host country, West–South, and South–West directional flows. We then show some highlights of the bibliometric analysis, provide a summary for each country-level determinant, and offer several theoretical propositions and research directions in need of future exploration. The review suggests that better the host country's institutional laws with regard to financial markets, taxation and corporate governance, then higher the number of inward acquisitions. It emphasizes that geopolitical distance, regulatory distance, and cultural distance between developed and developing economies are more likely to be moderated by the target country's market size, natural resources base, and weak institutional laws, especially corporate tax and capital gains tax. Overall, the article contributes to institutional framework and political economy view of globalized production by reviewing the crucial research question – what determines cross-border merger and acquisition transactions around the world?

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Contents

1. Introduction . . . 174
 1.1. The need for a literature review . . . 174
2. Review design and protocol . . . 174
 2.1. Review design . . . 175
 2.2. Review protocol: 6Ws . . . 176
  2.2.1. Who (who conducted the search for 'data') . . . 135
  2.2.2. When (when were the data collected) . . . 135
  2.2.3. Where (where were the data collected (e.g., journals, books)) . . . 135
  2.2.4. How (how were the data found (e.g., number of databases)) . . . 135
  2.2.5. What (what did you keep and what did you discard) . . . 135
  2.2.6. Why (final selection criteria) . . . 136
3. Country-specific determinants of cross-border M&A transactions . . . 136
 3.1. The macroeconomic and financial markets environment . . . 137
  3.1.1. West–south/west directional flows . . . 138
  3.1.2. South–west/south directional flows . . . 140

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3.1.3. Exchange rates and capital flows 141
3.1.4. Sovereign credit ratings and the incidence of capital flows 141
3.1.5. Cross-border acquisitions by SOEs 141
3.1.6. Summary 142
3.2. Institutional and regulatory environment 142
3.2.1. West–south/west directional flows 143
3.2.2. South-West/South directional flows 144
3.2.3. The likelihood of completing a publicly announced deal 145
3.2.4. Industry-specific studies 145
3.2.5. Summary 145
3.3. The political environment and corruption 146
3.3.1. The political environment 146
3.3.2. Corruption 147
3.3.3. Summary 147
3.4. Tax and the taxation environment 148
3.4.1. Summary 149
3.5. Accounting standards and valuation guidelines 150
3.5.1. Summary 151
3.6. Cultural environment 151
3.6.1. Summary 152
3.7. Geographical environment 153
3.7.1. Summary 154
4. Bibliometric analysis 154
5. Future research directions 154
6. Contributions, implications and limitations 156
6.1. Contributions 156
6.2. Practical implications 156
6.3. Limitations 156
7. Conclusion 157
Acknowledgments 157
References 176

1. Introduction

Mergers and Acquisitions (M&A) is a favorite top-level managerial strategy of multinational enterprises (MNEs) and national champions in the changing global market landscape (Ferreira, Santos, de Almeida, & Reis, 2014b; Shimizu, Hitt, Vaidyanath, & Pisano, 2004). This capital-led growth strategy receives significant attention not only from the equity analysts and portfolio managers, but also from the popular international press (The Economist, 2012; Financial Times, 2014; Forbes, 2015). For instance, the world economy has recorded approximately 100 thousands of cross-border M&A transactions between 2005 and 2014, with a value of more than US$5 trillion (UNCTAD, 2014, 2015). The most important motive behind M&A deal is the creation of value. Although M&A strategic plans' crafts upon the value creation perspective of financial management, they are mainly based in an interdisciplinary dialogue that includes economics, accounting, finance, strategy, international business (IB), law, marketing, human resources, and sociology. Hence, extant M&A research has greatly contributed to the finance and accounting literature since the beginning of the 20th century, then strategy and IB.

Our search of the literature pinpoints three important research questions. First, what drives merger waves? Second, do mergers and acquisitions create shareholder value? Third, why do mergers fail? Efforts to answer these questions have produced mixed findings (e.g., Gugler, Mueller, & Weichselbaumer, 2012; Harford, 1999, 2005; Makaew, 2012; Martynova & Renneboog, 2008a). Due to globalization and privatization initiatives, waves of mergers originating in developed economies (DE) have engulfed developing economies. This phase has markedly increased the number of M&A transactions between borders across the world, especially since 2000 (UNCTAD, 2000). A close look at the research metrics on this topic reveals that the number of articles on M&A have skyrocketed, in not only economics and finance journals, but also in strategy and IB publications (see Ferreira et al., 2014b). Most of IB literature has investigated this topic through foreign market entry mode, internationalization, and global diversification lenses (Brouthers & Hennart, 2007; Shimizu et al., 2004; Stoian & Mohr, 2016). A small number of studies have examined the patterns, determinants, and performances of cross-border acquisitions in the banking and finance sector (Caiazza & Pozzolo, 2016; Gulamhussen, Hennart, & Pinheiro, 2016).

The extant literature on the conventional theory of multinational firms, coupled with emerging findings from emerging economies (EE), has revealed several components of cross-border M&A, ranging from the deal negotiation process, deal announcement returns, motives, determinants, post-acquisition performance, the post-merger integration phase, and the impact of cross-border deals on economic development. This in turn raises four questions. First, what theories explain cross-border M&A strategy? Second, how does distance (e.g., institutional, political, administrative, cultural) affect the incidence, the ownership choice and the likelihood of completing cross-border M&A transactions? Third, what motivates EE MNEs' outbound acquisitions in developed and developing economies? Finally, do acquisitions by firms from EE show dissimilar announcement returns compared to acquisitions by firms from DE? Moreover, because geopolitical issues affect firm-level corporate strategies, it would be helpful to understand the impact of the external environment on cross-border M&A transactions. On the one hand, how much we know about home country determinants affecting outbound acquisition transactions. On the other hand, how much we study about host country determinants affecting inbound acquisition deals. Thus, we ask: are there comprehensive reviews that summarize home and host country determinants of cross-border M&A deals? Our answer is "no." Have scholars from IB, strategy, economics and finance published literature reviews on this topic? After a thorough search,

we found only two literature reviews published in IB journals (Hopkins, 1999; Shimizu et al., 2004), and one in an economics journal (Chapman, 2003). In other words, no literature reviews on cross-border M&A topic have been published since 2004 (except one on post-merger integration issues, see Öberg & Tarba, 2013). Have the reviews discussed home and host country determinants of cross-border M&A deals? The answer is "no." Although some scholars have recently reviewed M&A in and out of EE (Lebedev, Peng, Xie, & Stevens, 2015; China: Zhu & Zhu, 2016), theoretical discussions and contributions have been limited to specific institutional settings (see e.g., managing the institutional environment in China, Ahlstrom, Young, Nair, & Law, 2003). In fact, none of these papers reviewed the country-specific determinants of cross-border M&A deals (see Table 1 below for a detailed presentation). Therefore, we intend to review, summarize, and integrate extant research that examines the country-level factors affecting border-crossing M&A transactions.

This article is organized as follows. The balance of Section 1 presents our research motivation in need of a consolidating review on the national determinants of cross-border M&A deals. Section 2 explains the literature review design and protocol. In Section 3, the article summarizes and integrates several country-specific determinants affecting cross-border deals, and puts forward a number of theoretical propositions. Section 4 shows a few bibliometric analysis highlights of the focal research theme. In Section 5, we suggest several directions in need of future exploration. Section 6 discusses the article's contributions, implications, and limitations. Section 7 concludes the article.

1.1. The need for a literature review

What determines cross-border M&A transactions? Why do we need a review of this particular question? What motivated us to undertake this research? Inspired by Lebedev et al. (2015), Martynova & Renneboog (2008a), Zhu and Zhu (2016) and others, we explain our motivation in several contexts.

First, in economics and IB, conventional wisdom suggests that DE attract high-value investments, and invest a significant amount in other DE because they have similar institutional features and experience similar market development (e.g., Erel, Liao, & Weisbach, 2012; Hoskisson, Wright, Filatotchev, & Peng, 2013; Hymer, 1976; Weston, Chung, & Hoag, 1998). However, since the economic reforms of the 1980s and 1990s, DE have started investing in developing economies mainly due to market potential and cheap labor. Importantly, both developed and developing countries have grown more open to cross-border capital flows as evidenced by foreign direct investment (FDI) deregulation, generous financial incentives and the adoption of bilateral treaties, indicating that FDI has become a central driver of global economic integration (Pandya, 2016). In support of the theory, we present the top 20 acquiring firm countries, and the top 20 target nations in the market for cross-border M&A between 1995 and 2014 (see Fig. 1 and 2; Appendix A). On the one end, Fig. 1 shows that the United States, UK, Japan, France, and Canada are the top five acquiring firm countries in the market for cross-border outbound deals. What are the home country factors that drive overseas acquisitions? Are they institutional support and the development of financial markets, or are they institutional voids and higher corporate taxes? Next, how much do we know about home country determinants of cross-border M&A deals? Hence, a critical researcher must observe which county is the most preferred destination for doing business after acquiring a target firm. On the other end, Fig. 2 reveals the United States, UK, Canada, Netherlands, and Germany as the top five target firm countries for cross-border inbound acquisitions. Thus, we can see that the top five target nations feature better institutional environments, efficient financial markets, adequate resources, and good business conditions. In addition, China has attracted a significant number of cross-border investments. It is a surprise that India's foreign investments are of lower value than Brazil and Russia. In this context, we ask why only a few countries (e.g., China) attract high-value overseas investments; and why several countries (e.g., India, Pakistan, African countries) have received only low-value foreign investments despite their economic growth, cheap labor, and large markets. What are the economic and institutional factors that affect the top acquiring countries and the top target countries? On the other hand, what are the dichotomous factors that impede cross-border investments going to developing economies? How much do we know about cross-country determinants that favor or impede the market for cross-border M&A transactions?

Second, because institutional transitions and market structures affect organizational strategic investment choices (Doh, Lawton, & Rajwani, 2012; Dunning and Lundan, 2008; Hoskisson et al., 2013; Marquis and Raynard, 2015; Meyer and Peng, 2016; Peng, 2003; Ramamurti, 2012; Wright, Filatotchev, Hoskisson, & Peng, 2005), EE MNEs have expanded both by industry and globally by adopting accelerated internationalization modes such as M&A. For instance, we find five EE among the top 20 acquiring countries in the market for cross-border outbound deals during the last decade, namely, China (US$273 billion), the United Arab Emirates and India (US$90 billion each), and Brazil and Russia (US$62 billion each; see Fig. 1). Given this new phenomenon, scholars have investigated what drives cross-border acquisitions by MNEs from EE (Deng, 2012, 2013; Jormanainen & Koveshnikov, 2012). One notable fact is that MNEs from BRICs have acquired a number of reputable targets in DE due to lower asset valuations following the global financial crisis. However, some researchers argue that adequate institutional support in the home market (e.g., China), financial markets development (e.g., China, India), and inward internationalization (e.g., Brazil, Russia), together with firm-level resources and networks, have motivated firms to expand into not only other regions in the Global South, but also Western countries (Deng, 2013; Peng, 2012; Ramamurti, 2012). Thus, we ask: how much do we know about home country (push) and host country (pull) factors affecting EE outbound M&A deals? In other words, does this mean that MNEs from home countries, with higher levels of corruption, acquire target firms in a host country with weak institutional frameworks and higher levels of political uncertainty? Likewise, do MNEs from home countries with weak institutional laws buy target firms in host countries with strong corporate governance standards and strong market potential?

Third, there has been a significant increase in the internationalization of state-owned enterprises (SOEs), especially in the aftermath of the global financial crisis. This topic has attracted a great deal of attention, not only from the IB, corporate finance, public economics, and political science disciplines (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015; Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014; He, Eden, & Hitt, 2016; Karolyi & Liao, 2016;; Peng, Bruton, Stan, & Huang, 2016; Putniņš, 2015; Shi, Hoskisson, & Zhang, 2016; Tingley, Xu, Chilton, & Milner, 2015), but also from the international press (The Economist, 2012). It is because several SOEs from Asia (particularly China, energy sector) and Europe have acquired significant equity control of high-value targets in developed (e.g., United States, UK) and developing countries (e.g., Africa). On the other hand, although SOEs' global strategy is to improve their competitive advantages with a "business as usual" perspective, they have faced opposition in national politics and regulatory agencies when the high-value target or the international brand is domiciled in DE such as the United States (Tingley et al., 2015; Wan and Wong, 2009). In fact, security scholars in political science seriously criticize SOEs' global investment strategies and management policies. The burgeoning phenomenon

Table 1
Previous review studies in the cross-border M&A, entry mode and related topics.

Authors (Year): Number of citations	Journal	Discipline	Objective	Theme	Review period	Selection criteria	Number of journals	Number of articles	Country-level factors	Conceptual model/Propositions
Foreign market entry mode										
Andersen (1997): 568	MIR	IB, SM	Review	Entry mode	Exploratory/ Perspective	Narrative/ Not discussed	Open	–	Not discussed/not the objective	Concepts integration, Theoretical advancement
Datta, Hemnann, and Rasheed (2002): 79	ACIM	IB, SM	Review	Entry mode	Exploratory/ Perspective	Narrative/ Not discussed	Open	–	Integrated discussion of firm, home, host linkages and performance relationships	Concepts integration, Theoretical advancement; Future research agenda
Harzing (2004): 203	AIM	IB, SM	Review	Entry mode: Cultural distance	Exploratory/ Perspective	Discussed	Open	–	Exclusive: Cultural distance	Concepts integration, Theoretical advancement; Future research agenda
Mayrhofer (2004): 57	JIMktg	IB, SM	Review	Entry mode	Exploratory/ Perspective	Narrative/ Not discussed	Open	26	Home-country effects of market entry mode, western context	–
Zhao, Luo, and Suh (2004): 455	JIBS	IB, SM	Meta-Analytic Review	Entry mode, Transaction cost economics	1986–2002	Discussed	IB, SM; Selective	38	TCE moderating effects of location, country of origin, industry type	Meta analysis
Tihanyi, Griffith, and Russell (2005): 715	JIBS	IB, SM	Meta-Analytic Review	Entry mode, International diversification, firm performance	Exploratory/ Perspective	Discussed	IB, SM; Selective	67	The impact of cultural distance on entry mode, international diversification and firm performance	Meta analysis
Slangen and Hennart (2007): 147	JIM	IB, SM	Review	Entry mode: Greenfield/Acquisition	Exploratory/ Perspective	Discussed	Open	15	Not discussed/not the objective	Conceptual model, future research agenda
Brouthers and Hennart (2007): 543	JoM	IB, SM	Review	Entry mode	Exploratory/ Perspective	Narrative/ Not discussed	Open	–	Not discussed/not the objective	Concepts integration, Theoretical advancement; Future research agenda
Canabal and White (2008): 255	IBR	IB, SM	Bibliometric analysis; Review	Entry mode	1980–2006	Narrative/ Not discussed	Open, 45	126	Not discussed/not the objective	Bibliometric analysis; Future research agenda
Morschett, Schramm-Klein, and Swoboda (2010): 203	JIM	IB, SM	Meta-Analytic review	Entry mode	Three decades	Discussed	IB, Selective	72	Not discussed/not the objective	Meta analysis
Ahsan and Musteen (2011): 42	IJMR	IB, SM	Review	Entry mode	Exploratory/ Perspective	Narrative/ Not discussed	Open	–	Market uncertainty . . . , host market attractiveness	Concepts integration, Theoretical advancement
De Villa, Rajwani, and Lawton (2015): 8	IBR	IB, SM	Review	Entry mode	Exploratory/ Perspective	Discussed	IB, SM	69	A short discussion on institutional theory; the moderating effect of the multi-level political environment on entry modes	Theoretical integration of Uppsala model, transaction cost analysis, real options, OLI paradigm, industrial network, and institutional theory.
Dikova and Brouthers (2016): 2	MIR	IB, SM	Review	Entry mode	1980–2015	Discussed	41	104	A little discussion on country-level variables of entry mode; not the objective	Concepts integration, Theoretical advancement; Future research agenda
Harzing and Pudelko (2016): 5	MIR	IB, SM	Review	Entry mode	1985–2013	Discussed	Open	92	Home-host country perspectives on entry mode	Concepts integration, Theoretical advancement; Empirical testing, Future research agenda
Jain, Kothari, and Kumar (2016)	MIR	IB, SM	Review	Location research	1975–2015	Discussed	17	151	A open discussion on location determinants: inter-regional ties, macroeconomic environment, various types of distances (e.g., cultural)	Propositions, Future research agenda
Klier et al. (2016)	JMS	IB, SM	Meta-Analytic Review	Entry mode	1980–2015	Discussed	IB, SM	31	The moderating effect of cultural distance, empirically.	Meta analysis
	JoM	IB, SM			1972–2012	Discussed		359		Meta analysis

Marano, Arregle, Hitt, Spadafora, and van Essen (2016): 4			Meta-Analytic Review	Internationalization-performance (IP) relationship			Open, Published/ Working papers		Home-country institutions effects on IP relationship	
Surdu and Mellahi (2016): 2	IBR	IB, SM	Review	Entry mode	1970–2013	Discussed	13, included in the Web of Science	1055	Not discussed/not the objective	Concepts integration, Theoretical advancement; Future research agenda
M&A strategy view: Interdisciplinary nature										
Martynova & Renneboog (2008a): 406	JBF	Financial Economics	Review	M&A	Comprehensive	Narrative/ Not discussed	Open, Finance	–	Characteristics, profitability, and Short-term effects, Long-term–term effects, Operating performance of takeover waves	Concepts integration, Theoretical advancement
Haleblian et al. (2009): 453	JoM	SM	Review	M&A	1992–2008	Discussed	Open	167	A little discussion, mostly focused on western context: Waves and Regulations	Future research agenda
Ferreira et al. (2014b): 36	JBR	IB, SM	Bibliometric analysis	M&A	1980–2010	Discussed	16	334	Not discussed/not the objective	Bibliometric analysis; Future research agenda
Reddy (2014): 19	PSR	IB, SM, Finance, Economics	Review	M&A, Diversification, Entry-mode/ Internationalization	Exploratory/ Perspective	Narrative/ Not discussed	Open	67	Not discussed/not the objective	New typology, Interdisciplinary framework
Friedman et al. (2015): 5	IJHRM	SM	Review	M&A failure	1990–2009	Discussed	SM, Selective	93	Not discussed/not the objective: pre-acquisition (target selection), the acquisition decision (along with decisions on deal structure) and the post-merger integration	Concepts integration, Theoretical advancement; Propositions; Future research agenda
Cross-border M&A										
Hopkins (1999): 145	JIM	IB	General review	Cross-border M&A	Exploratory/ Perspective	Narrative/ Not discussed	Open	–	Practical views/discussion: Global and regional perspectives	–
Chapman (2003): 60	JEGeo	Economics	Review	Cross-border M&A: Regional view	Exploratory/ Perspective	Narrative/ Not discussed	Open	–	Geographic factors, regional factors	Concepts integration, Theoretical advancement
Shimizu et al. (2004): 547	JIM	IB, SM	Review	Cross-border M&A	Exploratory/ Perspective	Narrative/ Not discussed	Open	–	A little discussion, but mostly focused on western context: Macro environment	Concepts integration, Theoretical advancement; Future research agenda
Geographic focus: Emerging economy context										
Jormanainen and Koveshnikov (2012): 70	MIR	IB, SM	Review	Internationalization	2000–2010	Discussed	14	50	Theoretical inconsistency: Home country institutional environment	Concepts integration, Theoretical advancement; Research guidelines
Amighini et al. (2015): 4	EPI	IB, SM	Review	MNEs from EE	1995–2014	Narrative/ Not discussed	Open	–	Not discussed/not the objective	Conceptual and Theoretical Integration
Lebedev et al. (2015): 39	JWB	IB, SM	Review	Domestic and cross-border M&A	Exploratory/ Perspective	Discussed	Open	51	An overview of institutional environment of EE	Concepts integration, Theoretical advancement; Propositions; Future research agenda
Bruhn, de Alcântara, Tonelli, Reis, and Antonialli (2016)	GBR	IB, SM, Economics	Bibliometric analysis	OFDI	2006–2014	Discussed	Open	64	Home country and host country governments influence	Bibliometric results; Investment motives; Most cited papers; Co-citation network; Most researched themes
Luo and Zhang (2016)	JIM	IB, SM	Review; Content analysis	MNEs from EE	1990–2014	Discussed	11	166	A short discussion on institutions and political risk in EE MNEs internationalization	Theoretical foundation; Method; Countries studied, Author/affiliation; Major topics; Future research agenda
Continent-focused: Africa										
	TIBR	IB, SM	Review	Internationalization	1995–2011		Open	54	Not discussed/not the objective	Future research agenda

Table 1 (*Continued*)

Authors (Year): Number of citations	Journal	Discipline	Objective	Theme	Review period	Selection criteria	Number of journals	Number of articles	Country-level factors	Conceptual model/Propositions
Ibeh, Wilson, and Chizema (2012): 25						Narrative/ Not discussed				
Ellis, Lamont, Reus, and Faifman (2015): 6	AfJM	IB, SM	Review	Domestic and cross-border M&A	Post-1999	Discussed	Open	30	Macro environment of African context, deal variables	Concepts integration, Theoretical advancement; Future research agenda
Country-focused: China										
Deng (2012): 79	IJMR	IB, SM	Review	Internationalization	1991–2010	Discussed	45	121	Home and host country antecedents of China	Concepts integration, Theoretical advancement; Future research agenda
Berning and Holtbrügge (2012): 19	JfB	IB, SM	Review	OFDI	1986–2012	Discussed	15	62	Home and host country antecedents of China	Future research agenda
Deng (2013): 43	MOR	IB, SM	Review	OFDI	2001–2012	Discussed	41	138	Home country antecedents of China	Concepts integration, Theoretical advancement; Future research agenda
Liu and Deng (2014): 8	AMA	IB, SM	Review	Cross-border M&A	1991–2013	Discussed	41	138	Home country antecedents of China	Future research agenda
Zhu and Zhu (2016): 1	APJM	IB, SM, Finance, Economics	Review	Domestic and cross-border M&A in and out of China; general M&A research	2009–2015	Discussed	Selective	213	A little discussion on general environmental factors	Concepts integration; Comparing Chinese M&A research with general M&A research; Propositions; Future research agenda
Chen, Li, and Hambright (2016)	MBR	IB, SM	Review	The effects of home country regulatory institutions on OFDI	Exploratory/ Perspective	Discussed	Selective	26	Institutional development, Liberalization of OFDI policies, State ownership	Thematic analysis; Concepts integration; A little discussion on future directions
Country-focused: Russia										
Liuhto and Majuri (2014): 9	JEWB	IB, SM	Review	OFDI	Exploratory/ Perspective	Narrative/ Not discussed	Open	–	Home country antecedents of Russia	Future research agenda
Globalization of state-owned enterprises										
Bruton et al. (2015): 40	AMP	Management	Conceptual	Internationalization, Firm performance	2000–2014	Discussed	FT 45	39	Not the objective of the study	Concepts integration, Theoretical advancement; Future research agenda
Martin and Li (2015): 3	AIM	IB, SM	Review	Internationalization, Firm performance, EE	1954–2014	Discussed	16	55	Not the objective of the study	Future research agenda

Source: Prepared by authors.
Journal abbreviations- ACIM: Advances in Comparative International Management, AfJM: Africa Journal of Management, AIM: Advances in International Management, AMA: Advances in Mergers & Acquisitions, AMP: Academy of Management Perspectives, APJM: Asia Pacific Journal of Management, EPI: Economia e Politica Industriale, GBR: Global Business Review, IBR: International Business Review, IJHRM: International Journal of Human Resources Management, IJMR: International Journal of Management Reviews, JBF: Journal of Banking & Finance, JBR: Journal of Business Research, JEGeo: Journal of Economic Geography, JEWB: Journal of East-West Business, JfB: Journal für Betriebswirtschaft, JIBS: Journal of International Business Studies, JIM: Journal of International Management, JIMktg: Journal of International Marketing, JMS: Journal of Management Studies, JoM: Journal of Management, JWB: Journal of World Business, MBR: Multinational Business Review, MIR: Management International Review, MOR: Management and Organization Review, PSR: Pacific Science Review, TIBR: Thunderbird International Business Review.
Also see Agarwal (1980) for a survey on the determinants of FDI; Faeth (2009) for a review of nine theoretical models of FDI; Pandya (2016) for a dialectic review on the political economy of FDI; Nielsen et al. (2016) for an empirical review on the location choice of FDI; Fetscherin et al. (2010) for a review on FDI flows to China.
Note: The number of citations should be read as the Google Scholar' citations, as of 25th November 2016.

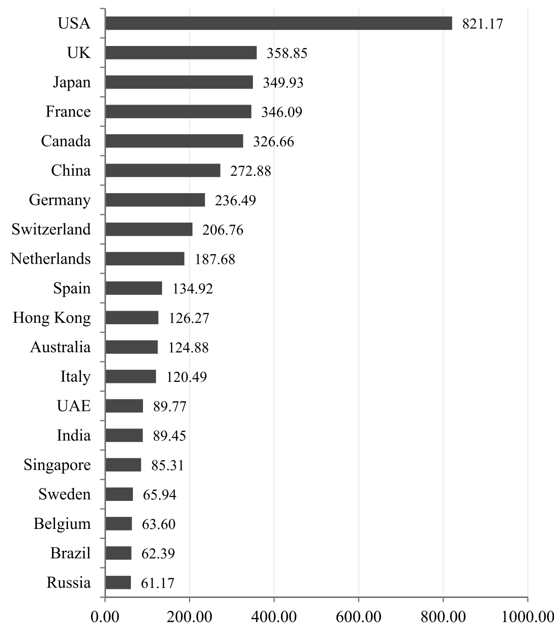

Fig. 1. The top 20 acquiring firm countries, 2005–2014 (cumulative value, US$ billion).
Source: Composed by authors (see Appendix A)

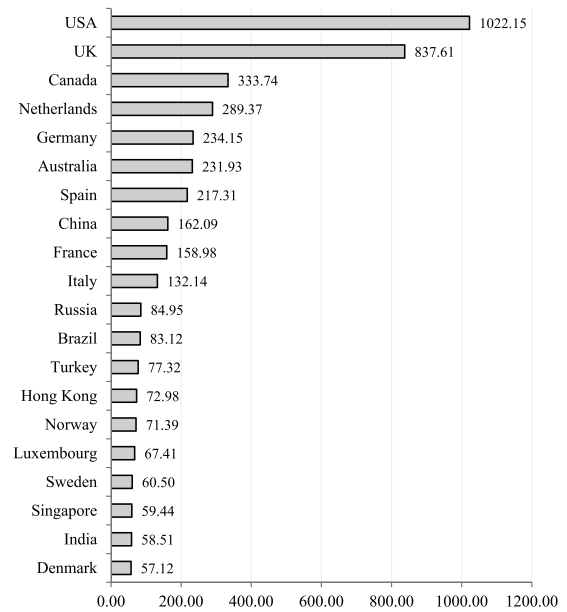

Fig. 2. The top 20 target countries, 2005–2014 (cumulative value, US$ billion).
Source: Composed by authors (see Appendix A)

of SOEs' global strategy has challenged both national policy makers in DE and scholars in IB. Thus, a synthesis of the motives and antecedents of cross-border acquisitions by SOEs may enhance our knowledge.

Fourth, the IB and strategy literature has demonstrated a growing interest in critically analyzing why cross-border M&A deals are often delayed or even abandoned after the public announcement.[1] In other words, why would a host country's government agency and ruling political party oppose cross-border inbound deals? For instance, Zhang and He (2014) contend that forces such as nationalistic sentiments grow in reaction to instabilities, suggesting that economic nationalism significantly affects foreign firms' market entry operations. In our view, the dichotomous characteristic of "deal abandonment" in the cross-border M&A stream has become a serious issue not only among West–South deals, but also among South–South and South–West deals (Friedman, Carmeli, Tishler, & Shimizu, 2015; Hassan & Ghauri, 2014; Reddy, Xie, & Huang, 2016b; Tingley et al., 2015). Zhang et al. (2011) report that 210,183 deals were unsuccessful (460,710 deals completed) out of 670,893 acquisition announcements made between 1982 and 2009. A recent study by Popli and Kumar (2015) finds that 35% of announced Chinese deals (839 out of 2380) were abandoned between 1992 and 2012, 27% of Indian deals (556 out of 2070), 21% of Russian deals (323 out of 1509), 20% of Brazilian deals (123 out of 605), and 19% of South African deals (221 out of 1123), among others. In comparison, Indian deals recorded a high success rate (about 67%) whereas Chinese deals recorded a low success rate (about 47%; Sun, Peng, Ren, & Yan, 2012). The issue of deal abandonment can also be found in the banking and finance sector. On average, about 5% of publicly announced banking and finance deals were cancelled, with peaks of over 10% in more financially DE (Caiazza & Pozzolo, 2016). In the context, how much do we know about this dichotomous experience of cross-border M&A deals? Our answer is "not much."

Do existing reviews of foreign market entry modes and cross-border M&A streams discuss the determinants of border-crossing deal abandonments? Only one review/conceptual paper discussed the issue (Friedman et al., 2015). However, although the paper outlines some important deal negotiation and post-deal issues, it does not explain home and host country determinants of cross-border M&A deals. In fact, the paper is largely concerned with providing a review of the literature on domestic transactions from the human resource subject between 1990 and 2009. It should be noted that cross-border deal abandonment received significant public attention only after the global financial crisis (Zhang, Zhou, & Ebbers, 2011; Zhang & He, 2014).[2] Our review will highlight that several cross-border deals were delayed or abandoned due to the erratic behavior of government agencies, interventions by the ruling political party, and regulatory hurdles.

Fifth, why does not capital flow from rich to poor countries (Lucas, 1990)? Several economists have examined the "Lucas paradox" in different institutional settings (e.g., Asia, Africa), and found that a weak institutional infrastructure is the serious problem of lower capital flows to developing countries (Alfaro, Kalemli-Ozcan, & Volosovych, 2008; Slesman, Baharumshah, & Wohar, 2015). In particular, a recent executive survey, published in the "Global Competitive Report" by the *World Economic Forum* (WEF, 2015, p. 20) highlights that "the surge of access to finance as one of the most serious concerns for business in many countries, a consequence of the global financial crisis." Also, survey participants' rank government bureaucracy, tax rates, restrictive labor regulations, access to finance, and complexity of tax regulations as the most business-related problems in DE whereas access to finance, corruption, government bureaucracy, tax rates, and inadequate infrastructure are the most serious problems for doing business in EE and developing countries. Thus, because the institutional environment is the basic component of the country risk assessment, we ask how much do we know about the role of institutions in determining the cross-border M&A deal completion? In other words, what extant IB and strategy literature reveals

[1] See, for example, Kim and Song (2016), Zhou et al. (2016a, 2016b); Caiazza & Pozzolo, 2016 (on banking and finance); Roos and Postma (2016) (on health care); and Reddy et al., 2016b (on telecommunications and oil/gas).

[2] See, for example, Wong and O'sullivan (2001), who discussed, grounded on corporate finance literature, the determinants and consequences of abandoned takeovers in developed financial markets.

the relationship between institutions and foreign acquisitions? And, do EE with weak institutional backgrounds receive fewer (more) capital flows or do DE with strong institutional frameworks attract greater capital flows?

Sixth, our research experiences guide that new papers must explain the rationale and discuss knowledge gaps by presenting prior research. Table 1 presents 42 extant reviews published between 1997 and 2016 November. Of these reviews, 18 articles review the entry mode stream, and there were 3 articles on cross-border M&A, 14 articles on MNEs from EE (e.g., 5 on the EE phenomenon, 6 on China, 1 on Russia, and 2 on African continent), 2 articles on globalization of SOEs, and 5 selective interdisciplinary studies. Two observations emerge from this search. On the one hand, not all reviews discuss survey indicators like the period under review, selection criteria, number of journals, and number of articles. It is surprising to find that none of the reviews on cross-border M&A discuss the four survey indicators. On the other hand, because few reviews on entry mode survey country-specific taxonomy (a short discussion), there are knowledge gaps concerning the country-level determinants of cross-border M&A transactions. The upshot is that although there is a large number of review papers on entry mode, cross-border M&A, and EE MNEs streams have surveyed articles published in IB and management journals, they have ignored finance, accounting and economics publications.

Thus, the aforementioned discussions support our claim that this article, to date, is the first to consolidate, review, and integrate earlier studies that analyze the country-specific determinants of cross-border M&A transactions. Nested within the IB, strategy, finance and economics literature, we survey research published during the past three decades for various strands, including the macroeconomic and financial markets environment, institutional and regulatory environment, political environment and corruption, tax and the taxation environment, accounting standards and valuation guidelines, cultural environment, and geographical environment. We then show some highlights of the bibliometric analysis, provide a synopsis of each country-level determinant, and offer several theoretical propositions and research directions for future exploration. Overall, our survey suggests that a country's institutional laws and regulatory system, accounting and tax provisions, economic performance, financial markets development, investor protection, geographical, political and cultural factors affect the incidence, the ownership choice, and the likelihood of completing cross-border acquisitions differently in different institutional settings. In particular, the better the host country's laws governing the financial markets, accounting and taxation policies, and new company registration, then the higher the volume and value of cross-border inward deals.

2. Review design and protocol

2.1. Review design

Scholars define that conceptual papers and literature review papers feature several common functions, such as "to build a foundation, to demonstrate how a study advances knowledge, to conceptualize the study, to assess research design and instrumentation, and to provide a reference point for interpretation of findings" (Merriam & Simpson, 2000 In: Rocco & Plakhotnik, 2009). To our knowledge, literature review is a process of searching, reviewing, consolidating, and integrating the most prevalent issues examined in the discipline, thus to present research trends, research synthesis and research direction, and to develop new theoretical constructs. One can pose, what makes a good integrative review. For Torraco (2005, p. 356), an integrative review is "a form of research that reviews, critiques, and synthesizes representative literature on a topic in an integrated way such that new frameworks and perspectives on the topic are generated". Hence, it largely surveys a particular phenomenon by consolidating a broad array of scholarly literature such as empirical, non-empirical, conceptual, and theoretical (Callahan, 2014). A good literature review should represent five Cs, namely, *concise*, *clear*, *critical*, *convincing*, and *contributive* (Callahan, 2014).

In literature, medical and social science researchers suggest the three main review techniques, namely, bibliometric, meta-analysis, and systematic/integrative. First, bibliometric reviews analyze an extensive amount of published research by using statistical tools, thus to figure out 'trends and citations' of a particular theme, by year, country, author, journal, method, theory, and research problem. Second, meta-analysis is a form of quantitative technique and has been widely recognized as the best statistical assessment of prior empirical research on a specific research topic. This method allows researchers to 'identify overall directions and effect sizes based on existing empirical research by using weighted average techniques, and contextualize the relationships by considering moderator variables' (Hunter & Schmidt, 1990 In: Klier, Schwens, Zapkau, & Dikova, 2016, p. 3). Third, systematic reviews provide a number of critical discussions on a specific research problem by integrating extant literature, summarizing prior contributions, locating knowledge gaps, and developing new theoretical frameworks (Marabelli & Newell, 2014). The approach indeed 'became one of the first explicitly recognized forms of literature review in the late-20th century' (Callahan, 2014, p. 272).

In this paper, although bibliometric and meta-analytic reviews may analyze significant literature by using statistical tools, we prefer to pursue systematic review technique given the important knowledge gaps in the existing reviews on cross-country determinants of M&A. We present some insights from the approaches of existing review articles (see Table 1). Firstly, 30 out of 42 reviews in entry mode, cross-border M&A and related streams adopted *systematic/integrative survey method*, 5 out of 18 reviews in the entry mode stream applied *meta-analytic review method*, and 3 reviews presented *bibliometric analysis*. Secondly, 25 articles defined *review period*, 28 articles discussed *selection criteria*, and less than 10 articles developed *new propositions*. Yet, no existing review article discussed both the integrative survey of a large amount of past research and bibliometric/meta analysis. Hence, it is interesting to note that the style (design, synthesis) of literature survey has gradually improved, from the traditional review and future research direction to the review protocol, integrative review, theoretical propositions and research agenda.

Some scholars criticize that "reviews provide comprehensive results, but at times the reporting (and/or a particular table) spans many pages ... is difficult to follow and may be beyond the attention spans of many readers, even advanced scholarly readers (Short, 2009, p. 1313). Nevertheless, we present a comprehensive table encapsulating theoretical underpinnings and key findings of the focal research theme (Ahlstrom, 2015; Ahlstrom, Bruton, & Zhao, 2013; Doh, 2015).[3] Therefore, grounded on narrative approach, we summarize and integrate earlier research findings on a chosen topic, and develop theoretical propositions. Then, we present a few bibliometric highlights of the focal research topic.

2.2. Review protocol: 6Ws

Since M&A strategy is the most researched topic in the economics, finance, strategy and IB literature, systematic review method may better help us to critically survey the extant research

[3] Authors wish to thank an anonymous referee for recommending this valuable point.

on country-specific determinants of cross-border M&A transactions. We thus discuss our literature review design following Callahan's (2014) 6Ws – *Who, When, Where, hoW, What,* and *Why*.

2.2.1. Who (who conducted the search for 'data')

Some discussions of this paper were part of coauthor's doctoral work carried out between 2010 and 2014. The researcher collected several hundreds of journal articles published in leading publishers such as Elsevier, John Wiley, Taylor & Francis, etc. In addition, the remaining authors performed individual searches, and downloaded a number of research articles on this particular topic. Thus, two researchers were responsible for the article search.

2.2.2. When (when were the data collected)

The doctoral researcher collected a large number of articles on cross-border M&A, since the admission year 2010. Although the researcher was aware of the publications in reputable journals, the researcher could not download articles from October 2014 due to access limitations and job search. However, the authors were able to re-search all related journals, and collect relevant articles published during 2014–2016.

2.2.3. Where (where were the data collected (e.g., journals, books))

Compared to books and conference proceedings, journal articles are highly recognized not only in the science and engineering, but also in the management and social sciences. It is because several reputable journals (particularly, SSCI: Social Sciences Citation Index) follow the double-blind review system, ask at least two revisions, and consider at least one year to make a final decision, on average. While our research direction is the cross-border M&A strategy of MNEs, the IB discipline has a number of reputable outlets, such as the *Journal of International Business Studies*, *Journal of World Business*, *Management International Review*, *International Business Review*, *Journal of International Management*, and *Asia-Pacific Journal of Management*, among others (see Tüselmann, Sinkovics, & Pishchulov, 2016). Importantly, the acceptance rate is much lower than the other indexing journals (e.g., Scopus). For instance, *Journal of World Business*'s 2015 Impact Factor was 2.811 and the Five-year Impact Factor was 3.729, with a significant H-index of 67 and with a history dating to 1965.[4] Given that, our survey of literature was limited to journal articles published in English language. When the selection was restricted to SSCI journals, it is inappropriate to survey and synthesize the relevant literature published across the world economy on this topic. To this end, we surveyed both the SSCI and non-SSCI, though a large number of articles appeared in the SSCI journals (see Section 4 for the bibliometric analysis).

2.2.4. How (how were the data found (e.g., number of databases))

Unlike earlier review papers published in the IB and strategy literature, we followed a different approach in the collection and selection of journal articles (Deng, 2012, 2013; Jormanainen and Koveshnikov, 2012; Shimizu et al., 2004). First, the doctoral researcher downloaded several hundreds of M&A related articles by searching journal-by-journal and publisher-by-publisher. Then, the remaining authors collected some articles from the JSTOR database. The list of keywords include 'merger', 'acquisition', 'takeover', 'mergers and acquisitions', 'cross-border acquisitions', 'foreign acquisition', 'foreign market entry mode', and 'internationalization'. The open search and advanced search options were used to trace more number of journal articles. Second, having a good knowledge on Google's services, the doctoral candidate created two-email notifications, namely, *Google Alerts*, and *Google Scholar Alerts*. The candidate created the *Google Scholar Alerts* to some highly referred journal articles, for example, Martynova & Renneboog (2008a), a good review article on M&A with insights from corporate finance, and Rossi and Volpin (2004), an exemplary work on cross-country determinants of M&A. The candidate also created alerts to 'mergers and acquisitions', 'international diversification', and 'takeovers'. At the same time, the researcher registered for the new article email alerts at the *John Wiley*, *ScienceDirect*, and *Springer*. The most important merit of creating an *Email Alerts* is being aware of new research articles as they are published on the *World Wide Web*. Note that the speed in tracing a published journal article technically depends on 'Digital Object Identifier' (DOI) and 'CrossRef'. The interval time of the email alerts was 'weekly'. Third, in addition to survey of the publishers' journals and JSTOR database during the last/first quarter in 2015/2016, the researchers checked the *Google Scholar Citations* of highly cited reviews/articles, for example, Brouthers and Hennart (2007), Canabal and White (2008), Dikova et al. (2010), Erel et al. (2012), Haleblian, Devers, McNamara, Carpenter, and Davison (2009), Lucas (1990), Rossi and Volpin (2004), and Shimizu et al. (2004). Fourth, owing to the standing of IB journals during our revision time (see Tüselmann et al., 2016), we strictly read both the title and abstract of each paper published in the SSCI-indexed IB journals over the past five years. This task also helped us to trace some important papers, including the *articles in press*. In sum, we collected a significant stock of journal articles on M&A topic.

2.2.5. What (what did you keep and what did you discard)

Given the volume of research articles on this topic, it is practically not possible to integrate several hundreds of articles in a review article.[5] As such, we first included articles published in the strategy and IB journals. Since cross-border M&A is a form of foreign direct investment, we also surveyed numerous articles published in the economics and finance journals (see Section 4 for the bibliometric analysis). The review protocol is that we surveyed articles examining the home country or host country determinants of cross-border M&A transactions, for example, West-South and South-West directional flows. We faced a major problem in the selection process. It is an unfair job, if we simply selected articles based on the title, abstract, and keywords. It is because many researchers did not clearly explain whether the article analyzed deal/firm characteristics; the motives of acquiring/target firm; the negotiation process; home/host country determinants; the choice of ownership; the post-merger financial performance or the post-acquisition integration. Since the doctoral candidate completed his doctoral work on this topic; he selected articles after reading the full paper. In addition; the remaining authors added a number of articles during the period 2015–2016. Conversely; we omitted econometric-based papers; general case studies; and articles that analyze the deal-; firm- and industry-specific determinants of cross-border M&A deals; the announcement returns; the post-merger operating performance; the post-merger integration and banking and finance deals. We also excluded articles that examine the choice of entry mode; that is; greenfield vs. acquisition (see Table 1 for the extant reviews). This selection process supplied over 600 journal articles from the actual M&A; FDI and internationalization stock over 3000 articles.

[4] *Source*: Journal of World Business, Elsevier http://www.journals.elsevier.com/journal-of-world-business.

[5] As of 20th April 2016, the Google Scholar has produced 11,100 documents for "determinants of foreign direct investment", and 10,800 documents for "cross-border mergers and acquisitions".

2.2.6. Why (final selection criteria)

The article selection is one of the major steps of a good integrative review. Our first criterion is that whether the 'dependant variable' was deal completion, choice of equity control in target ownership, number of deals, value of transactions, or target premium. Our second measure is that whether the 'independent (control) variable' was at least one or more of the macroeconomic indicators (e.g., GDP), financial markets development (e.g., stock market capitalization), institutional environment (e.g., rule of law, formal institutional distance), accounting and valuation issues (e.g., financial reporting mechanism), political issues and corruption (e.g., level of corruption), tax and taxation system (e.g., corporate tax rate), geographical factors (e.g., physical distance), and cultural environment (e.g., language, cultural distance). Then, we first applied the two filters to our sample of M&A articles published in management journals (excluding the finance and economics ones). It is a surprise that we could survey hardly 100 articles. It is because the real boom in the cross-border M&A research has been noticed only after releasing the *World Investment Report, 2000: Transnational M&A Perspectives* (UNCTAD, 2000). Moreover, cross-border M&A stream is relatively young, limited than the domestic M&A and other foreign market entry strategies literature. Since the paper aims to consolidate and integrate extant research findings for overall understanding of the factors affecting cross-border M&A deals, we also included a number of relevant M&A/FDI articles published in the finance and economics journals. Although we were aware of FDI articles published in the geography and political science journals, we could not include them due to journal's page-restrictions, and indexing guidelines on citations. We hence offer our apologies to authors whose papers were not included in this survey.

Applying these criteria, we were able to survey a total of 257 journal articles published during the past three decades, 1990–2016 October (see (*) asterisk ones in references). Of these articles, 185 articles (72%) analyzed the determinants of cross-border M&A, and the remaining 52 articles (28%) examined the determinants of FDI; over 90% of articles were discussed empirical findings. We present some highlights of the bibliometric analysis. First, over 90 (50%) out of 185 M&A articles published during the last three years, 2014–2016 (see Fig. 3). Even more appealing, over 40% of these articles appeared in IB journals, for example, there were 13 papers in IBR, 9 in JIBS, and 5 each in JWB and TIBR. Overall, a total of 66 (36%) M&A articles published in IB journals during the review period. Second, with regard to the journal category, 84 M&A/FDI articles published in IB journals and there were 52 articles in management journals, 57 in economics journals, 54 in finance and accounting journals, and 10 in other social science journals (see Section 4 for the bibliometric analysis).

3. Country-specific determinants of cross-border M&A transactions

Seminal works by Buckley and Casson (1976), Dunning (1977), Hymer (1976), and other notable researchers have greatly contributed to the theory of the MNE. Drawing on international production theories, Dunning (1977, 1998) proposes OLI (ownership, location, internalization) as the foreign market entry paradigm of MNEs. The basic premise of OLI eclectic theory is that MNEs strategic choices are driven by the matrix of ownership advantages, location features, and internalization opportunities. For example, MNEs prefer to acquire partial-equity control in a target with high country risk profile. In particular, Dunning (1998) suggests that MNEs expand globally to seek markets (market-seeking motive), cost reduction (efficiency-seeking motive), resources and materials (resource-seeking motive), and specific assets (strategic asset-seeking motive).

In order to marketize internationally, MNEs adopt equity- and nonequity methods. According to Johanson & Vahlne (1977, 2009), firms expand into foreign locations gradually from nonequity choices such as exporting to equity choices, e.g., foreign subsidiary formation. Hence, through market-oriented reforms, institutional development, business opportunities and global market integration, MNEs are more likely to pursue equity-based methods over nonequity ones. Equity-based or FDI choices include greenfield investment and acquisition. Because the greenfield method begins from 'scratch,' firms prefer M&A as the best alternative for gaining competitive advantages and technological synergies (Hennart & Slangen, 2015; Hitt, Li, & Xu, 2016; Meyer, Estrin, Bhaumik, & Peng, 2009; Penrose, 1959; Porter, 1980). It offers immediate ownership and controlling rights over the target entity's resources and capabilities (Manne, 1965). Although M&A is an aggressive method of business restructuring driven by a firm's deep pockets and stock market valuations (Harford, 1999; Nelson, 1959; Shleifer and Vishny, 2003; Weston et al., 1998), the real game of M&A is like "eat or be eaten" in global markets (Gorton, Kahl, & Rosen, 2009).

In particular, foreign investment leads to a significant change in the ownership of existing production facilities, instead of a mere relocation of economic activity, whereas acquisition involves the transfer of an asset between two owners (who are taxed differently), which generates taxable income (Becker & Fuest, 2010). A cross-border merger or acquisition involves at least two companies from different nations (Alba, Park, & Wang, 2009). For Shimizu et al. (2004), cross-border acquisitions are those involving "an acquirer firm and a target firm whose headquarters are located in different home countries." A deal can be an inward or outward transaction. A host country receives direct investment when a local firm is acquired by the foreign firm, which is referred to as a cross-border inward acquisition (sale). On the other hand, when a local company acquires a firm located in a foreign country—which results in investment outflow—is called a cross-border outward acquisition (purchase; Clougherty, Kim, Skousen, & Szücs, 2016; Hitt & Pisano, 2003). It should be noted that, in practice, the transaction costs for cross-border deals are significantly higher than that for domestic deals due to the international setting and border laws relating to taxation, legal fees, and investor protection rights (Barkema & Schijven, 2008; Bris & Cabolis, 2008; Chen, Huang, & Chen, 2009; Dutta, Malhotra, & Zhu, 2016; Geppert, Dörrenbächer, Gammelgaard, & Taplin, 2013; Moeller & Schlingemann, 2005). Regarding value creation, a survey by KPMG reported that "only 17% of acquisitions created shareholder value, while 53% destroyed it" (cf. Shimizu et al., 2004, p. 308). For international deals, the failure rate ranges from 45% to 67% (cf. Mukherji, Mukherji, Dibrell, & Francis, 2013). In case of layoffs following cross-border deals, Krug and Nigh (2001, p. 85) find that 31% of executives terminated after an acquisition in which several executives left we terminated within two years of the deal, and 75% of top-level officials left by fifth year following the deal. In fact, the termination of executives following cross-border deals (35%) is higher than domestic deals (24%). Nevertheless, they are strategic instruments of comparative advantage not only to MNEs, but to acquiring firm countries as well (Neary, 2007).

From the perspective of the home-host country, cross-country determinants of capital flows include policy perspectives (e.g., openness, product-market regulation, corporate tax rates, infrastructure), and nonpolicy perspectives (e.g., market size, distance, factor proportions, political stability, economic stability; Fedderke & Romm, 2006). In particular, the host country's economic system, economic indicators, legal protection, intellectual property rights, and political environment influence the selection of entry mode decision (Luo, 2001). Even host country government restrict (or puts numerous conditions) on inbound acquisitions compared to greenfield investments, because acquisitions provide immediate

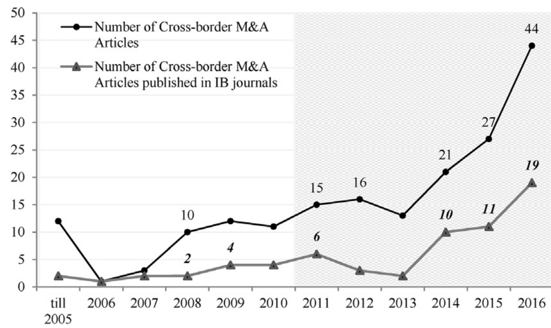

Fig. 3. The number of cross-border M&A/FDI articles reviewed.
Source: see Section 4 for the bibliometric analysis.

ownership and controlling benefits to foreign enterprises and have a great impact on market competition. At the same time, the host country is concerned with the impact of acquisitions on local trade and competition. Thus, both home and host country determinants are matter in the completion of publicly announced deals.

Integrative framework

In IB and strategy literature, scholars have proposed several integrative frameworks of the external business environment that influences organizational strategic choices such as direct international investment through mergers and acquisitions. For instance, Ghemawat (2001) suggests CAGE framework based on four cross-country distance measures: cultural distance, administrative and political distance, geographic distance, and economic distance.[6] An institutional perspective by Berry, Guillén, and Zhou, 2010 recommends nine cross-national distance measures, namely, economic distance, financial distance, political distance, administrative distance, cultural distance, demographic distance, knowledge distance, global connectedness distance, and geographic distance.

Grounded on the political economy view of multinational investment in the changing dynamics of globalized production (Pandya, 2016), coupled with inspiring views by Ghemawat (2001) and Berry et al. (2010), we broadly define four country-specific determinants of cross-border M&A transactions: economic systems, political institutions, social institutions, and spatial configuration (see Fig. 4). Then, we unpack the integrative framework into seven most important and highly examined components, such as the macroeconomic and financial markets environment, institutional and regulatory environment, political environment and corruption, tax and the taxation environment, accounting standards and valuation guidelines, cultural environment, and geographical environment (see Fig. 5 for the directional flows and main variables). The strong rationale of our unpacking decision is to comprehensively survey a number of cross-country determinants analyzed in the past research on cross-border M&A/FDI that published across interdisciplinary subjects. At the same time, this helps readers understand the complex environment of cross-border M&A flows. Inspired by Martynova & Renneboog (2008a), Lebedev et al. (2015), and Zhu and Zhu (2016), we provide a short summary for each country-level determinant, and develop several theoretical propositions for future research, respectively. In addition, we tabulate key findings of 50 selected articles published in IB and strategic management journals. Key findings are organized through various institutional contexts: cross-country studies, acquisitions by firms from DE, acquisitions by firms from EE, comparative approach: acquisitions by firms from DE and EE, acquisition flows to DE, and acquisition flows to EE (see Appendix B).

3.1. The macroeconomic and financial markets environment

Overall, the banking and financial system and the development of capital markets cause economic growth (and vice versa) (Yang & Yi, 2008). The architecture of the financial system plays a key role in macroeconomic policies, especially regarding the mechanism of the capital markets and its regulatory framework. For example, “the type of financial institutions that should be established, the design of the regulatory system, and the role of government policies related to stabilizing and controlling the financial system” are the most important constituents of the financial system (Hermes and Lensink, 2000, p. 509). Indeed, business and trade performance and international equity arguably may improve if there is significant economic liberty; in unison, cost of external financing may likely decline if there is a substantial development in the national capital markets (Francis, Hasan, & Sun, 2008).

In an earlier study, Chandler (1980) states that the motive of M&A transactions is to control competition, although “they become instruments to improve industrial productivity through rationalization and centralization.” In the same vein, scholars contend that mergers are influenced by specific industry shocks and technological advancements (Harford, 2005). On the one hand, economic growth/recession has a significant impact on the market for inward and outward investments. For example, Japanese outward M&A purchases declined in 1990s; outward investments by firms in Asian countries reported a declining trend due to the 1997 currency crisis (Kang & Johansson, 2000). On the other hand, firm-level investment decisions are influenced by internal funds (e.g., deep pockets, arranging funds from subsidiaries) as well as outside investors who participate in capital markets, e.g., private equity (Chen et al., 2009). Hence, these external markets become imperfect and may not be accessible (or, accessible at higher transaction costs) to firm managers due to uncertainties in macroeconomic policies, such as legal codes, contract enforcement, and information disclosure systems, which in turn affect the financial development and economic growth of the country (Beck et al., 2001; Forssbæck and Oxelheim, 2011). It should be noted that higher stock market valuations influence merger waves (Harford, 2005; Shleifer & Vishny, 2003) and FDI flows (Baker, Foley, & Wurgler, 2009a), and currency movements affect foreign deals (Erel et al., 2012). A lower inflation rate in the home country attracts more inward M&A investments, whereas a higher inflation rate motivates local firms to pursue more outward M&A deals in target countries where inflation rate is low (Uddin & Boateng, 2011).

Much of the empirical M&A research has examined U.S. and the UK markets using different samples in different test periods (e.g., Akhigbe, Martin, & Newman, 2003; Coeurdacier, De Santis, & Aviat, 2009; Ferreira, Massa, & Matos, 2010; Forssbæck & Oxelheim, 2008, 2011; Hijzen, Görg, & Manchin, 2008; Kiymaz, 2009; Vasconcellos, Madura, & Kish, 1990; Vasconcellos & Kish, 1996, 1998). We have also noticed a significant body of research on Asian, Latin American, and European countries that examines the choice of greenfield and acquisition in entry mode decisions, and the incidence/equity control of cross-border M&A deals (e.g., Ang, 2008; Chen et al., 2009; Dang and Henry, 2016; Deng, 2013; Fedderke and Romm, 2006; Pablo, 2009; Wang, 2013; Yang, 2015). Thus, we discuss this country-level determinant from five perspectives, namely, West-South/West directional flows, South-West/South directional flows, the relationship between exchange rates and capital flows, sovereign credit ratings and the incidence of capital flows, and cross-border acquisitions by SOEs.

[6] Authors wish to thank an anonymous referee for guiding on cross-national distance framework: CAGE.

3.1.1. West–south/west directional flows

Regarding the U.S. market, Vasconcellos et al. (1990) report that economic performance, exchange rates, technology, and product diversification have positive effects on acquisition activity, whereas information flows, monopolistic power, inefficiencies, and institutional laws have detrimental effects. Though U.S. bidders acquire firms when the economic projections of host country become buoyant, the host country has a strong association with the U.S. dollar, and low transaction costs for external borrowing. The short-term effect between the Canadian dollar and the U.S. dollar demotivates Canadian acquisitions of U.S. firms, and high price-to-earnings ratio in the U.S. market encourages U.S. acquisitions of Canadian firms (Vasconcellos & Kish, 1996). In U.S.-European deals, factors such as exchange rates, diversification, economic conditions in the home country, and the acquisition of technological and human resources favor international acquisitions, whereas factors such as information asymmetry, monopolistic power, and government restrictions and regulations do not favor such acquisitions (Vasconcellos & Kish, 1998). In U.S.-Japan deals, higher interest rates in the host country have an adverse effect on the inflow of acquisitions (Kish & Vasconcellos, 1993).

Specifically, Owen and Yawson (2010) write that U.S. investments are attracted to countries with better life expectancy, telephone usage, and school enrolments. In terms of cross-listing effects, firms from common law countries with more capital requirements and strong minority investor protection are more likely to cross-list in the U.S. stock markets, leading to an increase the incidence of acquisitions (Georgieva & Jandik, 2012). A recent study by Kandilov, Leblebicioğlu, and Petkova, 2016 investigates the impact of host state's banking deregulation guidelines and home country's financial depth on the incidence of acquisitions that flow to states in the U.S. Results indicate that home country's financial depth, measured by the ratio of market capitalization to GDP and the ratio of credit provided to the private sector to GDP, and host state's interstate banking deregulation, boost both the frequency and the value of cross-border acquisitions. In Canada, market size measured by GDP, labor productivity, compensation per hour worked, exchange rates, and the availability of skilled workers have a favorable effect on the frequency of inbound acquisitions, while interest rates and unemployment rates have an unfavorable effect (Oldford & Otchere, 2016).

In European markets, the degree of protection and trade barriers negatively affect acquisitions in services sector across countries, and countries with membership in the European Union (EU) favor both horizontal and vertical mergers (Coeurdacier et al., 2009). Testing the fire-sale FDI theory for 27 EU countries around the European financial crisis, Weitzel et al. (2014) reveal some interesting findings. The crisis had a dampening effect on cross-border M&A flows across countries. Countries with lower economic demand and higher sovereign default risk have received high-volume of capital flows than countries with lower domestic credit. When the host country has liquidity shortage issues, target premiums are relatively lower, but target prices remain on the level and do not drop to fire-sale levels. In and out of UK market, real GDP, exchange rate, stock prices, and a broad money supply have positive effects on outward M&A transactions, whereas the money supply, an increase in the exchange rate, and improved stock market performance have positive effects on inward M&A transactions. However, growth in real GDP per capita, rate of inflation, and interest rates tend to have negative effects on inward deals (Boateng, Naraidoo, & Uddin, 2011; Boateng, Hua, Uddin, & Du, 2014; Uddin & Boateng, 2011). In European transition economies (e.g., Czech Republic), economic growth and higher interest rates have positive effects on the value of M&A inflows, whereas market capitalization and private credit have negative effects (Višić & Perić, 2011). When Nordic (Denmark, Finland, Norway and Sweden) deals flow to the Commonwealth of Independent States and South-Eastern Europe, MNEs are more (less) likely to choose acquisitions over greenfield joint ventures in countries with higher economic growth (Arslan, Tarba, & Larimo, 2015).

For countries that members of the OECD (Organization for Economic Co-operation and Development), market size, labor cost, market access, and financial openness have positive effects on the market for corporate control (Bertrand, Mucchielli, & Zitouna, 2007). Based on the tariff-jumping argument (i.e., cost of overseas transactions increases with increases in the degree of trade barriers), Hijzen et al. (2008) suggest the degree of trade barriers has a negative effect on cross-border investments, but this is less a factor for horizontal mergers. Hence, the size of financial markets in both home and host countries positively determines the number of deals.

In the Asian context, the degree of financial sector development and corporate governance improvement favor more cross-border deals. Firms from countries with a better institutional environment and well-developed stock markets are more likely to engage in international acquisitions, whereas firms from countries with greater economic growth and local productivity are less likely to

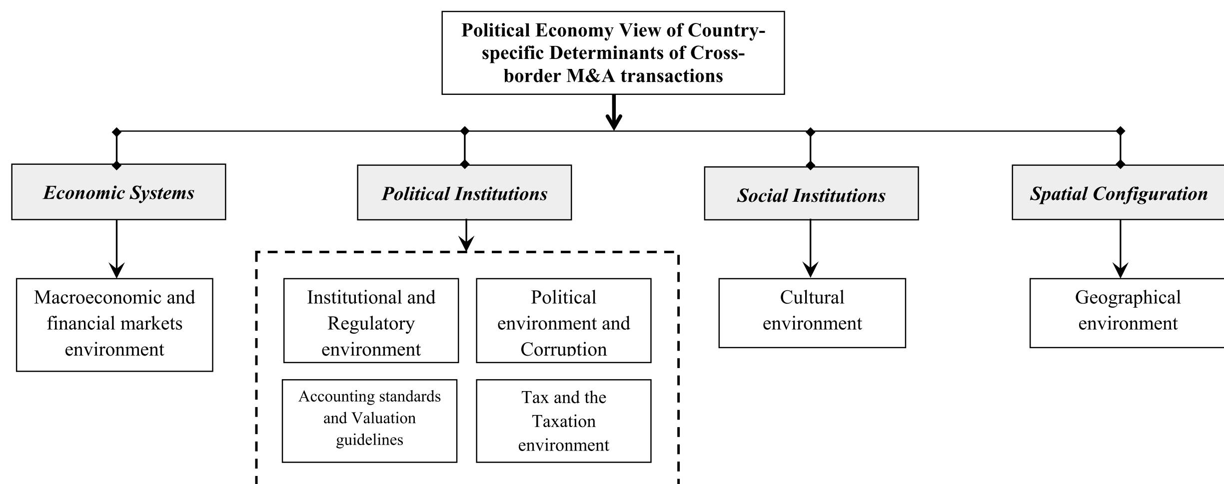

Fig. 4. Political economy view of country-specific determinants of cross-border M&A transactions.
Source: Composed by authors.

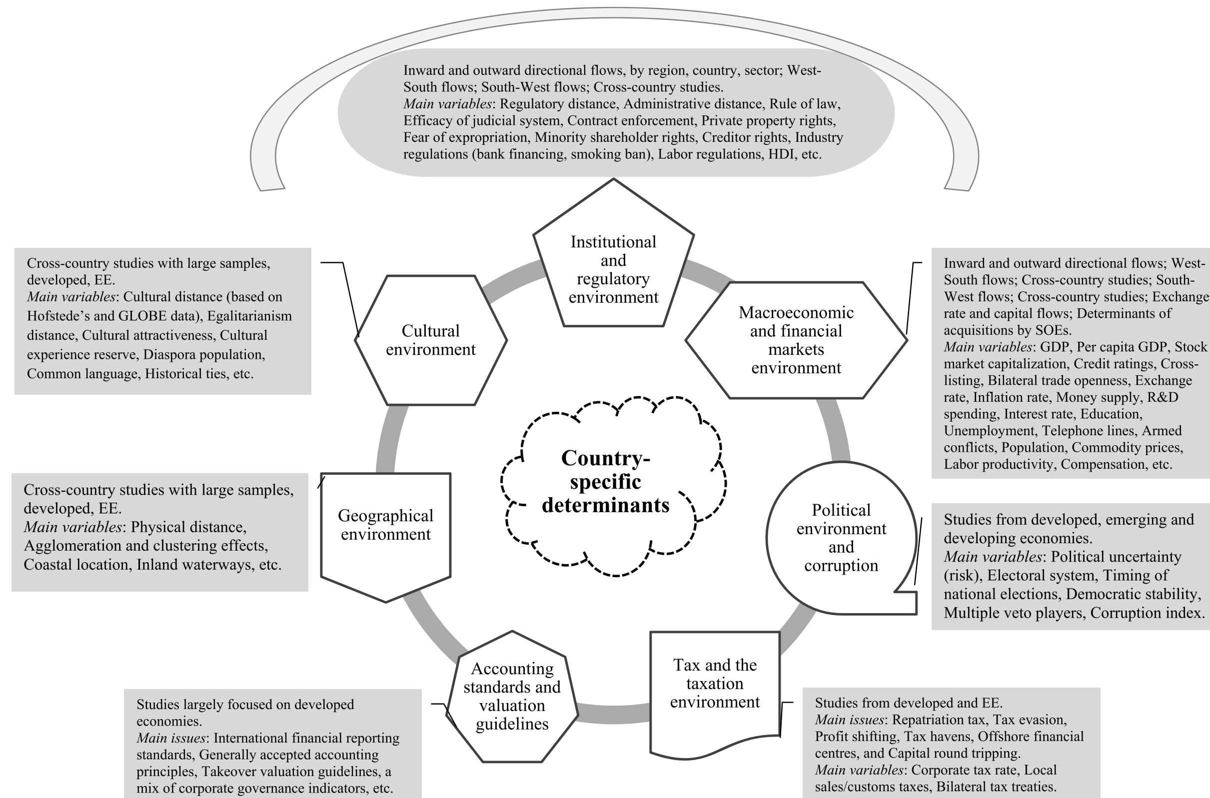

Fig. 5. Directions and major issues in the country-specific determinants of cross-border M&A transactions.
Source: Composed by authors.

participate (Chen et al., 2009). Yet, they tend to choose shared/ partial ownership, even when the GDP per capita of China is larger. While GDP and GDP growth rate of China are important indicators of Taiwanese firms investing in China (Cho, Huang, & Padmanabhan, 2014). It is also evidenced that for East and Southeast Asian countries, since target entity corporate governance mechanism influences the equity ownership decision in acquisitions, bidders tend to acquire partial-control rather than full-control in targets regardless of the target country's economic development level (Dang & Henry, 2016). In particular, Japanese firms tend to invest in Asia and Oceania countries with increasing population size and decreasing per capita income, although they are reluctant to invest if host countries pass new policy regulations pertaining to shareholder rights and intellectual property rights (Nagano, 2013). In a study of 19 countries, Li et al. (2016a) find global liquidity in terms of London Inter Bank offer rate is an important driver of intraregional flows. Further, population, common language, higher real per capita GDP, and stock market capitalization drive a number of intraregional M&A flows, whereas capital account openness is insignificant. In case of the impact of fiscal decentralization on capital flows to China and India, the net benefits of FDI for the host country first decreases, and then increases with FDI, whereas too much fiscal decentralization negatively influences the sovereign incentives in terms of source-based tax income (Wang, 2013). In Malaysia, real GDP has a positive impact on inflows. For instance, a 1 percent increase in GDP would lead to 0.95% increase in FDI inflows. Indeed, improved financial markets, infrastructure development, and openness to trade attract more FDI inflows, whereas a higher corporate tax rate and an increase of the exchange rate dampen inward investments (Ang, 2008).

In Latin America, GDP, education levels, financial reforms, healthy exports, tax reforms, enforcement of property rights, deregulation of overseas investment policies, and less government intervention are the key drivers of inward capital flows (Amal, Raboch, & Tomio, 2009; Biglaiser & DeRouen, 2006; Pablo, 2009). In a study of Gulf Cooperative Council's (GCC) oil producing countries, Mina (2007) reveals some contradicting findings. Trade openness, institutional quality, and infrastructure development have a positive effect on the value of FDI flows to GCC countries. By contract, oil potential measured by oil reserves, oil utilization measured by oil production, oil price, market size, and human capital have a negative influence, that is, countries with abundant oil resources and oil exports are less likely to attract international capital flows.

In Africa, a large amount of capital flows has been attracted to non-sub-Saharan Africa countries that offer higher returns on investment and better infrastructure, but capital flows for sub-Saharan Africa has not been significant, though bilateral trade openness is the main driver of FDI for both groups (Asiedu, 2002). Likewise, countries with abundant natural resources, large market potential, an advanced banking system (e.g., with credit facility and sound financial policies), active stock markets (in terms of the number of listed firms), stock market capitalization, and open capital accounts attract more FDI inflows and receive a higher volume of cross border M&A, but higher levels of inflation discourages FDI inflows. Other contextual factors like adequate infrastructure, an educated populace, lower levels of corruption, political stability, and a reliable legal system have similar effects (Agbloyor, Abor, Adjasi, & Yawson, 2012; Agbloyor, Abor, Adjasi, & Yawson, 2013; Asiedu, 2006; Soumaré, Gohou, & Kouadio, 2016; Tunyi & Ntim, 2016). Even more interesting, countries that are small or lack natural resources also attract FDI due through economic policy development and institutional transitions (Asiedu, 2006). In South Africa, inflows are horizontal rather than vertical, which implies a positive technology spillover from foreign to local capital. The positive determinants of the FDI include economic openness, real GDP growth rate, and an increase in exports, whereas negative factors include increased imports, political uncertainty, and strict regulations related to foreign capital (Fedderke & Romm, 2006). Because armed conflicts weaken internal governance structures, administrative mechanisms, and national security, they have significant negative effects on FDI flows to countries in Africa. Yet, the relationship is more likely to be moderated by infrastructure development (Ezeoha & Ugwu, 2015).

In a large sample studies, Chakrabarti (2001) suggests that for 135 countries, market size measured by GDP, is a good explanatory predictor and has a significant positive effect on FDI inflows. For di Giovanni (2005), the size of financial markets (i.e., stock market capitalization) is highly relevant when a local firm acquires a target abroad. Further, factors such as telephonic traffic, a common language, bilateral service agreements, and bilateral capital tax agreements attract more inbound M&A investments, whereas factors such as bilateral distance and higher tax rates discourage investments. For instance, a 1% increase in the stock market (credit) to GDP ratio is associated with a 0.95% (0.13%) increase in M&A activity. Hattari and Rajan (2010) note that target countries with higher R&D spending, natural resource abundance, better higher education levels, a high degree of trade openness, and adequate stock market capitalization attract more FDI, especially from DE. Using a sample of 111 developing countries, Lee et al. (2014a, 2014b) find that market size and financial openness have significant positive effects on the incidence and the likelihood of completing announced acquisitions, while conflicts have negative effects. A recent study by Byrne and Fiess (2016) suggests that for 64 developing countries, financial openness, global commodity prices, and advanced economic growth, coupled with institutional development, have positive effects on capital flows to target countries.

3.1.2. South–west/south directional flows

In the IB and economics literature, a number of studies analyze the motives and antecedents of acquisitions announced by firms from EE. Senior scholars and national and international organizations suggest that economic liberalization reforms and institutional development, jointly with learning from inward internationalization of firms from DE, have considerable positive effects on the economic development and organizational strategic choices of firms in EE. The findings produced by phenomenon research in the EE have been inconclusive or mixed, in contrast to the conventional wisdom of the theory of MNE (e.g., Amighini, Cozza, Giuliani, Rabellotti, & Scalera, 2015; Deng, 2012, 2013; Hoskisson et al., 2013; Jormanainen and Koveshnikov, 2012; Lebedev et al., 2015; Luo and Zhang, 2016; Peng, 2012; Zhu and Zhu, 2016).

In China, the majority of outbound acquisitions are driven by home market development (Huang, Xie, Li, & Reddy, 2016; Luo, Xue, & Han, 2010), local demand and security, industry deregulation (Duysters, Cloodt, Schoenmakers, & Jacob, 2015; Zou & Simpson, 2008), and other policy measures including "the governmental approval process, fiscal incentives, political partnerships, double taxation avoidance agreements, and policy measures to liberalize investment conditions" (Berning and Holtbrügge, 2012, p. 189). From the host country perspective, Chinese capital outflows are attracted to countries with large market size, lower per capita income, bilateral trade openness, economic growth in terms of GDP, higher volume of exports from China, abundant natural resources such as coal and minerals, and strategic assets (Buckley et al., 2007; Quer, Claver, & Rienda, 2012; Soumaré et al., 2016; Tuman and Shirali, 2015; Yang and Deng, 2015; Zhang and Daly, 2011; see, e.g., exclusive reviews by Deng, 2012, 2013). In the case of equity participation, Chinese firms tend to prefer full-

acquisition control in target countries with large market size and good quality governance (Xie, 2014).

In India, firms are more likely to seek technological assets in DE and natural resources in developing economies, which are driven by institutional transitions and banking and financial markets development in the home country, and host market attractiveness in terms of resources, strategic assets, market expansion, bilateral investment treaties, and FDI openness (Bhasin and Jain, 2015; Das and Banik, 2015; Duysters et al., 2015; Gubbi, 2015; Nayyar, 2008; Reddy, Li, & Xie, 2015; Sun et al., 2012). In comparison, Chinese and Indian firms tend to target countries with large market size, natural resources, and bilateral trade openness; they are more likely to acquire targets in countries with weak institutional laws, a high degree of corruption, and underdeveloped than their home countries. Indian deals are relatively less frequent in countries with political stability (De Beule & Duanmu, 2012; Reddy, Xie, & Huang, 2016a; Sun et al., 2012). In Russia, industry-specific characteristics such as access to markets, and capital and infrastructure requirements, coupled with macro environment factors, play a major role in global market expansion of domestic firms. Driven by the amount of natural resources and the market size of the host country, Russian MNEs tend to acquire targets in developing countries to control upstream natural resources and high-income countries to control downstream markets (Kalotay & Sulstarova, 2010; Mihailova & Panibratov, 2012). Unlike Chinese, Indian and Russian firms, Brazilian firms are more likely to invest in countries with the availability of skilled labor and market openness than countries with the sources of natural resources and strategic assets (de Alcântara, Paiva, Bruhn, de Carvalho, & Calegario, 2016).

For cross-country investigations, whereas the target country's per capita GDP has a negative effect on acquisitions in countries of similar economic status, it has a positive impact on acquisitions in DE. It indicates that South–South directional flows are attracted to lower levels of per capita GDP (Dailami, Kurlat, & Lim, 2012). In fact, financial liberalization, and equity and government bond markets development, coupled with credit facility provided by local banks, drive domestic firms in developing economies toward global engagement to secure advanced technologies in high-income economies and resources in middle- and low-income economies (Jongwanich, Brooks, & Kohpaiboon, 2013; Ketkar, 2014). Deng and Yang (2015), studying a large sample of acquisitions from EE, found that a high volume of acquisitions go to developed countries with large market size, abundant natural resources, and strategies assets. Given that economic distance captures differences in economic development and macroeconomic characteristics (e.g., income, inflation, exports, and imports), knowledge distance also drives significant outward equity participation to acquire strategic assets and gain global market advantages (Gaffney, Karst, & Clampit, 2016).

3.1.3. Exchange rates and capital flows

Accessible financial economics literature indicates that the foreign exchange rate between home and host countries, and changes in the "commonly and globally" traded exchange rate (e.g., US$) not only affect short-term banking and financing transactions, but the value and direction of cross-border capital flows as well (Blonigen, 1997; Georgopoulos, 2008). In this vein, past research has revealed contradictory results concerning the relationship between exchange rates and capital flows (Blonigen, 1997; Lee & Min, 2011; Vasconcellos & Kish, 1998). For instance, Akhigbe et al. (2003) report a significant decline in exchange rate exposure after acquisition announcements whereas the exchange rate has a positive effect on FDI to the U.S. market (Lee, 2013), and M&A outflows by UK firms (Boateng et al., 2014). Georgopoulos (2008) finds that a decline in real Canadian dollars deters the likelihood of Canadian firms acquiring U.S. firms. In the case of capital flows to China, devaluation of the RMB, real exchange rates between the RMB and the yen, and the policy of pegging the RMB to U.S. dollar have positive effects on Japanese investment (Xing, 2006). In particular, bidders tend to pay a premium for targets when the exchange rate between the home country and the target appreciates in the exchange market (Sonenshine & Reynolds, 2014).

3.1.4. Sovereign credit ratings and the incidence of capital flows

Since national sovereign credit ratings provide incremental value for cross-border investment decisions such as location and equity participation in target, and have significant effects on financial sector developments of the country, Kim and Wu (2008) find that, for a sample of 51 emerging countries, improvements in foreign currency long-term sovereign credit ratings tend to attracts a higher volume of capital flows, while improvements in foreign currency short-term ratings and improvements in local currency short-term and long-term ratings tend to discourages. In Latin American and South East Asian countries, lower levels of uncertainty measured by high sovereign ratings, capital supply, bilateral trade openness, and the level of financial markets development have positive effects on the volume of M&A flows, but tend to drive minority equity deals (Nguyen & Knyphausen-Aufseß, 2016).

In recent years, a few studies have examined the impact of economic distance between the home and host countries on the incidence of M&A transactions. For instance, Lim & Lee (2016b) suggest that a publicly announced acquisition is more likely to be abandoned when the bidder comes from a more developed country relative to the target's home country, but a greater economic distance has insignificant effect on the time required to complete a publicly announced transaction, that is, decreases the time for the firm to complete.

3.1.5. Cross-border acquisitions by SOEs

IB scholars and the global media have taken note of the burgeoning phenomenon of globalization of SOEs, especially in the aftermath of the recent financial crisis (Bruton et al., 2015; The Economist, 2012). This phenomenon is significantly different from the earlier policy frameworks of governments in developing countries, including the disinvestment of government-owned corporations (privatization), and the corporatization of large-scale state enterprises and financial institutions (Putniņš, 2015). We see growing research interest across interdisciplinary areas such as IB, strategy, corporate finance, public economics, and political science (e.g., Clò et al., 2015; Cuervo-Cazurra et al., 2014; Karolyi and Liao, 2016; Martin and Li, 2015; Peng et al., 2016; Shi et al., 2016; Tingley et al., 2015). Accessible literature produced several interesting findings. For example, Bass and Chakrabarty (2014) find that, after examining 404 deals in the global oil industry, firms are more likely to target countries with abundant oil resources like Canada and countries in Africa not only for resources exploration, but also for home country security. A cross-country study by Karolyi and Liao (2016) reveals that, after examining 4026 transactions, SOEs tend to invest in countries with distance proximity, depreciating currency, greater market, and stronger regulations.

In case of EE, Chinese SOEs are attracted to DE with strong investment fundamentals, high cultural proximity, lower levels of domestic competition, and good property rights. They also target developing economies with natural resources abundance, low-income group, lower levels of property rights, and the potential for trade relationships (Amighini, Rabellotti, & Sanfilippo, 2013; Hong, Wang, & Kafouros, 2015; Hurst, 2011; Ramasamy, Yeung, & Laforet, 2012). At the same time, SOEs are more likely to invest in countries with strong political connections and high export dependence on China, but they are also attracted to countries that have higher

country risk and a higher security risk (i.e., terrorism; Duanmu, 2014; Reddy et al., 2016a). With regard to acquisition ownership decisions, SOEs are less likely to choose full equity control in countries with advanced technology and institutional development, especially strong legal protection of minority shareholders (Meyer, Ding, Li, & Zhang, 2014). For mixed samples, firms from China and India are more likely to make acquisitions in extractive industries for natural resources, and also strategic asset seeking for effective operations (Kragelund & Hampwaye, 2012; Lai, O'Hara, & Wysoczanska, 2015; Lin and Farrell, 2013; Reddy et al., 2016a; Urdinez, Masiero, & Ogasavara, 2014).

3.1.6. Summary

Our understanding of the impact of macroeconomic and financial markets environment on cross-border M&A deals is in six parts. First, because the development of the economic system and financial markets affects national economic growth, MNEs from the Americas and Europe have markedly expanded into EE (e.g., Asian, Latin American, and African countries). Although MNEs' motivation is to increase their economic gain through market expansion strategies, they are mostly attracted to countries with (a) similar economic status (e.g., West–West, Australia), and (b) large market size in terms of GDP, population, lower income status, moderate levels of infrastructure development, and capital market performance. However, results are contradictory, because West–South capital flows to Asian and Latin American continents, and West–South capital flows to Africa are independently different and comparatively unequal. Second, outward acquisitions by MNEs from BRICs and other EE are largely driven by home country institutional transitions and market development, including incentives and special administrative support for internationalization. Third, with regard to South–South directional flows, MNEs from EE, particularly BRICs, are more likely to be attracted to countries with similar or lower levels of economic development, similar or lower levels of infrastructure development, large market size, lower GDP per capita, bilateral trade openness, and most important, abundant natural resources.

Fourth, with regard to South–West directional flows, several MNEs from Eurasia (e.g., China, Russia and India) and Latin America (e.g., Brazil and Mexico) have internationalized their business operations through acquisitions into DE such as the United States, UK, and Canada, having developed capital markets, economic status, better infrastructure facilities, natural resources, and strategic assets. On top of that, market timing is the most important driving force of South–West capital flows through acquisition method. Our understanding of market timing is "lower asset valuation of target firms or target resources around the global financial crisis". Fifth, for the relationship between cross-border M&A and the real exchange rate, a decrease in the exchange rate relative to the international currency (e.g., US$) is more likely to attract capital flows through the acquisition method, whereas an increase in the exchange rate is more likely to drive outward capital flows. Last, the globalization of SOEs business operations through acquisition method, especially from China, Brazil, and Russia, are attracted to developed countries with natural resources advantage and strategic assets, and developing countries with similar economic status, natural resources, cheap labor, lower levels of infrastructure development, and risky business environment. Hence, we have:

Proposition 1.1. *Countries with a natural resource base, developing financial markets, large market potential, adequate infrastructure facilities, strategic assets such as advanced technologies, and bilateral trade openness may likely encourage higher capital inflows through the acquisition method.*

Proposition 1.2. *Countries with a natural resources base and large market potential, but possess a higher national security risk, may also receive a significant amount of capital flows through shared acquisition ownership and greenfield joint ventures.*

Proposition 1.3. *A greater economic/financial distance between the home country and the host country is more likely to influence the likelihood of partial acquisition control and delay the time required to complete a publicly announced deal.*

Proposition 1.4. *The relationship between larger economic/financial distance and acquisition ownership decision (deal completion) is more likely to be moderated by firm characteristics (e.g., prior acquisition/alliance experience in the target country, top-level management traits) and country-specific determinants (e.g., institutional development, geographic proximity, cultural proximity).*

3.2. Institutional and regulatory environment

Since the beginning of the 21 st century, the dynamic view of finance and law has received significant research attention in the IB and strategy literature (Beck et al., 2001; Holmes, Miller, Hitt, & Salmador, 2013; Kaufmann, Kraay, & Mastruzzi, 2009; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998; La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 2000). Scholars postulate that the quality of financial and capital market regulation enhances the country's stock market, which leads to economic growth and prosperity. In turn, regulative and normative environments, and planned institutional transitions, significantly affect organizational structures and strategic choices (DiMaggio & Powell, 1983; North, 1990; Scott, 2014; Williamson, 2000). According to Peng (2003, p. 275), institutional transitions are the "fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect organizations as players." Indeed, every country has its own legal system (e.g., India–common law) for both the economic good and national security. La Porta et al. (2000) find that common-law countries have strong investor protection laws, French-civil law countries have weak laws for shareholder protection, and German and Scandinavian countries have middle-range protection laws. They also suggest that "strong investor protection is associated with effective corporate governance. . and efficient allocation of capital across firms." Hence, the regulatory system is influenced by three elements, namely, owning private benefits by protecting local companies (for private benefit), bureaucratic self-interest, and political extraction (Bittlingmayer & Hazlett, 2000). Note that weak institutional and regulatory systems erect barriers, whereas strong frameworks create incentives (Peng, 2003; Peng, Wang, & Jiang, 2008). Some scholars argue that because acquisitions are attracted to higher levels of regulative pressures, host country governments often impose high degree of restrictions (e.g., ownership structure), and levy higher taxes to protect local companies (Meyer et al., 2014; Shimizu et al., 2004). Thus, [a] "institutional and regulatory framework" is the most important determinant of M&A deals between countries.

Several studies analyze the impact of formal institutional distance, property rights protection, and economic nationalism (i.e., a preference for natives over foreigners in economic activities) on the equity participation/completion likelihood of cross-border M&A deals (Baik, Cho, Choi, & Kang, 2015; Dikova, Rao Sahib, & Witteloostuijn, 2010; Gaffney et al., 2016; Greve and Zhang, 2016; Lim and Lee, 2016b; Quer et al., 2012; Reddy et al., 2016b; Serdar Dinc and Erel, 2013; Sun, Peng, Lee, & Tan, 2015; Zhang and He, 2014; Zhang et al., 2011; Zhou, Xie, & Wang, 2016a; Zhou, Lan, & Tang, 2016b; Zhu & Qian, 2015). Institutional distance refers to the extent of the difference in institutional environments between the

MNE's headquarters in the home country and its subsidiary in the host country (Dikova et al., 2010; Xu and Shenkar, 2002). In other words, formal (regulative) and informal (normative) institutional distances between the home and host countries affect MNEs investment choices such as equity participation and firm performance (Dutta et al., 2016). Theoretically, institutional development in the host country enhances the likelihood of acquisition choice (Dikova & Van Witteloostuijn, 2007). This in turn results in firm value, ownership structure, and financing choices (Bris, Brisley, & Cabolis, 2008). Jory and Ngo (2011) find that countries having better laws and implementation procedures protect intellectual property, respect copyright laws, and preserve property rights. However, a larger institutional distance exerts a greater risk in terms of information asymmetry and opportunity costs due to differences in institutions and business opportunities (Contractor, Lahiri, Elango, & Kundu, 2014; Reis et al., 2013). For instance, Alimov (2015) finds that firms from countries with flexible labor regulations are more likely to be attracted to countries with good governance of employment regulations. On the other hand, weak institutional laws pertaining to private property rights, contract enforcement, and fear of expropriation depress bilateral investments and new business opportunities (Slesman et al., 2015). Although deal hostility and information leakage have significant impacts on the likelihood of completion of publicly announced deals, the larger distance between the home and host countries' legal rules and political systems may cause more deals to be withdrawn (Ngo & Susnjara, 2016).

Alike the macroeconomic and financial environment, institutional and regulatory environment is organized through West-South/West directional flows, South-West/South directional flows, the likelihood of completing of a publicly announced deal, and industry-specific studies.

3.2.1. West–south/west directional flows

In the international economics literature, Lucas (1990) conducted an important study of why capital does not flow from rich to poor countries. Lucas postulates that weak institutional laws, lower economic performance, and foreignness are the causes behind poor investments in developing countries. Alfaro et al. (2008) finds institutional quality to be the most legitimate attribute contributing to Lucas's paradox, suggesting that although human capital, government policies, and asymmetric information affect the amount of capital flows, government instability, corruption, weak law and order, and inefficient bureaucratic administration are the primary causes for the lack of capital flows from rich to poor countries. In this vein, Owen and Yawson (2010) find that, after examining 8010 deals by U.S.-based firms in 111 countries, firms are more likely to make acquisitions in countries with a strong human development index, low country risk, high institutional quality, and good corporate governance. On the other hand, technology firms are more likely to acquire target assets in countries with weak property rights protection, and their value will increase proportionate to that host country experience (Zhu & Qian, 2015). In 7492 deals hosted by 38 countries, firms are more likely to invest in countries with better general environmental institutions (e.g., rule of law, efficacy of judicial system, contract enforcement, and accounting standards), but higher levels of minority investor protection (e.g., provisions concerning minority shareholder rights, and creditor rights; Choi, Lee, & Shoham, 2016).

Serdar Dinc and Erel (2013) examine government reactions to high-valuation takeover attempts of 197 local and 218 foreign bids in 15 EU countries. They find the government restricted 75.7% of bids, whereas it supported only 17.1%, suggesting that governments are likely to support a deal when foreign firms represent a country with higher levels of trust. Between the choices of listed and unlisted targets, Feito-Ruiz, Fernández, and Menéndez-Requejo, 2014 reveal that firms tend to acquire unlisted targets in countries with underdeveloped stock markets, whereas acquirers from countries with lower levels of minority shareholder protection prefer to acquire listed firms. Moschieri and Campa (2014) find that because deal characteristics and the presence of competing bids affect the likelihood of deal completion, industry regulations like bank financing and ownership and governance factors moderate the negative effect of deal variables like payment methods. In the case of regional integration, although home country uncertainty and political risk affected the choice of acquisitions in the early days of the EU, they became insignificant after the EU had took critical steps toward regional integration (e.g., the adoption of Euro as a single currency; Moschieri, Ragozzino, & Campa, 2014). In the case of acquisition entry by firms from Switzerland, Nielsen and Nielsen (2011) find that the quality of host country governance and lower cultural distance among European nations, together with international TMT experience, motivates managers to choose full-equity control in acquisition decisions. Among Finnish investments in EE and Africa, firms prefer to acquire partial equity control in countries with high formal institutional distance, whereas they prefer full equity control if they possess some prior host country experience and if host market is consolidating in a liberalization era of policy changes (Arslan & Dikova, 2015; Oguji & Owusu, 2016).

For cross-country sample studies, countries with stronger investor protection laws and better accounting standards have reported significant growth in M&A activity (Rossi & Volpin, 2004). For the OECD group, similarity of law attracts more investment deals (Bertrand et al., 2007). In 506 deals involving 39 target and 25 acquiring countries, Bris and Cabolis (2008) suggest that the stronger the accounting standards, the better the investor protection in the home country and the higher the premium. Likewise, Martynova & Renneboog (2008b) find national corporate governance system has a significant effect on cross-border acquisitions. Target shareholders receive higher takeover premiums in countries with strict regulations and government control. In particular, financial deepening of home country (Hyun & Kim, 2010), and the quality of the host country's institutional laws and regulations relating to financial markets, foreign investment, strong enforcement of contracts, property rights protection laws, shareholders' rights protection, and the quality of the bureaucracy (Alguacil, Cuadros, & Orts, 2011; Hur, Parinduri, & Riyanto, 2011; Hyun and Kim, 2010; Kim, 2012; Moskalev, 2010; Slesman et al., 2015) have significant positive effects on the likelihood of equity participation/completion of announced deals. Countries that liberalize M&A related regulations such as competition rules, ownership, and governance structure are likely to attract more number of acquisitions. The improvement in laws not only attracts inward investments, but also enhances the political and economic systems of the host country.

Using a sample of 134 countries, Demir and Hu (2015) suggest that because institutional distance creates entry barriers, the number of barriers is higher when capital flows from West to South whereas South–South directional flows are not affected due to similar levels of institutional development and economic status between the home and host countries. A comparative study by Malhotra, Lin, and Farrell, 2016a reports that Latin American firms tend to choose full equity control in countries with a high cross-national uncertainty (institutional distance, cultural distance, and geographic distance), whereas U.S. acquirers prefer partial equity control. On the other hand, countries with weak shareholders protection prevent poorly performing firms from gaining access to international capital (Kim & Lu, 2013).

For capital flows to Asia, Luo, Chung, and Sobczak, 2009 find that in U.S. and Japanese investments in Taiwan, corporate governance practices in local firms significantly affect their ability

to attract FDI. For China, demographic appeal, market openness, exchange rate policies, rule of law, and effective public governance, along with stable economic growth rate, attract more FDI compared to countries with similar income (Fan, Morck, Xu, & Yeung, 2009). In 7275 announced deals, Zhang and He (2014) find economic nationalism has a significant effect on the likelihood of completion of cross-border acquisitions in three ways: national security, national growth strategy, and foreign relations. For example, a deal that explains the national growth strategy has a positive effect on deal completion. The speed of completion of announced deals is higher when the deal is considered safe and helpful to economic development. India has attracted significant capital flows through acquisitions from countries with higher levels of institutions and common legal origin (Singh, 2012). Regarding equity ownership, bidders from countries with similar levels of economic development choose full equity control, whereas bidders from countries with higher levels of institutional distance (e.g., DE) choose partial equity control (Lahiri, Elango, & Kundu, 2014). Leveraging insights from the Lucas paradox (Lucas, 1990), Reddy et al. (2016b) examine the causes and consequences of three litigated inbound acquisitions, and contend that Indian institutional guidelines pertaining to capital gains taxes and financial market regulations (e.g., the absence of dual listing) have detrimental effects on the likelihood of completion of publicly announced deals.

In a comparative study, Contractor et al. (2014) find that, in 1389 deals reported in India and China by bidders from 33 countries, acquirers prefer minority acquisitions when the institutional distance between acquirer and target country is lower or higher uncertainty avoidance distance. In case of BRICs, technology firms tend to take partial equity stakes, although they will choose full equity control in the same industry when firms have prior acquisition experience, and when firms seek targets in countries with higher institutional distance (Elango, Lahiri, & Kundu, 2013). Regarding capital flows to Caucasus and Central Asia, acquirers prefer to take lower equity control in countries with greater regulatory institutional distance. When historical ties with the target country are controlled, institutional distance has a positive effect on equity participation (Kedia & Bilgili, 2015). In the case of capital flows to Africa, countries with better governance measures such as institutional environment, lower levels of corruption, more effective government, better rule of law, and governmental accountability are more likely to host significant FDI through acquisitions (Tunyi & Ntim, 2016).

3.2.2. South-West/South directional flows

Although conventional wisdom suggests that MNEs from DE are motivated toward marginal improvement of firm gains, MNEs from EE are motivated toward resource-, market- and strategic asset-seeking in host country, which is driven by home country institutional reforms, market development, institutional voids/ weaknesses, and escape response to institutional constraints (Deng, 2012, 2013; Kim and Song, 2016; Lebedev et al., 2015; Peng, 2012; Ramamurti, 2012; Witt and Lewin, 2007). For Khanna and Palepu (1997), institutional voids are “the utter absence of institutions.” Institutional voids refer to “misguided regulations by local governments that favor political goals over economic efficiency; inefficient judicial systems that are incapable of enforcing contracts in a reliable and predictable way; and the absence of intermediary institutions that facilitate economic transactions, such as functioning financial markets, audit committees, and certification agencies” (Rottig, 2016, pp. 4–5). Note that legal loopholes fail to protect investor rights and lack an appropriate financial structure, leading to institutional weaknesses (Peng & Parente, 2012). For Kim and Song (2016), because institutional voids in capital markets affect the likelihood of completion and the financing mechanism of a publicly announced deal, external capital market development due to institutional transitions and internal capital mobilization due to business group affiliation would increase the probability of deal completion. Thus, home and host country determinants have differential effects on the propensity and equity participation of outbound acquisitions by MNEs from EE.

Regarding home country institutional factors, national pride, driven by institutional force, is the main determinant of large-scale acquisitions in developed countries by firms from EE (Luo & Tung, 2007; Hope, Thomas, & Vyas, 2011; see, e.g., high-valuation deals by Chinese SOEs and Indian private enterprises, Reddy et al., 2016a). In the case of China, firms are more likely to use cross-border acquisition strategies to improve their competitive advantages, strategic assets, and firm-specific benefits given their home market institutional support and financial incentives (Deng, 2013; Huang et al., 2016; Luo and Tung, 2007; Luo et al., 2010; Peng, 2012). In 20 Central and Eastern European countries, competition policy and structural policy reforms motivate firms to expand into large markets using the equity entry mode (Stoian, 2013). For Stoian and Mohr (2016), because home country regulatory voids feature higher levels of protectionism, higher levels of corruption, and higher levels of bureaucracy, whereas home country protectionism leads to escapist outward capital flows. This escapist amount of capital flows is further enhanced by home country corruption in different administrative and regulatory agencies.

Regarding incidence/acquisition ownership decisions, in China, Lee et al. (2014a, 2014b) find higher levels of administrative and regulative distances have negative effects on equity participation, whereas cultural and geographical distances have a positive effect. In particular, SOEs are less likely to acquire high equity control in target countries with lower levels of economic freedom and higher country risk (Xie & Li, 2016). Because institutional investors influence organizational strategic choices and act as an internal corporate governance mechanism, Chinese deals tend to be with countries with a poorer institutional context (Zhou et al., 2016b). For India, West–South linkages and diplomacy relations drive firms toward developed countries, but not developing countries. The relation is highly significant even in countries that have developed stock markets, market growth, and exchange rate in terms of the U. S. dollar (Buckley, Forsans, & Munjal, 2012). In Brazil, firms are more likely to announce acquisitions in countries with similar demographic, political, and financial distances (Chueke & Borini, 2014). We can find similar observations for Central and Eastern European regions (Radlo & Sass, 2012). When deciding partial-equity vs. full-equity decision in target ownership, Brazilian firms tend to choose full-equity control in host countries with greater institutional distance and superior access to business and location knowledge. Hence, the relationship is more likely to be mitigated by the focal firm's ownership structure such as private firm, private firm with the government as a shareholder, and government-supported firm (Pinto, Ferreira, Falaster, & Fleury Fleury, 2016).

For cross-country studies, Deng and Yang (2015) find that, in 1358 deals by firms from nine EE, firms are more likely to make deals in countries with weaker government effectiveness, stronger bilateral trade relations, large market potential, abundant natural resources, and strategic assets. On the other hand, firms tend to initiate more deals in developed countries to seek strategic assets and learn from good governance to have spillover effects to their home countries. Some firms prefer to buy additional equity stakes in countries with an institutional environment similar to that of the home country. Using the same dataset, Liou et al. (2016a, 2016b) notice EE firms are more likely to acquire full equity control in countries with the formal institutional distance. In particular, firms lacking skilled labor in technology and innovation industries

prefer high equity ownership in DE in order to enhance human capital in their home country (Liou, Chao, & Ellstrand, 2016b).

3.2.3. The likelihood of completing a publicly announced deal

Given that several publicly announced deals in and out of EE have been delayed (abandoned) in recent years (Popli and Kumar, 2015; Reddy et al., 2016b), Zhang et al. (2011) reveal that the success rate of overseas acquisitions announced by Chinese firms is lower if the target country is characterized by a weak institutional framework, if the target industry is sympathetic to national security, and if the acquirer is a SOE. For example, the success rate for deals involving a government firm (41%) is lower than deals involving private targets (58%) or deals involving listed company targets (53%). Using a large sample from BRICs, Zhou et al. (2016a) suggest that differences in political, legal, and trade environments have a great effect on the likelihood of completion of inbound deals, but have little effect on outbound deals. Hence, the relationship between institutional distance and deal completion is more likely to be moderated by firm characteristics such as previous acquisition experience and deal characteristics such as method of payment. Using a cross-country sample of publicly announced deals, Lim and Lee (2016a, 2016b) find that a greater institutional distance between the home and host countries, measured by contract viability, delays the time required to complete a publicly announced transaction. Though the relationship is likely to be mitigated by the fact that industry relatedness and strategically motivated acquisitions increase the likelihood of deal completion.

3.2.4. Industry-specific studies

In 12 large-scale deals in the brewery industry, Geppert et al. (2013) notice that stock market volatility led to high-risk deals in which institutional distance has a great effect on managerial risk taking. For Crotty, Driffield, and Jones, 2016, because the imposition of a smoking ban in home country acts as an institutional constraint in tobacco industry, firms from countries without a smoking ban are more likely to carry out FDI in other non-ban countries. Hence, firms from countries with higher excise duties are less likely to part take in outward FDI. In health-care mergers, changing insights on the desirability and feasibility during the merger processes, incompatibilities between executives, and insufficient support for the merger from internal stakeholders are important reasons for deal abandonment (Roos & Postma, 2016).

In 2389 deals in services industry, higher the institutional distance, the more time the announced deal take to complete at regulatory centers, though the distance is more likely to be moderated by prior overseas acquisition experience, suggesting that those deals take less time to complete (Dikova et al., 2010). Likewise, although deregulation measures such as corporate ownership ceilings, barriers to market entry, vertical integration, market structure, and price controls have positive effects on inward deals, they have ambiguous effects on outward deals (Boudier & Lochard, 2013). In the newspaper industry, Muehlfeld, Sahib, and Van Witteloostuijn (2007) reveal that not only firm-specific factors, but also deal characteristics and regulatory factors affect the likelihood of the completion of an announced transaction, because high-valuation deals get immediate regulatory scrutiny. This finding is also proven in the food processing industry. In 13,911 deals, although food safety regulations did not block the deal completion, the introduction of the Euro had a significant negative impact on deal completion (Muehlfeld, Weitzel, & van Witteloostuijn, 2011).

3.2.5. Summary

Among several country-level determinants, the institutional and regulatory environment is the most important driving forces affecting the equity participation/completion likelihood of cross-border M&A deals. This taxonomy can be summarized in six parts. First, conventional wisdom suggests that U.S. and UK bidders prefer to acquire targets in countries with similar institutional development and better regulatory frameworks, including corporate governance mechanisms and shareholder protection. Second, through globalization and liberalization initiatives, several MNEs from Western countries have markedly expanded into developing countries that feature weak enforcement of laws, poor regulatory frameworks, and weak shareholder protection. It is because weak institutional frameworks (e.g., the legal system) fails to address several regulatory matters relating to cross-border M&A deals, especially capital gains tax on target valuation (e.g., cash deals). Thus, institutional voids exhibited in developing economies benefit MNEs that originate in countries with strong institutional laws and enforcement. Third, the likelihood of completing the announced deal largely depends on the host country's regulatory scrutiny. It should be noted that regulatory scrutiny tends to take more time to approve the announced deal if the institutional distance between the acquirer country and the target country is high. In other words, the lower the institutional distance, the less the time needed to approve an announced deal between national borders.

Fourth, outbound capital flows occurring through acquisitions by MNEs from EE are motivated by their home country's institutional transitions since the 1980s policy reforms and responses to the market timing around the 2007–2009 financial crisis. Given that the institutional development and marketization in EE affects firms' strategic choices, outward acquisitions and other global market expansion strategies have significantly contributed to the development of the institutions-based view of the firm. However, regulatory voids, such as higher levels of government intervention and administrative bureaucracy, drive escapist outward capital flows (e.g., high-valuation acquisitions), and bidders even pay higher premiums to target shareholders. Fifth, although institutional distance is higher between DE and EE, firms from EE tend to acquire full equity control in mature countries such as the United States, Canada, and the UK. This is significantly different from the traditional view that MNEs from mature economies prefer to buy partial equity stakes in countries with higher levels of institutional distance. Last, but important, the relationship between institutional distance and the likelihood of completing the announced deal (equity participation) is more likely to be moderated by prior international acquisition experience or prior business dealings in the target country. Thus, we suggest:

Proposition 2.1. *Greater formal institutional distance (regulative and administrative) between the home country and the host country may more likely drive the probability of partial-equity control or shared ownership over full-equity control in cross-border acquisition decisions.*

Proposition 2.2. *Greater formal institutional distance (regulative and administrative) between the home country and the host country may likely lead to pay higher target premiums and delay the time required to complete a publicly announced deal.*

Proposition 2.3. *Greater formal institutional distance (regulative and administrative) between the home country and the host country, jointly with higher political uncertainty, a higher corruption rate, greater cultural distance and/or larger geographic distance, when the target industry is dominated by SOEs and when the target or the acquirer is a SOE, may negatively affect the success*

of a publicly announced deal, leading to the abandonment of the deal.

Proposition 2.4. *The relationship between greater formal institutional distance and the acquisition ownership decision (target premium, the time required to complete a deal, and deal completion) is more likely to be mitigated by firm characteristics (e.g., prior acquisition/alliance experience in the target country, a CEO with multinational experience) and country-specific determinants (e.g., market potential, natural resource base, bilateral trade openness, historical ties).*

3.3. The political environment and corruption

3.3.1. The political environment

We want to understand whether government intervention that is driven by the ruling political party in the target country impedes the market for inward M&A deals. What do we know about this? Our answer is "not much." National politics and political behavior are rooted in the power and ruling system of the country. For example, in democratic systems, citizens elect representatives through public voting like in the United States, which is different from communism and socialism. The ruling political party, by and large, makes administrative and policy decisions in countries like India. Scholars contend that government intervention, coupled with political uncertainty, may obstruct business opportunities like innovation and new technology transfers from foreign countries, and exert sovereign revenue risks (Schumpeter, 1942). Political risk is often associated with government actions, including "policy shifts in tax regulation, changes in policies that favor local firms, and the imposition of capital and foreign exchange controls" (cf. Datta, Musteen, & Basuil, 2015). In addition, market opportunities, the behavior of government officials, bureaucratic administration, and the ability of competing interest groups to influence policy are the most influential factors in overseas investment decisions (Bertrand, Betschinger, & Settles, 2015; Jensen, 2008; Kaufmann, 2005; Root, 1968). A notable theory is that strong institutional laws and a favorable business environment driven by good democracy and political systems encourages more inward capital flows (Conybeare & Kim, 2010). On the other hand, weak institutional and property laws and an unfavorable business environment influenced by political instability discourages inward foreign investment (Beck et al., 2001; Collins, Holcomb, Certo, Hitt, & Lester, 2009; Rajan & Zingales, 1998).

Conventional wisdom suggests that firms from countries with political stability and less political risk are less likely to investment in countries that pose a significant political risk: "the risk that a government will opportunistically alter policies to expropriate an investing firm's profits or assets, and such risk usually arising from weak institutional constraints on policy makers" (Holburn & Zelner, 2010). For 291 acquisitions and 105 greenfield ventures undertaken by nondiversified U.S. firms, Datta et al. (2015) find that bidding managers are more likely to choose high-equity ownership in acquisition decisions in target countries with high political risk, which suggests that acquisition ownership is influenced by the level of political risk in a given host country. Malhotra, Morgan, and Zhu, 2016b find that, in 4491 deals representing acquirers from 50 countries, a change in prior ownership control from low to high increases the focal acquisition ownership by 15% in deals happening in politically stable countries, and increases by 25% in deals occurring in politically unstable countries, which indicates that the previous equity ownership level has a significant impact on focal acquisitions in politically unstable countries. Examining the takeover fight between Scania (Sweden) and MAN (Germany), and the roles of the owners of Porsche, Volkswagen (both Germany), and the Investor (Sweden), Nachemson-Ekwall (2015) suggests that national political leaders shape corporate governance regimes (e.g., the mandatory bid rule), and oppose changes that affect merger decisions. For a large sample of EU mergers, Serdar Dinc and Erel (2013) find coalition governments are less likely to intervene in foreign acquisitions. Economic nationalism in which the government prefers target companies that remain domestically owned rather than foreign-owned. This preference is stronger in times and in countries with strong far-right parties and weak governments.

In recent years, several cross-border deals have been (delayed) abandoned due to stringent merger guidelines, government intervention, and erratic behavior by regulatory bureaucrats (Reddy et al., 2016b; Tingley et al., 2015; Wan and Wong, 2009). A small number of studies examine the impact of the political environment on the incidence and the likelihood of completion of publicly announced cross-border acquisitions. An earlier investigation by Schöllhammer and Nigh (1984, 1986) suggests that German firms invest in less advanced economies, but internal political conflicts in less-advanced countries adversely affect border-crossing investments. In addition, intergovernmental relationships and the relative weight of the economic environment issues play a key role when the investments are made by Japanese firms. Because political ministers are elected, Kim (2010) finds political influence is more likely to persuade the business administrative divisions responding to (un)change M&A regulations and acquisition process guidelines whereas "countries with the majoritarian electoral system are more likely to not only adopt stringent merger control laws but also to disapprove the proposed deals than countries with the proportional electoral system." A recent study by Lee, Hemmert, and Kim, 2014b suggests that for 111 developing economies, countries that uphold good political institutions, measured by the rule of law, democratic stability and multiple veto players, tend to attract higher levels of M&A flows and also these governance measures have positive effects on the completion likelihood of publicly announced deals. For instance, a one standard deviation increase in the rule of law (democratic stability, multiple veto players) leads to an increase of 39% of M&A flows in total FDI (38%, 16%). Cao and Liu (Poli w/p) reveal that, based on 58,507 transactions around national elections across 47 countries, the number of acquisitions significantly increased during the year prior to the national election year, and incremental growth during 7 to 12 months prior to the election month can be attributed to the desire to escape from political uncertainty.

The level of political intervention is likely to be high when firms from DE target government-controlled firms and politically linked firms in EE (e.g., India; Reddy et al., 2016b), and when firms from EE acquire targets in the resource sector in DE like the United States (Tingley et al., 2015; Wan and Wong, 2009). For Conybeare and Kim (2010), countries that feature large markets with stringent merger guidelines tend to scrutiny seriously when the target is government linked, financially distressed, or a defense firm. In case of South–West directional flows, such as the oil deal between Chinese CNOOC and the U.S.-based Unocal, which was abandoned due to greater political barriers, which also resulted in a significant decline in the market value of nonmerging U.S. oil firms (Wan & Wong, 2009). Likewise, Tingley et al. (2015) find that in 569 deals made by Chinese firms in the U.S. economy, 12% of merger announcements meet with political opposition, and attracted to legal barriers driven by national security issues, industries with economic distress and reciprocity, especially when the bidding firm is a SOE. What is even more interesting is that they reveal that "opposition to Chinese inward M&A investments is more likely in sectors where U.S. companies faced similar investment restrictions

in China." In this vein, accessible literature highlights that Chinese SOEs have expanded into countries with abundant natural resources, and risky political environments (Duanmu, 2014; Quer et al., 2012; Ramasamy et al., 2012).

3.3.2. Corruption

Corruption is a national-level dichotomous characteristic affecting not only economic development (Bardhan, 1997), but also direct international investments and cross-border acquisitions. Scholars in economics, IB, and political science put forth several definitions to corruption. For Rodriguez, Uhlenbruck, and Eden, (2005, p. 383), corruption is "the abuse of public power for private benefit." According to the *International Country Risk Guide (ICRG)*, "a measure of corruption within the political system that is a threat to foreign investment by distorting the economic and financial environment. . into the political process" (cf. Bris & Cabolis, 2008). Cuervo-Cazurra (2016, p. 36) discusses three views of corruption:

> First, a person is abusing power entrusted to him or her by another person or persons. Second, the person is abusing that power, engaging in actions that are beyond his or her position or mandate. Third, the person is obtaining a benefit that only accrues to him or her rather than to the organization for which she is working; implicit in this is that the costs of his or her decision are borne by the organization.

Thus, corruption captures unethical behaviors, such as bribery, extortion, campaign finance abuse, cronyism, fraud, embezzlement, kickbacks, side payments, misuse of information, and abuse of discretion (Graycar, 2015; Malhotra, Zhu, & Locander, 2010). It is estimated across the world economy approximately over US$1 trillion annually (Kaufmann, 2005, in Weitzel & Berns, 2006).[7]

Several researchers argue that corruption is a major economic problem in developing countries in which higher levels of corruption result in lower capital inflows (Barbopoulos, Marshall, MacInnes, & McColgan, 2014; Kaufmann, 2005; Weitzel & Berns, 2006). We find a small number of studies that examine the impact of host country corruption on the incidence of cross-border M&A deals, but notice a growing interest among strategy and IB scholars. For instance, Cuervo-Cazurra (2006) finds that, for 183 home and 106 host countries, corruption results in a noticeable decline in the market for FDI, whereas it results in relatively higher FDI in countries with a high degree of corruption, and relatively lower FDI in countries that signed the OECD convention on "combating bribery of foreign public officials in international business transactions." Mudambi et al. (2013) notes that although host country corruption has a detrimental effect on inward FDI flows, the amount of inward FDI flows may increase given the development of economic regulation over the institutional transition periods. Albeit, control of corruption and better rule of law have positive effects on the value of cross-border capital inflows (Kim & Wu, 2008; Višić & Perić, 2011).

In India, Singh (2012) finds a contradictory finding that higher levels of corruption, coupled with poor quality of institutions, attracts a significant amount of FDI through the M&A method. Based on our readings, we argue that India is less likely to host higher capital flows[8] due to institutional loopholes and policy uncertainty caused by the influence of ruling political party and large corporate conglomerates (see, e.g., Reddy et al., 2016b). According to WEF-GCR (2015–16), the *Executive Opinion Survey* ranked "corruption" as the first problem in India, followed by policy instability, inflation, access to financing, government instability/coups, inadequate supply of infrastructure, tax rates, inefficient government bureaucracy, and complexity of tax regulations. For Africa, although corruption and political instability have negative effects on FDI to sub-Saharan Africa countries, the relationship is more likely to be moderated by market potential and the natural resource base (Asiedu, 2006).

Regarding outbound acquisitions by firms from European markets, it has been noted that a large number of UK outbound deals are attracted to countries with higher levels of corruption, especially Asian and South American countries. Though some deals have flooded to countries with lower levels of corruption, particularly in Europe (Graham, Martey, & Yawson, 2008). Based on over 20,000 deals recorded in 137 target countries by firms from the seven largest European countries (Germany, France, Italy, the Netherlands, Spain, Sweden, and the UK), Di Guardo, Marrocu, and Paci, 2016b find that because the relationship between the level of corruption in the target country and the probability of full-ownership control is nonlinear, it is more likely to be mitigated by industry relatedness between the acquirer and the target, and the level of connectivity between the home and host countries.

In Japanese outbound investments, firms are less likely to invest in target countries with higher levels of corruption and weak institutional laws (Voyer & Beamish, 2004). Likewise, Ketkar (2014) finds that, for 18,365 firms from 57 developing countries, firms are attracted to countries with lower levels of corruption compared to their home country. A comparative study by Malhotra et al. (2010) examines over 10,000 deals involving bidding firms from the United States and China, and suggests that U.S. and Chinese firms are likely to make more acquisitions in countries with lower levels of corruption, whereas U.S. firms make more high-valuation deals in less corrupt economies. Further, target firms registered in countries with higher levels of corruption are less likely to accept a first-bid offer, whereas they are more likely accept a lower bid compared to targets in countries with lower levels of corruption. On the other hand, it is found that, for 191 deals by Indian pharmaceutical firms (Jayanthi, Sivakumar, & Haldar, 2016) and for 322 observations by Russian firms (Dikova, Panibratov, Veselova, & Ermolaeva, 2016), a large number of acquisitions flooded to target countries with levels of corruption and political stability that is similar to the home country.

Concerning takeover premium decisions, Weitzel and Berns (2006) report that, based on 4979 international and local takeovers, higher levels of corruption in the target country result in lower premiums paid for local acquired firms (see, e.g., similar results are produced by Glambosky, Gleason, & Murdock, 2015). For example, "deterioration in the host country corruption index by one point is, on average, associated with a decrease of 3.52–6.28% of a cross-border target's ratio of bid-price to stand alone value" (Weitzel and Berns, 2006, p. 802). At the same time, higher levels of corruption result in lower stock returns to shareholders following the public announcement (Francis, Hasan, Sun, & Waisman, 2014).

3.3.3. Summary

The impact of government intervention, political environment, and corruption on the market for cross-border M&A is best understood in six parts. First, countries with good governance and political stability are more likely to invite inward acquisitions, and do not resist the change in the market for corporate control, whereas countries with bad governance influenced by political uncertainty are more likely to oppose inward foreign investment. Second, when firms from DE target developing countries, the

[7] Even more interesting, "a survey by the *World Bank* of 3600 firms in 69 countries found that 40% of the responding companies had engaged in some kind of unethical behavior: paying bribes to facilitate their international operations. . a survey by *Control Risks and the Simmons & Simmons* involving 350 MNEs in seven countries. . reported that 43% of the respondents felt they had lost a new business opportunity because a competitor paid a bribe" (Malhotra et al., 2010, p. 492).

[8] see Fig. 2; relative to China, Russia, and Brazil.

degree of intervention from the ruling political party will be high, suggesting that deals are more likely to be affected by bureaucratic corruption and erratic behavior by government officials. Third, firms from countries with medium or higher levels of corruption tend to buy target assets in countries with higher levels of corruption, because bidders prefer high-equity control in countries with levels of political instability and corruption that is similar to the home country.

Fourth, firms from countries with lower levels of corruption acquire target assets in countries with higher levels of corruption and weak institutional laws, especially tax evasion, profit shifting, and tax havens treaties. Fifth, countries with higher levels of corruption and political uncertainty attract a significant amount of investment through acquisitions due to greater market potential and natural resource base. Sixth, government officials' interventions, when driven by ruling political party and higher levels of bureaucratic corruption, have detrimental effects on the incidence and likelihood of completion of cross-border deals. All in all, governments in countries with political uncertainty and higher levels of corruption are more likely to intervene in foreign investment policy decisions. This will have at least two effects. On the one end, government intervention delays the time required to complete a publicly announced deal. On the other end, it will have a negative impact on the success of announced acquisitions, leading to deal abandonment. Thus, we suggest:

Proposition 3.1. *Government intervention, when influenced by ruling political party ministers and higher political uncertainty in the target country, may less likely affect the probability of full-equity control and higher target premiums, but more likely will add to the time required to complete a publicly announced deal.*

Proposition 3.2. *Higher levels of corruption in the target country, coupled with weak enforcement laws (high formal institutional distance), may less likely affect the probability of full-equity control and higher target premiums, but will probably delay the time required to complete a publicly announced deal.*

Proposition 3.3. *The relationship between higher political risk (higher levels of corruption) in the target country and the probability of full-equity control (target premiums and deal completion) is more likely to be moderated by firm characteristics (e.g., prior acquisition/alliance experience in the target country) and country-specific determinants (e.g., market potential, natural resource base and lower corporate tax rate in the host country, historical ties).*

3.4. Tax and the taxation environment

In general, taxes are being enforced by the statute and the main sources of sovereign revenue. Governments levy taxes to hedge sovereign costs like public administration, social welfare and development, and national security. There are three kinds of tax instruments, namely, source-based corporate income tax, residence-based taxes like a tax on dividends, and a tax on interest income (Becker & Fuest, 2011; Petruzzi, 1988). Governments usually change tax tariff to improve sovereign income, which in turn enhances the economic infrastructure of the country. At the same time, changes in tax laws and tariffs affect cross-border capital inflows and outflows. For instance, an increase in the local corporate tax rate motivates domestic firms to invest in other countries with lower corporate taxes and lower registration fees. This, in turn, increases the production and tax revenue of the target country (Becker & Fuest, 2011). Because tax laws are administered by government regulatory agencies, they significantly affect organizations' structures such as multinational ownership and dual listing, and strategic growth choices such as overseas acquisitions (Huizinga & Voget, 2009). For Huizinga et al. (2012), overseas acquisitions "trigger additional taxation of the target's income in the form of non-resident dividend withholding taxes, and acquirer-country corporate income taxation." In particular, bilateral tax treaties attract more FDI flows (Blonigen & Davies, 2004; di Giovanni, 2005) whereas political stability and systemic tax system make a nation investment-friendly or hostile (Ezeoha and Ogamba, 2010). Thus, country-level financial markets' legal infrastructure, the monetary and central banking system, taxation issues, and political events have differential effects on the incidence of border-crossing investments (Bris et al., 2008; Erel et al., 2012; Mudambi, Navarra, & Delios, 2013; Pablo, 2009; Rossi & Volpin, 2004; Schöllhammer & Nigh, 1984, 1986; Tavares-Lehmann, Coelho, & Lehmann, 2012).

On the one hand, we pose a question in line with Collins, Kemsley, and Shackelford (1995), Kaplan (1989), Scholes and Wolfson (1990), and Herger, Kotsogiannis, and McCorriston (2016): How does taxation affect cross-border M&A transactions? They suggest, "because of structured tax reform there is a great deal of rise in tax burden while taking over a firm where the other one has foreign tax credit in its local environment." In fact, different taxes have differential effects on the forms of FDI (horizontal or vertical; Ang, 2008). For instance, Wijeweera, Dollery, and Clark (2007) reveal that a 1% increase in the statutory corporate tax rate is likely to reduce FDI inflows to the U.S. economy by 1.1%; hence, a 10% increase in the investor country's effective marginal corporate tax rate is more likely to increase FDI inflows by 6%. In the European market, a 10% decrease in corporate income tax between the target and the bidder countries would increase outflows associated with manufacturing sector by 68% (Coeurdacier et al., 2009). Yet, greater differences in corporate income tax rates attract foreign investment (Erel et al., 2012; Hebous, Ruf, & Weichenrieder, 2011). Differences in tax rates are less likely to influence the location decisions of acquisitions, but really matter with greenfield investments (Hebous et al., 2011). In particular, a higher corporate tax rate relative to the brand asset would determine more deals (Phillips & Ahmadi-Esfahani, 2012). In case of Japanese investments, Nagano (2013) finds that countries with lower corporate tax rates attract a greater number of capital flows through acquisitions. For Russia, nondiscriminatory tax rates on direct investment profit increase FDI (Baccini, Li, & Mirkina, 2014).

On the other hand, economic systems approach suggests two types of tax systems, namely, single and double taxation. If a country has a free-trade agreement or any other special agreement with another country, then either a single taxation or double taxation, which also depends on country's existing tax structure and guidelines, applies. Note that double taxation typically results in the form of nonresident dividend withholding taxes, and the parent country's corporate income tax on repatriated dividends (Becker & Fuest, 2010). For example, countries that levy higher overseas double taxation are less attractive to the parent firms of newly established MNEs. The elimination of worldwide taxation by the U.S. government has shown a positive reaction, which is evidenced by an increase in the number of parent organizations embarking on overseas acquisitions (53–58%; Huizinga & Voget, 2009). It is also suggested that additional international taxes result in reduced takeover bid premiums. Hence, such taxes are borne by target shareholders (not acquirer shareholders) due to the creation of new foreign ownership, and all gains out of acquisitions usually flow to the target shareholders (Huizinga, Voget, & Wagner, 2012). Herger et al. (2016) find that, for over 80,000 deals across 30 countries, double taxation has a negative impact on FDI inflows. Sales taxes also matter, especially with the horizontal form of FDI, but not vertical form.

In recent years, a few finance and IB researchers have examined the impact of repatriation tax, tax evasion, profit shifting, tax

havens, offshore financial centers, and capital round-tripping on the market for cross-border capital flows. First, repatriation tax means "home country tax less a foreign tax credit for taxes paid to the foreign jurisdiction". For instance, Hanlon, Lester, and Verdi, 2015 report that locked-out cash due to repatriation tax costs leads managers to expand globally through acquisitions. An increase of one standard deviation in tax-induced foreign cash is associated with a relative increase the probability of a foreign acquisition by 5%, whereas the abolishment of repatriation taxes has raised the market for outbound acquisitions by Japan 16%, the United States 11%, the UK 1.6%, and New Zealand 1.8% (Feld, Ruf, Scheuering, Schreiber, & Voget, 2016).

Second, researchers contend that foreign acquisitions and strategic alliances often result in acts of tax evasion. For example, Kourdoumpalou and Karagiorgos (2012) find that the mean rate of tax evasion is approximately 16%, and the incentives for tax evasion do not reduce the rate of tax evasion when firms are publicly listed. In particular, cross-border revenue issues like profit shifting and tax avoidance are important to policy makers and high on political agenda in several countries, especially in the aftermath of the financial crisis (Jones & Temouri, 2016). In other words, both developing and DE are losing economic rent in the form of taxes (e.g., a host country's withholding taxes, a home country's tax on foreign source income) due to significant differences in institutional, regulatory, and enforcement frameworks (Reddy et al., 2016b). Because institutional weaknesses, such as local and foreign income taxes on sales, and capital gains taxes affect cross-border capital flows, several MNEs have adopted aggressive tax planning in which profit shifting from one country to another (or, in most cases, tax havens; Fuest, Spengel, Finke, Heckemeyer, & Nusser, 2013).

Third, a small number of studies examine the role of tax havens and offshore financial centers for determining the incidence of cross-border M&A deals (Sutherland & Anderson, 2015). Tax havens are special jurisdictions that allow foreign established firms to register their subsidiary offices, and manage their legal and administration operations across borders (Hansen & Kessler, 2001). An interesting study on 'the probability of being a tax haven' by Dharmapala and Hines (2009, p. 1060) reports that "tax havens are physically close to major capital exporters, are unlikely to be landlocked, are likely to be islands, large proportions of their populations live close to coasts, use English as an official language, have open economies, have British legal origins and parliamentary systems, and have substantially smaller natural resource endowments." For Chari and Acikgoz (2016, p. 665), "tax havens are a set of countries and territories with small economies and relatively affluent but small populations, and are distinguished by very low or zero corporate tax rates." Tax haven countries provide special benefits, including the minimal rates of corporate tax, lax regulation, and secrecy (Jones & Temouri, 2016).

Since tax policies are largely influenced by the quality of governance framework in the country, tax havens attract significant FDI flows from DE not only due to lower local tax rates and lower processing costs, but also due to the fact that tax havens possess higher levels of governance mechanism, relative to non-tax havens.[9] Regarding setting up a subsidiary in tax haven countries, Jones and Temouri (2016) suggest that, for 14,209 MNEs in 12 OECD countries, firms from liberal market economies are more likely to undertake activity in tax havens compared to MNEs from coordinated market economies. For example, a percentage decline in corporate tax rate does not influence the decision to set up a subsidiary in tax haven country or to withdraw that decision. Technology firms with higher value of intangible assets are likely to manage more number of subsidiaries in tax havens.

To our knowledge, the best examples are Hong Kong, Mauritius, and British Virgin Islands. Some scholars contend that a significant amount of FDI by EE MNEs has gone to tax havens or offshore financial centers. For instance, Peng and Parente (2012) argue that Brazilian MNEs prefer to invest in other countries through the British Virgin Islands, and at least 50–60% of FDI by firms from China has gone to Hong Kong and the British Virgin Islands. Mauritius, a tax haven island nation in the Indian Ocean, has been a 'tax-free gateway to Africa' for Indian MNEs (Das & Banik, 2015). Even more interesting, "one-third of Russian outward investment in 2013 was directed toward offshore territories such as Bermuda, the Bahamas, Cyprus, the Virgin Islands, and the Caimans (Dikova et al., 2016, p. 676). In this direction, Chari and Acikgoz (2016) finds that, for 775 deals across 68 target countries by firms from 10 emerging markets, 18% of announced deals went to tax havens. Capital flows (by acquisition choice) to tax havens due to institutional weaknesses in the acquirer country and lower taxes in the target country. Overall, tax havens benefit bidders in terms of capital gains tax, border taxes, transaction costs, and legal fees, because acquirers establish their own subsidiary in a country that has tax treaties with the host country.

Fourth, some researchers investigate the issue of capital round-tripping in tax havens and offshore financial centers. Round-tripping in international capital flows occurs when a local company gains control over local target operations by acquiring equity control of the target's subsidiary, which is registered in the offshore financial center or tax haven. It is a case of 'institutional voids' in the onshore location, and hence, is motivated by the favorable institutional environment of offshore location, which could include lower taxes, light-touch regulations, and secrecy (Jones & Temouri, 2016; Ledyaeva, Karhunen, Kosonen, & Whalley, 2015). For instance, a large amount of FDI by firms from BRICs is reinvested back to their home countries (Peng & Parente, 2012). Ledyaeva et al. (2015) finds that although Russia reports a high degree of corruption, it still receives a significant amount of FDI from offshore financial centers with high secrecy. Note that institutional voids include weak regulatory frameworks, weak laws relating to property rights, and high-level bureaucratic corruption. Fung, Yau, and Zhang, 2011 study the relationships among trade figure irregularities, tax-induced regulatory arbitrage, and market impediments between China and Hong Kong, and suggest that the underreporting of exports and the over-reporting of imports are driven by preferential tax incentives.

3.4.1. Summary

We have discussed motives of taxation, types of taxation, the impact of tax laws on foreign acquisitions, and the effects of repatriation tax, tax evasion, profit shifting, tax havens, offshore financial centers, and capital round-tripping. We have noted that "a country's tax policies, tax structure, and tax incentives and schemes" play a major role in the incidence of border-crossing acquisition deals. What we have learned from this country-level determinant is in three parts. First, although home country double taxation laws have a negative effect on cross-border capital flows, firms prefer to target countries with weak tax laws, lower corporate tax rates, and treaties with tax havens and offshore financial centers. Second, we argue that tax evasion is more common when there are double taxation laws or higher corporate

[9] A list of over 40 major tax haven countries in the world: Andorra, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Cyprus, Dominica, Gibraltar, Grenada, Hong Kong, Ireland, Isle of Man, Jordan, Lebanon, Liberia, Liechtenstein, Luxembourg, Macao, Maldives, Malta, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Netherlands Antilles, Niue, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Seychelles, Singapore, Switzerland, Tonga, Turks and Caicos Islands, Vanuatu, Virgin Islands (U. S.) (accessed from Dharmapala & Hines, 2009, p. 1067).

tax rates. In the context, despite significant FDI flows to host countries, governments usually fail to realize economic gains such as capital gains tax on foreign acquisitions, especially cash-exchanged deals. Third, tax havens are a source of major investments, especially in outward and inward cross-border M&A deals in EE. The roles of tax havens and offshore financial centers are critical for explaining cross-border M&A by firms from EE. Thus, target countries with tax treaties and high corruption attract FDI from firms registered in tax havens and offshore financial centers. In fact, a significant amount of FDI to EE has been reported as capital round-tripping due to treaties with tax havens and offshore financial centers. Overall, our central theorem is that although higher corporate tax rates and changes in provincial-level taxes have negative impacts on inward cross-border deals, a host country's market potential and weak institutional laws moderate the negative relationship between tax laws and the incidence of acquisitions. Hence, we have:

Proposition 4.1. *Bilateral tax agreements and the source of tax havens between home and host countries may increase the probability of cross-border acquisitions, and are likely drive full-equity control in acquisition ownership decisions.*

Proposition 4.2. *Double taxation tariffs, higher corporate tax rates, and capital gains taxes on cross-border capital flows in the target country, coupled with high political risk and high corruption, are less likely to influence full-equity control and higher target premium in cross-border acquisitions, but are more likely to influence the time required to complete a publicly announced deal.*

Proposition 4.3. *The relationship between weak (strong) tax guidelines and the probability of full-equity control (target premium and deal completion) is likely to be mitigated by deal characteristics (e.g., method of payment), firm characteristics (e.g., prior acquisition/alliance experience in the target country), and country-specific determinants (e.g., market potential, natural resource base, and strategic resources in the host country).*

3.5. Accounting standards and valuation guidelines

In general, a company's accounting practices depends on two factors, namely, the accounting guidelines of the respective country, and the degree of globalization of the company in terms of ownership and market expansion. Thus, accounting standards and takeover valuation guidelines are critical elements of the institutional environment. For M&A dialogue, the valuation of a target firm is a systematic procedure intended to estimate the value of tangible and intangible assets reported in balance sheet at a specific point in time. In practice, the acquirer and the target do not reveal the method of valuation, but they announce the economic value that they are likely pay to target shareholders. For instance, cross-border acquisitions largely follow asset valuation models to estimate the value of target firm, considering both anticipated future cash flows and the individual tax burden (Hohler, 2013; Madura, Vasconcellos, & Kish, 1991).

In the literature, value is defined as the best indicator of an enterprise's performance, integrating the drivers and reflecting the enterprise's internal situation and external environment (Hohler, 2013; Kazlauskienė & Christauskas, 2008). Note that deals become successful when both parties arrive at a win–win value (Allen & Rigby, 2003), and the value always depends upon expectations (Fernandez, 2007). In particular, Fernandez summarizes 10 methods of firm valuation: free cash flow, equity cash flow, capital cash flow, adjusted present value, business risk adjusted free cash flow and equity cash flow, risk-free rate-adjusted free cash flow and equity cash flow, economic profit, and economic value added, which suggests that all methods always give the same value. For Allen and Rigby (2003), value expectations for software firms largely depend on a qualitative rather than quantitative analysis of the company. On the other hand, some scholars notice a rapid decline in acquirer's cash flows after buying a target against high-valuation (e.g., Baker et al., 2009b).

In theory, M&A create synergy to the acquiring firm because acquirers pay premium to target shareholders (Hopkins, 1999). Premiums may be low or high, are determined by internal and external factors, and the premium decision is inherently uncertain, whereby "high premiums hinder firm performance that cannot be justified through rational synergy explanations" (Malhotra, Zhu, & Reus, 2015). First, an acquirer with adequate information about a target firm may pay a small percentage of premium compared to an acquirer with less information due to asymmetry and differences in knowledge flows. In unison, lesser the information asymmetry, then more the active bargaining process that determines the better value. This is likely to happen if the bidding firm puts more emphasis on the valuation process through a planned approach, which is important in international deals (Coakley, Fu, & Thomas, 2010; Mukherji et al., 2013). Second, premiums paid to target shareholders are also influenced by external factors, such as the controlling power of the industry, stock market conditions, the institutional rules of the host country (Akerlof, 1970; Bris & Cabolis, 2008; Chari & Chang, 2009; Maksimovic, Phillips, & Yang, 2013), deal characteristics, such as the number of competitive bids, the nature of the business, method of payment, friendly deal and equity stake sought (Bertrand et al., 2015; Weitzel and Berns, 2006), and social and behavioral cognitive reasons, e.g., anchoring theory (Malhotra and Zhu, 2013; Malhotra et al., 2015). In this vein, Bertrand et al. (2015) suggest that, for 772 deals from 32 acquirer and 29 target nations, political affinity between countries, as measured by UN General Assembly voting rights, is likely to lead to a lowering of the target premium in cross-border acquisition decisions. In other words, a higher level of political affinity decreases the target premium whereas a one-standard-deviation change in political affinity leads to a 5.2 percentage point reduction in the bid premium. For Malhotra et al. (2015), based on 13,442 deals from 61 countries, large-scale deals and targets with higher growth potential receive lower premiums, whereas targets with top advisors, tender and hostile deals, and deals with competing offers receive higher premiums. Premium decisions are greatly influenced by the premiums set for the deals that preceded focal deals in the market. In this context, we argue that fixing the quantum of the bid premium depends on acquirer's expertise, prior acquisition experience, the influence of M&A advisors involved in negotiations, and the host country's takeover regulations.

On the other hand, scholars argue that bidding managers will assign the target an inflated value for their personal benefit (Jensen & Meckling, 1976), leading to managerial hubris (Roll, 1986). For Rossi and Volpin (2004), premiums are likely to be higher in countries with strong investor protection. Nevertheless, most acquisition deals fail to create synergy for bidding shareholders due to overpayment or higher premiums (Epstein, 2005; Martynova & Renneboog, 2008a). A study by Malhotra and Zhu (2013) suggests that "the premium paid by bidders in foreign acquisitions relates positively to prior premiums paid by foreign acquirers in that host country," but it also depends upon time between current and previous overseas deals. In particular, the undervaluation of target assets is the most prevalent issue in overseas negotiations. Gonzalez, Vasconcellos, and Kish (1998) find that firms with high return-on-equity are more likely target undervalued companies in order to reduce acquisition costs and improve the efficiency of the target.

Regarding international accounting standards, Louis and Urcan (2012) find that countries that adopted 2005 IFRS (international financial reporting standards) guidelines received significant cross-border investments through the acquisition method compared to previous years and non-IFRS adopting countries. The inflow of such investments is likely to be greater in countries where the government implements strong regulations. Likewise, countries with a degree of convergence to IFRS and countries with high-level IFRS guidelines attract greater capital flows, and partner countries with lower pre-adoption IFRS guidelines have noticed a significant growth in capital inflows (Chen, Ding, & Xu, 2014). Francis, Huang, and Khurana, 2016 find that countries that use generally accepted accounting principles (GAAP) report a high volume of M&A due to the target country's strong enforcement of IFRS, which indicates that a small difference in GAAP leads to higher M&A deals in host countries. Also, countries with updated IFRS guidelines are more likely to host deals among IFRS-adopting countries.

3.5.1. Summary

Because accounting standards and principles are enforced by national regulatory agencies, they have a significant impact on the valuation of the target firm and decisions regarding target premiums in cross-border acquisitions. In fact, the difference in the valuation of the target firm will be greater in cross-border deals, because different countries follow different accounting guidelines and reporting mechanisms. Extant research highlights that firms tend to pay higher premiums or overpay target shareholders in cross-border deals than what was common in domestic transactions. Recent evidence suggests that national champion firms from EE are more likely to pay higher premiums to target shareholders living in DE than local bidders. Thus, a country that uses international accounting standards (e.g., IFRS/GAAP) and better law enforcement regarding financial reporting attracts a significant number of capital flows, not only from countries with similar standards and enforcement, but also from countries with poor enforcement. This is because similar accounting standards between the home and host country is likely to reduce the transaction cost of financial reporting and listing requirements. At the same time, such guidelines facilitate transparency in various regulatory procedures, and may result in positive market returns following the public announcement. In this context, on the one hand, bidders from DE are more likely to target countries with similar or lower levels of enforcement and a new (partial) adoption of international accounting standards. On the other hand, although similar accounting standards and financial reporting guidelines ease problems with information asymmetry, acquirers may less likely overpay target shareholders. Hence, we have:

Proposition 5.1. *Acquirers from countries with independent accounting practices and financial reporting guidelines are more likely to pay higher premiums to target shareholders when the target firm is established in a country with international accounting standards and financial reporting guidelines that are better than in the acquirer's home country.*

Proposition 5.2. *The relationship between the likelihood of paying higher target premiums and the difference between the home's and host country's accounting standards and financial reporting guidelines is likely to be mitigated by the firm's characteristics (e.g., prior acquisition experience in the target country, a CEO with multinational experience) and country-specific determinants (e.g., the development of formal institutions in the host country).*

3.6. Cultural environment

Culture is the most important aspect in IB research and is frequently discussed in foreign market entry mode, in general, and cross-border acquisitions, in particular (see, e.g., Ferreira, Li, Reis, & Serra, 2014a; Harzing, 2004; Kogut & Singh, 1988; López-Duarte, Vidal-Suárez, González-Díaz, & Reis, 2016; Popli, Akbar, Kumar, & Gaur, 2016). For Hofstede (2001, p. 9), culture is "the collective programming of the mind that distinguishes the members of one group or category of people from another." Culture is referred to as the beliefs, assumptions, and values among different shared groups, and which defines conduct, leadership styles, procedures, and customs (Larsson & Lubatkin, 2001). In a national context, culture encompasses language, religion, caste, traditions, customs, and a set of related rituals, and has a significant impact on economic progress, national security of the country, and firms' performance and internationalization operations (Hitt, Franklin, & Zhu, 2006). Several publicly announced cross-border acquisition transactions have been abandoned due to differences in national culture between the home and host countries, e.g., the Telia-Telenor failure (Fang, Fridh, & Schultzberg, 2004; Schmid & Daniel, 2009). Based on a survey of 142 top executives involved in international deals, Angwin (2001) suggests that differences in national culture significantly influence both the completion phase and the post-merger integration phase. Halsall (2008) analyzes two mergers: the Vodafone acquisition of Mannesmann and the disposal of Rover by its parent firm (BMW), and suggests that two different capitalist countries and governance structures influence merger process. For Ahammad, Tarba, Liu, Glaister, and Cooper (2016), the difference in home–host national cultures, and the difference in bidder–target organizational cultures have a negative impact on the concurrent phase of negotiations.

Several researchers argue that cultural distance between the home and host countries affects both cross-border deal completion and post-acquisition integration success (Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009; Malhotra, Sivakumar, & Zhu, 2011a; Malhotra, Sivakumar, & Zhu, 2011b; Shimizu et al., 2004). The distance is a "double-edged sword with costs and benefits" (Reus & Lamont, 2009). Similar to geographic distance (see the next section), past research has produced ambiguous results (Harzing, 2004). A large number of studies find that larger cultural distance between the home and host countries make the choice of full-ownership control less likely, and the choice of shared-ownership in cross-border acquisition decisions more likely (Ahern, Daminelli, & Fracassi, 2015; Collins et al., 2009; Malhotra and Gaur, 2014; Malhotra, 2012; Slangen and Hennart, 2008). Some studies find that DE (e.g., OECD) that feature cultural proximity coupled with geographic nearness attract more number of acquisitions (Bertrand et al., 2007; Glambosky et al., 2015). Thus, traditional wisdom indicates that firms from DE are more likely to make deals in culturally and geographically close countries. It is also found that cultural distance has a curvilinear relationship with equity mergers (Malhotra et al., 2011b), though the relationship depends on the previous acquisition experience of acquiring firm (Dikova & Sahib, 2013), the top management team's international orientation (Piaskowska & Trojanowski, 2014) and target country experience (Arslan & Wang, 2015; Ragozzino, 2009). These moderators not only result in a positive relationship, but also motivate acquirers to undertake high equity stakes in culturally distant locations.

Using capital flows from the U.S. to a sample of 110 target countries, Bailey and Li (2015) find that although larger cultural and administrative distances have a negative impact on FDI flows to distant countries, they are likely to be mitigated by national demand factors such as the potential of the host market. A recent study by Lim et al. (2016) suggests that, for 1690 deals representing

U.S. firms as targets and acquirers in 45 countries, the relationship between cultural distance and the target premium is asymmetric, and depends on the direction of the investment flows, such as when a foreign acquirer bids for a U.S. target or when a U.S. acquirer bids for a foreign target. An increase of one standard deviation in the cultural distance metric is associated with an approximately 24% decrease in bid premiums for foreign targets. The relationship is more likely to be moderated by prior acquisition experience, and the bidder's country-level familiarity with the host country in terms of student and traveler flows.

For cross-country investigations, Ahern et al. (2015) suggest that for 20,893 cross-border deals representing 52 countries, national cultural distance is likely to reduce the number of overseas acquisitions in the host country. For instance, more the cultural distance (trust, hierarchy, and individualism), the fewer the number of deals. Also, a greater cultural distance reduces the likelihood of completing a publicly announced merger. More interestingly, Li, Rajan, and Hattari (2016b) argue that, using both FDI and M&A flows from 40 countries, cultural attractiveness is a superior predictor of cross-border M&A flows to cultural difference measures. An increase of one standard deviation in cultural attractiveness boosts FDI flows approximately over 7% for developed – developed country and developed – developing country directions, and over 13% for developing – developed countries.

A related line of research is grounded on the perception that cultural dimension – egalitarianism – has a significant impact on the market for cross-border investments. According to Schwartz (2001) In: Siegel, Licht, & Schwartz, 2011), egalitarianism is "the belief that all people are of equal worth and should be treated equally in society". Two recent studies by Siegel et al. (2011, 2013) find that national cultural differences, measured by egalitarianism distance, have a strong, significant and negative effect on FDI flows and the value of M&A transactions. A greater egalitarianism distance between the home and host countries more likely leads to decrease capital flows, the greater rate of overinvestment, and value destruction in M&A.

Regarding acquisitions by EE MNEs, studies have inconclusive results concerning the relationship between cultural distance and cross-border M&A transactions (e.g., equity control, number of deals, deal completion). Malhotra et al. (2011a, 2011b) find that although culture distance has a significant effect on equity participation decisions, the relationship is likely to be moderated by the host country's market potential. Yang (2015) finds that bidders are less likely to increase their equity interest in target countries that have a similar culture. Likewise, Liou, Chao, and Yang, 2016a reveal that EE firms are less likely to acquire full-equity control in countries having greater cultural distance. These results are contrary to the finding that Indian firms make high value acquisitions, and choose full-equity control in culturally distant countries (Elango & Pattnaik, 2011). The Chinese M&A literature reveals cultural proximity in terms of Chinese diaspora has a significant positive impact on the Chinese outward capital flows to Western and Asia-Pacific contexts (Amighini et al., 2013; Buckley et al., 2007; Quer et al., 2012; Yan, Hong, & Ren, 2010). On the other hand, information asymmetry driven by cultural distance may make it less likely for bidders to opt for full-equity control (Li & Xie, 2013; Xie, 2014). In Indian outbound deals, although greater cultural differences between the home and host countries have a negative effect on the completion likelihood of a publicly announced deal, the relationship is more likely to be moderated by the focal firm's cultural experience reserve, measured by the role of prior, similar experience, and the role of time (Popli et al., 2016).

Some researchers notice the impact of language and historical ties on equity participation and the likelihood of completing announced deals (Ahern et al., 2015; Chapman, Clegg, & Mattos, 2010). For instance, a common official language and a past colonial relationship between the home and host countries drive more capital flows to the host country (Hattari & Rajan, 2010; Hyun & Kim, 2010; for the global electric power industry, see Holburn & Zelner, 2010). In the case of India, English language proficiency positively affects outbound deals in DE (Buckley et al., 2012). Because the native tongues and cultures of the parties affect the use of a lingua franca, Cuypers, Ertug, and Hennart, 2015 find that, for 59,092 deals in 69 host countries by firms from 67 home countries, bidders are more likely to take lower equity stakes in countries with a high linguistic distance and a high lingua franca proficiency difference, whereas they will acquire more equity stakes when the combined lingua franca proficiency of the parties is high. Hence, the combined lingua franca proficiency may reduce due to the impact of linguistic and cultural distance. Likewise, Dow, Cuypers, and Ertug, 2016 find that national diversity such as language and religion influences equity participation of international deals.

Regarding psychic distance, Chikhouni, Edwards, and Farashahi, 2016 suggest that, for 25,440 full and partial acquisitions representing 25 countries, the relationship between psychic distance and the acquisition ownership decision is likely to be moderated by directional flows (this finding is akin to Lim, Makhija, & Shenkar, 2016). For instance, EE MNEs choose higher equity control when expanding into developed countries with greater psychic distance, but opt for lower equity control when globalizing into emerging countries with smaller psychic distance, and firms from DE opt for lower equity control when expanding into countries with greater psychic distance. Based on Swedish and Chinese experiences, Yildiz and Fey (2016) propose a framework explaining the extent and effect of perceptions of psychic distance are asymmetric, which resulting favorable and unfavorable perceptions.

3.6.1. Summary

The impact of the cultural environment on the incidence of cross-border acquisitions has three parts. First, because the world economy is embedded with different traditions and values, a greater cultural difference between the home and host countries negatively affects the likelihood of completing (full or partial equity control) cross-border deals, that is, from deal initiation, through the public announcement, the regulatory filing, to the deal completion. Research results have been inconsistent. In other words, some studies find that acquiring firms tend to take full-equity control in culturally distant countries, whereas others reveal that firms prefer to take full-equity control in culturally close countries. Although several firms from EE have acquired full-equity control in culturally distant countries, the relationship between cultural distance and the acquisition ownership decision is more likely to be moderated by market potential, natural resources, and strategic assets of the host country. Second, cultural proximity, such as the Chinese overseas diaspora, has been a pulling factor of outward FDI by firms from China. In other words, home country citizens living in foreign countries help acquirers overcome the cultural distance between the home and host countries. Thus, the cultural proximity of the home and host countries, driven by a diaspora and common language, drive significant capital flows through acquisition method. Third, although firms tend to acquire partial equity control in countries with greater linguistic distance, the relationship is likely to be mitigated gradually due to improvements in communication. Overall, cultural distance significantly affects the M&A dialogue, may reduce the likelihood of deal completion, and full-equity stake in more distant countries, but straightway may not abandon a publicly announced deal. Thus, we argue that a greater cultural

distance between the home and host countries is more likely to drive partial equity acquisitions and extend the time required to complete an announced deal. Hence, we define:

Proposition 6.1. *A greater cultural distance between the source and the target country may influence managerial decision making toward choosing partial equity or shared ownership and paying a high target premium in cross-border acquisitions.*

Proposition 6.2. *A greater cultural distance between the source and the target country may be more likely to delay the time required to complete a publicly announced deal in both organizational and external settings.*

Proposition 6.3. *The relationship between greater cultural distance and an acquisition ownership decision (the likelihood of completing a publicly announced deal, and target premium decision) is more likely to be moderated by firm characteristics (e.g., prior acquisition experience in the target country) and country-specific determinants (e.g., historical ties, formal institutional development).*

3.7. Geographical environment

The basis of IB literature is implicitly grounded on the *World Geography*. Because business transactions occur between national borders, it is logical to study the impact of the geographical environment on the incidence of cross-border M&A deals (Green & Meyer, 1997). According to the industrial organization literature, the endowment view suggests that, "geographical factors and endowments affect the economic and institutional development of the country" (Beck et al., 2001). In this sense, natural resources, physical distance, location proximity, agglomeration, and clustering are highly relevant in cross-border investments. Note that location advantages differ with respect to the level of development of the host country (see, e.g., locational advantages by Dunning, 1977, 1998, Dunning and Lundan, 2008). Based on 13 location factors in 117 countries, Ramírez-Alesón and Fleta-Asín (2016) find that countries located in the same region with a similar degree of economic development attract more capital flows.

Regarding physical distance, scholars argue that the distance between the home country (acquirer) and the host country (target) significantly affects the likelihood of completion in international deal negotiations (Chapman, 2003). A number of studies have captured geographic distance as the distance (in kilometers) between the capital cities of the bidder and the target nations (Coeurdacier et al., 2009; Dutta, Saadi, & Zhu, 2013). This is important, because the cost of the merger is directly proportional to the distance, and greater the distance, then the greater the transaction cost of an international acquisition (Rose, 2000). However, past research on the relationship between geographic distance and the likelihood of cross-border acquisitions has had mixed results (Coeurdacier et al., 2009; Malhotra, 2012; Ragozzino, 2009). For instance, geographic proximity attracts more inward deals (Bertrand et al., 2007; for more on the global electric power generation industry, see Holburn & Zelner, 2010) and being located on the same continent decreases the time required to complete a publicly announced transaction (Lim & Lee, 2016b), whereas greater distance has a negative impact on capital flows (Hattari & Rajan, 2010; Hyun & Kim, 2010). Even in local settings, longer distance reduces the likelihood of completing related acquisitions (Chakrabarti & Mitchell, 2016). Concerning deals "in and out" of Asia, bilateral M&A flows tend to be low because of the greater distances involved (Li, Brodbeck, Shenkar, Ponzi, & Fisch, 2016a; Li, Rajan, and Hattari, 2016b). Further, multidimensional distance (geographical, cultural, and political) negatively affects the likelihood of completing an acquisition as well as the probability of acquisition (Di Guardo, Marrocu, & Paci, 2016a). Malhotra (2012) finds that, for 9222 deals spread across 60 target countries by U.S. firms, the greater the geographic distance, the more likely the U.S. bidder will choose shared ownership over full control. Also, firms with high cultural distance and low geographic distance are likely to opt for shared ownership, whereas firms equipped with high (low) cultural distance and high (low) geographic distance are likely to opt for full ownership. These latter observations suggest that geographic distance moderates the inverted U-shaped relationship between cultural distance and shared ownership in cross-border acquisition decisions. For U.S. FDI flows to 110 target countries, although greater geographic distance has a negative impact on FDI flows, the distance is more likely to be moderated by national demand factors such as the potential of the host country's market (Bailey & Li, 2015). In particular, because ownership structure influences firm's strategic choices, SOEs tend to acquire full (partial) equity control in geographically close (distant) countries (Karolyi & Liao, 2016). This result is consistent with the findings reported for U.S. outward acquisitions (Ragozzino, 2009). Using Berry et al.'s (2010) multidimensional distance framework, Ferreira, da Silva Vicente, Borini, and de Almeida, 2016 find that larger geographical distance drive firms to choose partial-equity control in Brazilian targets, while financial and cultural distance leads to full-equity control.

In case of EE, when MNEs seek to acquire target assets in a host country with abundant natural resources, the greater distance has insignificant effect on resource security deals (Deng & Yang, 2015). This is also the result with strategic asset seeking acquisitions by Chinese MNEs in DE such as the United States (Anderson & Sutherland, 2015b). Likewise, Gaffney et al. (2016) suggest that, for 519 deals by BRIC firms and 2363 deals by UK firms, firms from EE prefer to acquire full equity control in distant countries that have a higher degree of economic development and intellectual protection. These results are significant in related diversification deals for 10,181 transactions across 52 home and 61 host countries (Malhotra & Gaur, 2014). Compared with firms from advanced markets, firms from EE are likely to make more number of deals in distant target countries, suggesting that the relationship among the respective distance measures (economic, institutional, geographic, and cultural) and the number of acquisitions is less of a negative for EE firms than for those in DE (Chari & Shaikh, 2016). For Sun et al. (2012), Chinese MNEs tend to acquire more firms in regional locations like Asia as well as tending to acquire more natural resource-intensive firms, whereas Indian firms prefer to acquire targets in distant and DE like the United States and Europe, and prefer technology-intensive firms. Thus, geographic distance has insignificant effect on outward acquisitions by firms from China and India (De Beule and Duanmu, 2012; also, for Chinese acquisitions in the European heavy construction industry, see Spigarelli, Alon, & Mucelli, 2015; for Indian acquisitions in pharmaceutical industry, see Jayanthi et al., 2016). In Brazil, geographic proximity has a positive effect on the outward FDI flows to developed and developing economies (de Alcântara et al., 2016).

With regard to agglomeration and clustering effects, Bronzini (2007) finds that, for 23 industries and 103 provinces in Italy, localization (specialization) externalities attract more FDI compared to urbanization (diversification) effects. For 868 deals in Italian manufacturing industries, the probability of acquisition is less significant when the target is located in special areas with relevant externalities, such as core cities (which have, e.g., access to information and technical knowledge, international interconnectedness) and industrial districts (which have, e.g., domestic skilled labor, local knowledge spillovers; Mariotti, Piscitello, & Elia, 2014). In the case of capital flows to Chinese cities, Blanc-Brude, Cookson, Piesse, and Strange, 2014 find cities that are economically and

administratively close are more likely to experience positive FDI spillovers from their neighbors. Regarding Chinese outbound flows, although the role of investment promotion agencies has a significant positive impact on capital flows, Chinese firms are more likely to invest in provinces of Canada that are nearer and are of large economic size (Anderson & Sutherland, 2015a).

In view of the spatial setup, Cassidy and Andreosso-O'Callaghan (2006) argue that coastal location and inland waterways, coupled with tertiary education, have a significant positive impact on Japanese investment in China (for a review on FDI flows to China, see Fetscherin, Voss, & Gugler, 2010). In Africa, countries are less likely to receive higher capital flows due to adverse regional effect, indicating the virtue of its geographic location (Asiedu, 2002).

3.7.1. Summary

Regarding the geographical environment, there are three relevant points. First, the conventional view of the impact of physical distance on FDI/M&A flows (West–South) suggests that longer distance reduces the probability of full-equity control or the likelihood of completing announced cross-border deals, whereas emerging evidence reveals that firms from EE (South–West, South–South) tend to acquire full-equity control in distant countries not only for natural resources, but also for strategic assets. However, although empirical results are ambiguous concerning acquisitions by EE, greater geographic distance is more likely to be moderated by the host country's market potential and natural resource base. Second, spatial infrastructure determinants such as industrial clusters, core cities, and relevant externalities have positive effects on inward capital flows. Third, countries with better sea transport and inland waterways attract significant FDI from DE. Overall, market potential, spatial infrastructure facilities, and a strong natural resources base, coupled with fiscal incentives, moderate the negative relationship between greater geographic distance and the incidence and likelihood of completion of cross-border deals. Although institutional development throughout the world economy has remarkably noticed over the past two decades, geographic distance still affects the likelihood of completing cross-border acquisitions. Hence, we suggest:

Proposition 7.1. *Greater physical distance between the home and target countries may reduce the likelihood of acquiring full-equity control in cross-border acquisitions.*

Proposition 7.2. *Greater physical distance between the home and target countries may delay the time required to complete a publicly announced deal and increase the probability of paying a high target premium in cross-border acquisitions.*

Proposition 7.3. *The relationship between greater physical distance and the acquisition ownership decision (the likelihood of completing a publicly announced deal, and the target premium decision) is more likely to be moderated by firm characteristics (e.g., prior acquisition experience in the target country, a CEO with multinational experience) and country-specific determinants (e.g., formal institutions and market development in the host country, bilateral trade intensity, inland infrastructure development, natural resource base).*

4. Bibliometric analysis

For brevity, we present a few bibliometric highlights of the focal research topic (see Appendix C): (i) the number of cross-border M&A and FDI articles reviewed, (ii) the number of cross-border M&A and FDI articles reviewed, by discipline and journal, (iii) citation analysis for the cross-border M&A articles reviewed, by year and discipline, and (iv) the top 25 highly-cited cross-border M&A articles.

5. Future research directions

We discuss several research issues in cross-border M&A stream that may help scholars in future exploration. These directions are framed through five topics: research gaps in the country-level determinants of cross-border M&A deals, the market timing and the market for cross-border M&A transactions, the role of institutional environment in EE, the renaissance of SOEs, and the impact of global terrorism on international capital flows.

First, conventional wisdom of West-South directional flows has largely examined host country (pull) determinants, such as macroeconomic and capital markets development, institutional framework, political system, corruption, geographic environment, and cultural distance. Though it has overlooked not only home country determinants, such as corporate tax rate, M&A regulations, competition rules and political environment, but also several important host country determinants, such as cross-border tax regulations like capital gains tax, accounting standards, labor market regulations, competition guidelines, corporate governance mechanism, geographic factors like sea transport and coastal agglomeration, educational factors like educational budgets, high-impact research publications, number of master's and doctoral awards, number of foreign students, and social issues like crime rate, number of road accidents and number of crimes. In our view, the impact of political uncertainty in the target country, coupled with corruption, higher education and crime rate, on the market for capital flows to developing economies may add significant contribution to the *Lucas paradox*. It is found that traditional view of West–West directional flows has largely attracted to countries with similar economic status, similar institutional environment, and similar business environment. In literature, several researchers contend that the institutional weaknesses and weak enforcement of laws are critical reasons to the Lucas (1990) highly debated question, that is, why capital does not flow from rich to poor countries. For instance, if China and India are large markets in terms of the economic size, geographic space, natural resources, coastal advantage and population, why does India still attracts the lower levels of capital flows through acquisition and greenfield methods, relative to China, Brazil and Russia.

On the other hand, emergent view of South-West/South directional flows has examined both the home (push) and host country (pull) determinants affecting the market for outward acquisitions from BRICs, Latin American and other European countries. Though we find two problems in EE cross-border M&A literature. Firstly, at least 60–70% of EE cross-border M&A/FDI literature has accumulated from the Chinese context, followed by India. Secondly, when the dependent variable is an entry mode choice (greenfield, acquisition) or equity control (full, partial) in cross-border M&A decisions, the findings reported by the cross-country studies are largely inconclusive. We believe this problem might be due to the choice of archival sources, explanatory variables, and control variables (see, for instance, suggestions by Nielsen, Asmussen, & Weatherall, 2016; Sutherland & Anderson, 2015). Further, although a large number of studies have examined the outward capital flows from EE, most studies have *repeatedly* utilized the identical country-level determinants, with mixed archival sources and same dataset. It is even a surprise that the findings are mostly reproduced, and scholars have examined some common independent variables to accept the proposed hypotheses. Therefore, scholars are suggested to go beyond the commercial sources and traditional theories, in order to enhance our understanding of the most critical country-level of determinants between the West-South and South-West/South directional capital flows.

Second, we find a few cross-sectional studies examining the country-level determinants of capital flows around the outbreak of

global financial crisis (see Alquist, Mukherjee, & Tesar, 2016; Weitzel, Kling, & Gerritsen, 2014). Our view is that the economic distress driven by bailouts of several large financial institutions in DE has a significant negative impact not only on home country economic growth, but also on regional and international – trade, stock markets, and capital flows. Although the economic and institutional environment is significantly different across the world economy, the economic crisis out broken in one country may affect another country economic and financial markets performance due to intra-regional and international economic linkages. In the context, we argue that countries that report lower asset valuations around the crisis attract significant value of inward acquisitions from countries with less crisis-effect, and countries with lower levels of economic development. Hence, much of the past research in this direction is largely anecdotal, banking related analysis, and stock performance around merger announcement. Overall, our central argument is that how does the economic and institutional matrix, coupled with M&A regulations, competition rules and labor market regulations, affects the incidence of cross-border M&A deals in developed and developing economies around the financial crisis. We are also interested to know whether the market timing fine-tunes the effects of country-level determinants of cross-border capital flows, such as institutions, government power, and political environment. We hope this direction may help us to understand the impact of dramatic economic events on the market for cross-border capital flows.

Third, EE research is increasingly recognized as a dynamic and multidisciplinary approach (Kearney, 2012; Mutlu, Zhan, Peng, & Lin, 2015), and offers an opportunity to test various theories and models in diverse themes, ranging from the economies of scale to financial synergy, global trade to market entry, and culture transformation to cultural adaptation. It is suggested that a series of institutional reforms, home market development and inward internationalization in EE have significant positive effects on the market timing of South-West/South directional flows. However, although several researchers have analyzed the completion likelihood of publicly announced cross-border deals using the institutional lens (e.g., the regulatory, administrative and cultural distance), they have overlooked some important driving forces of the institutional environment in EE. For instance, the ruling political party intervention, erratic behavior of government officials, institutional diplomacy, institutional reciprocity, judicial system, crime rate, labor market regulations, competition guidelines, corporate tax rate, and corporate social responsibility provisions influence the incidence, the choice of equity control, and the likelihood of completing cross-border investment deals. Specially, future studies could examine how does the institutional distance over the transition period affects the equity control decision (full vs. partial) and the completion likelihood of takeover deals between the South–South and South-West directional flows.

In addition, we highlight some areas that may well contribute to the foreign market entry mode and cross-border M&A literature, for example, pre-merger phase and negotiation phase of acquisitions, relational, learning, spillover and real options perspectives in entry mode, collaborative approaches (e.g., alliances, networks) and comparison with M&A in market entry (Shi, Sun, & Prescott, 2011), comparative institutional analysis and the likelihood of deal completion, cross-border acquisitions around national elections (e.g., Cao & Liu, 2013; Ngo & Susnjara, 2016), the timing of acquisitions at local and international contexts (e.g., Marks & Mirvis, 2011), and the impact of institutional voids on outward capital flows (e.g., Stoian & Mohr, 2016). We also find some studies that examine the role of tax havens and offshore financial centers in determining the outward acquisitions by firms from EE. Therefore, a critical analysis would help us to appreciate how do countries with bilateral tax treaties loss cross-border taxes on high-valuation cash deals, and how does the offshore financial centers and tax havens help home countries to record a capital round tripping transaction and its impact on balance of payments. Overall, these promising research avenues would add significant new knowledge to the market entry mode literature (Hennart & Slangen, 2015).

Fourth, a contemporary theme is the relationship between firm performance and foreign acquisitions by SOEs. This line of research has been received an impressive scholarly attention not only in IB and strategy journals, but also in public economics journals. In recent years, scholars have examined some important strands of the globalization of SOEs, including the public enterprises as useful policy instruments (Bernier, 2014; Putniņš, 2015), governments as owners (Cuervo-Cazurra et al., 2014), SOEs around the world as hybrid organizations (Bruton et al., 2015), SOEs global strategy and the market for corporate control (Cahen, 2015; Clò et al., 2015; He et al., 2016), state ownership in cross-border M&A deals (Du and Boateng, 2015; Greve and Zhang, 2016; Hong et al., 2015), and corporate governance and accountability of SOEs (Grossi, Papenfuß, & Tremblay, 2015). There are at least two reasons behind the renaissance of SOEs in global markets. On the one end, the 2007–2009 financial crisis has taught several lessons to governments in developed and developing economies. As a result, reforms following the economic crisis and the abrupt increase in public debt have led to new institutional arrangements for the delivery of government services around the world. On the other end, although several SOEs from Asia (particularly, China) and Europe have expanded globally around the crisis, they have taken advantage of the lower asset valuation prices in DE like the US, and are largely motivated to acquire natural resources for their home market security and strategic assets for gaining competitive advantage. It is suggested that the privatization, changing home-country institutional environments, and institutional voids have significant impacts on the internationalization of SOEs (He et al., 2016). For instance, because ownership types and organizational forms affect strategic investment choices (Peng, Tan, & Tong, 2004), what implications can be drawn from the changing dynamics of SOEs strategies? How do SOEs globalization strategies contribute to their home market development? We know little about the relationship between firm performance and SOEs strategies like greenfield and acquisition choices (Bruton et al., 2015; Martin and Li, 2015; Shi et al., 2016). Therefore, SOEs strategic choices and performance, and comparison with POEs may well contribute to the IB, finance and public economics literature.

In this direction, an interesting study by Tingley et al. (2015) analyzes why several foreign acquisition transactions initiated by Chinese MNEs in the US market have been abandoned. They highlight the reasons behind the ruling political party pressure on policy makers to oppose Chinese foreign acquisitions, on the grounds of national economic security, especially when bidding firm is a SOE. Also, "poor reciprocal access to foreign markets is also a potential factor that influences government officials' decisions to oppose foreign acquisitions" (Tingley et al., 2015). Thus, studies on reciprocity in bilateral trade and bilateral capital flows between DE and EE, coupled with geopolitical relations, would add novel knowledge to the IB, economics and strategy literature.

Fifth, terrorism is a serious security concern of the world economy, and has a negative impact on the capital markets and cross-border investments. Scholars define that terrorism poses several threats not only to the society, but also to the business organizations, for example, "declines in buyer demand, unpredictable shifts or interruptions in value and supply chains . . . harmful macroeconomic phenomena, and deteriorating international relations that affect trade" (Czinkota, Knight, Liesch, & Steen, 2005). Though we hardly find an empirical study in IB and strategy literature that examines the impact of terrorism on the incidence

of cross-border M&A transactions (see, a perspective from EE by Reddy et al., 2016a). For instance, what is the relationship between the higher levels of terrorism effect and inward/outward capital flows? What are the economic, institutional and geographical determinants that mitigate the relationship between the higher levels of terrorism effect in the target country and FDI inflows?

6. Contributions, implications and limitations

6.1. Contributions

At least six contributions emerge from this comprehensive review of the focal research question – what determines cross-border merger and acquisition transactions around the world? First, nested within the IB, strategy, economics and finance literature, this paper, to date, is the *first* to consolidate, summarize, and integrate prior research that examines the *country-specific determinants* of cross-border M&A deals. Following 6Ws literature review design and protocol, we survey a large number of journal articles published over the past three decades. It is our pleasing acknowledgment that the review is largely benefited from the Google Scholar alerts, and respective journal publisher's article alerts. Thus, our review method is *technically* a new idea, especially in tracing the articles and citations. Second, given that a merger between national borders is the most complex business process in business literature, we classify, summarize and integrate various cross-country determinants into seven major taxonomies: macroeconomic and financial markets environment, institutional and regulatory framework, political environment and corruption, tax and taxation laws, accounting standards, geographical factors, and cultural issues.

Third, our review highlights some observations between the conventional wisdom of DE and emergent perspective of EE. Because institutional transitions and home market development in EE affect domestic firms' strategic choices, a significant number of outbound acquisitions have been attracted to countries with the lower levels of economic development and risky political environment such as African countries (natural resources advantage, large market potential, regional proximity) as well as countries with the higher levels of economic performance and the strong enforcement of laws such as the US and Canada (strategic assets, technology advantage, mature markets). While bidders from DE tend to acquire partial-equity control in target countries having higher levels of distance (geographic, regulatory, administrative, cultural) and higher political uncertainty, bidders from EE are more likely to choose full-equity control in target countries with the higher levels of institutional distance and the higher levels of corruption. However, although SOEs announce several high-valuation deals in the extractive, infrastructure and business services industries, they tend to acquire partial equity stake in target countries having strong institutional framework such as minority shareholders protection. Fourth, with regard to the effects of corruption, not much research has been published in the IB and strategy literature, but we find a growing academic interest along with the other critical determinants like terrorism and armed conflicts. A review of this taxonomy reveals that bidders from countries with the higher levels of corruption tend to acquire more number of deals in target countries with the higher levels of corruption, lower economic performance, weak regulatory frameworks such as capital gains tax and risky political environment.

Fifth, if countries possess the efficient capital markets, market potential, economic growth and moderate corporate governance laws, the corporate taxation and accounting standards are not really matter in both the West-South and South-West directional capital flows. Even more interesting, firms from EE have initiated a number of large-scale deals in target countries with the strong financial markets-development, the strong enforcement of laws, and the ample sources of strategic assets. Sixth, while bidders from DE prefer to acquire partial-equity control in culturally distant countries, bidders from EE tend to take full-equity control. It is also found that home country's diaspora population and English language moderate the relationship between the higher levels of cultural distance and acquisition ownership decision. Yet, the relationship between cultural differences and the incidence of cross-border M&A deals announced by EE firms is largely mixed or inconclusive. We also find similar observations for geographic distance. However, countries with adequate infrastructure facilities such as sea transport and coastal development, coupled with economic growth and regional proximity, attract more capital flows not only from the short-distance countries, but also from the long-distance countries. In addition, we develop several theoretical propositions, present some highlights of the bibliometric analysis, and offer numerous directions in need of future research.

6.2. Practical implications

Since our paper is a theoretical review of the extant research on country-level determinants of cross-border M&A, we provide some recommendations for the national policy makers and multinational managers participating in M&A negotiations. In short, the review suggests that the economic environment (e.g., GDP, bilateral trade relations, exchange rate, interest rate, taxation), financial markets regulations (e.g., stock market development, minority shareholders protection), the institutional environment (e.g., M&A regulations, competition guidelines, political intervention, judicial system), and geographical and cultural environment have differential effects on the incidence, the equity ownership, the target premium, and the likelihood of completing publicly announced cross-border acquisition transactions.

At the policy level, it is the responsibility of government to improve the institutional framework and enforcement of laws, in order to attract significant amount of capital flows through the acquisition method. In fact, it is practically profitable to the home (host) country government when policy makers detect the regulatory voids and institutional weaknesses, such as capital gains tax on offshore financial centers, and investments that come from the tax haven country. Importantly, governments may improve the market for bilateral trade and capital flows through institutional diplomacy and regional cooperation. On top of that, governments must ensure the corruption-free business regulations environment, especially in countries with the higher levels of corruption, weak enforcement of laws, and higher levels of political uncertainty. For managers, a thorough knowledge of the host country economic factors and regulatory framework may help to overcome the information asymmetry problems and decrease the likelihood of takeover premium. Nevertheless, it is being a learning race for managers to chase cross-border M&A deals between the home and host countries with the higher levels of institutional distance.

6.3. Limitations

We discuss a few limitations of the literature review. On the one hand, our review is limited to three reasons: country-level determinants of cross-border M&A, empirical research, and journal publications. At the same time, we have omitted several articles that examine the determinants of FDI/M&A using the economics lens (e.g., econometric modeling) and finance and accounting lens (e.g., announcement returns, financial performance), especially

those published in the economics, finance and accounting journals. We also have not surveyed articles that analyze the entry mode choices, firm performance, strategic alliances, and post-acquisition integration stage. To our best, we have collected, reviewed, and integrated a large number of articles that explore the country-level determinants of cross-border M&A deals. Yet, we offer our sincere apologies for omitting the articles published in economics and finance journals (particularly, the FDI ones), and if the review has overlooked any relevant M&A article published in IB and strategy journals.

On the other hand, in addition to the country-level determinants, firm-level, industry-specific, and deal-characteristics affect the equity participation, the target premium and the completion likelihood of international deals. It is important to note that the internal and external environment pressures have a great impact on the probability of negotiations success between countries with different levels of institutional development. In the sense, although our theoretical propositions are grounded on the country-level determinants, the proposed relationships are more likely to be mitigated by the deal characteristics such as method of payment and firm-level characteristics such as firm size, top-level management traits and prior deal experience. Therefore, an integrative review and theoretical framework of deal-, firm- and industry-level factors, coupled with country-level measures as controls, may further our understanding of the completion likelihood and the equity ownership of M&A negotiations. Empirically, a meta-analytic review-cum-analysis may present a fine-grained analysis of the extant research findings not only from the IB and strategy, but also from the economics and political science literature. Specially, a finance- and accounting-focused review of the short-run and long-run announcement returns for the local and international deals in different national settings may enhance our knowledge on the most contradicting result, that is, 'M&A value creation hypotheses'. In other words, do cross-border M&A deals destroy shareholders' value around merger announcement? If yes, how much firm value do they destroy compared to domestic M&A deals?

7. Conclusion

The survey suggests that although cross-border M&A stream has evolved based on developed markets setting, it has considerably accumulated from the EE setting, especially aftermath of the 2008–09 financial crisis. The review provides us valuable knowledge on cross-country determinants of international M&A transactions. Overall, our learning is that a country's institutional and regulatory framework, tax provisions, economic performance, financial markets development, investor protection, geographical setting, and cultural factors have differential effects on the inward and outward capital flows. Further, institutional dichotomous issues like the ruling political party influence, government intervention, higher levels of corruption, and erratic behavior of bureaucracy have detrimental effects on the completion likelihood of publicly announced acquisition transactions. Specially, better the host country institutional laws with regard to financial markets, taxation and corporate governance, then the higher the number of inward acquisitions. To this end, we hope the comprehensive review paper would help scholars and consultants pursuing research in IB related streams as well as managers participating in global investment decisions.

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Appendix A. The top 20 countries in the market for cross-border M&A, 2005–2014 (cumulative), by *outbound* and *inbound* transactions

Acquiring firm countries: Deal value (US$ billion), Number of deals						Target countries: Deal value (US$ billion), Number of deals					
Country	Value	Percent in World	Country	Number	Percent in World	Country	Value	Percent in World	Country	Number	Percent in World
World	5032.97	–	*World*	99549	–	*World*	5032.97	–	*World*	99549	–
USA	821.17	16.32	USA	18719	18.80	USA	1022.15	20.31	USA	15310	15.38
UK	358.85	7.13	UK	9592	9.64	UK	837.61	16.64	UK	8667	8.71
Japan	349.93	6.95	Canada	5832	5.86	Canada	333.74	6.63	Germany	5955	5.98
France	346.09	6.88	France	5238	5.26	Netherlands	289.37	5.75	Canada	5074	5.10
Canada	326.66	6.49	Germany	4976	5.00	Germany	234.15	4.65	Australia	4308	4.33
China	272.88	5.42	Japan	3537	3.55	Australia	231.93	4.61	France	4299	4.32
Germany	236.49	4.70	Australia	3058	3.07	Spain	217.31	4.32	China	3788	3.81
Switzerland	206.76	4.11	Netherlands	3027	3.04	China	162.09	3.22	Russia	3201	3.22
Netherlands	187.68	3.73	Sweden	2797	2.81	France	158.98	3.16	Spain	2820	2.83
Spain	134.92	2.68	Switzerland	2628	2.64	Italy	132.14	2.63	Sweden	2441	2.45
Hong Kong	126.27	2.51	Singapore	2244	2.25	Russia	84.95	1.69	Italy	2374	2.38
Australia	124.88	2.48	Hong Kong	2181	2.19	Brazil	83.12	1.65	Netherlands	2166	2.18
Italy	120.49	2.39	China	2140	2.15	Turkey	77.32	1.54	India	2163	2.17
UAE	89.77	1.78	Spain	1746	1.75	Hong Kong	72.98	1.45	Brazil	2032	2.04
India	89.45	1.78	Cyprus	1741	1.75	Norway	71.39	1.42	Japan	1737	1.74
Singapore	85.31	1.69	Italy	1679	1.69	Luxembourg	67.41	1.34	Hong Kong	1700	1.71
Sweden	65.94	1.31	India	1577	1.58	Sweden	60.50	1.20	Switzerland	1473	1.48
Belgium	63.60	1.26	Malaysia	1350	1.36	Singapore	59.44	1.18	Norway	1424	1.43
Brazil	62.39	1.24	Russia	1345	1.35	India	58.51	1.16	Singapore	1396	1.40
Russia	61.17	1.22	Norway	1219	1.22	Denmark	57.12	1.13	Denmark	1297	1.30

Source: Authors compiled from the World Investment Report (UNCTAD, 2014, 2015).

Appendix B. Key findings of selected cross-border M&A studies published in IB and Management journals

Authors: Journal	Research question	Theoretical framework	Directional flows	Sample period	Sample; M&A data source	Dependent variable	Explanatory variables	Control variables	Analytical approach	Key findings
Cross-country studies										
Weitzel and Berns (2006): JIBS	How does corruption in the target country affects the premium paid for target shareholders in cross-border acquisitions?	Institutional economics, Transaction cost economics	Worldwide: 42 countries	1996–2003	4979 (961 cross-border deals); Thomson Reuters SDC	Target premium	Corruption index of Transparency International, Corruption index of World Bank, Government effectiveness, Political stability, Common law, Civil law	GDP per capita, GDP change, Population, Exchange rate movement, Geographic distance, Power distance, Stock market capitalization, Financial disclosure index, IFRS required, Ownership concentration in target country, Corporate tax rate, Target firm market value, Privatization, Cash payment, Tender offer, Hostile, Number of bidders, Same industry, Public acquirer, Foothold, Prior local investment	OLS regression	A higher level of corruption index in the target country leads to discount the target premiums. For instance, a one point deterioration in the corruption index is associated with a reduction of 21% target premiums. Common law and government effectiveness measures of the host country have positive effects on the likelihood of target premiums.
Dikova et al. (2010): JIBS	How does acquisition experience moderates the relationship between institutional features (formal and informal) and the likelihood of completion and the time taken for completion of a publicly announced cross-border acquisition?	Institutional theory, Organizational learning	Worldwide: Service industry	1981–2001	2389; Thomson Reuters SDC	*Completion likelihood* of a publicly announced acquisition (dichotomous variable, 1 or 0); *Acquisition duration* (the difference (in days) between the date of completion and the date of deal announcement)	Expropriation risk distance, Procedural complexity distance, Power distance, Uncertainty avoidance distance, Prior acquisition completion experience	Cash payment, Public status of acquirer, Public status of target, Percentage sought, Target subsidiary	Binary logistic regression, Linear regression	Formal institutional distance measured by expropriation risk distance and procedural complexity distance, and informal institutional distance measured by power distance and uncertainty avoidance distance between the acquirer and target country have significant negative effects on the likelihood of completing a publicly announced cross-border acquisition. Formal institutional distance has a strong negative effect on the time required to complete a publicly announced deal, i.e., delays the time for a deal to be completed. However, the negative effects of the formal and institutional distance are more likely to be mitigated by acquirer's prior acquisition completion experience.
Malhotra et al. (2011b): JIM	How does cultural distance between the home and host countries affects the choice of equity control in cross-border acquisitions?	Institutional theory	Worldwide: 60 acquirer and 64 target countries	1976–2008	106421; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 0.1–100%)	Cultural distance, Industry relatedness	Public target, Public acquirer, Tender offer, Hostile takeover, Geographic distance, Toehold, Cross-border acquisition experience, Exchange rate difference, Target country GDP, Target country corruption	Fixed-effects regression	The study reports a curvilinear, U-shaped relationship between cultural distance and the level of equity control in target ownership, that is, firms tend to acquire large equity stakes at both low and high cultural distance measures, and small equity stakes at moderate cultural distance measure. However, industry relatedness moderates this relationship, for example, firms are likely to make large equity acquisitions in related-business deals.

Malhotra and Gaur (2014): JIBS	How does geographic distance between the home and host countries influences the choice of equity control in cross-border acquisitions?	Information asymmetry, Institutional economics	Worldwide: 52 acquirer and 61 target countries	2002–2008	10181; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 0.1–100%)	Geographic distance, Public acquirer, Related cross-border acquisition	Public target, High-tech target, Privatization, Cross-border acquisition experience, Tender offer, Toehold, Cash payment, Exchange rate, Cultural distance, Institutional distance, Similar language, Similar religion, Similar legal origin, Target country GDP, Target country GDP growth, Acquirer country GDP, Acquirer country GDP growth	Tobit regression	Foreign firms prefer to acquire small equity stakes at both low and moderate levels of geographic distance, and large equity stakes at high geographic distance. However, the relationship is more likely to be moderated by acquirer's public status and industry relatedness of acquisitions. For example, firms with public status and firms in related acquisitions take large equity stakes in geographically distant countries.
Bertrand et al. (2015): SMJ	How does political affinity of the acquirer and target countries affects the premium paid for target shareholders in cross-border acquisitions?	Institutional economics, Political economy perspective	Worldwide: 32 acquirer and 29 target countries	1990–2008	772; Thomson One Banker	Target premium	Political affinity of countries, Government fractionalization, Trade dependence	Cultural distance, Difference in political systems between countries, FDI restrictions, Trade dependence, Difference in size between acquirer and target, Acquirer return on assets, Target return on assets, Acquisition experience, Percentage sought, Tender offer, Cash payment	OLS regression	A higher level of political affinity of countries, measured by United Nations General Assembly Voting Rights, has a strong negative effect on the premium paid for target shareholders, i.e., leads to discount the target premium. Target country's government fractionalization (but not the 'trade dependence') positively moderates the relationship between political affinity and the initial premium paid for target firm.
Chikhouni et al. (2016): JIM	How does the 'direction' mitigates the relationship between psychic distance and the choice of equity control in cross-border acquisitions?	Transaction cost economics, Institutional theory	25 countries (inbound and outbound deals)	2000–2014	25440; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 5–100%)	Psychic distance, Direction (emerging to emerging), Direction (emerging to developed), Direction (developed to emerging), Direction (developed to developed)	Acquirer experience in the target country, Acquirer size, Target industry, Investments inflow within the host country, FDI regulatory restrictiveness index	Tobit regression	Firms generally acquire smaller equity stakes when the psychic distance is larger between acquirer and target countries. Hence, this relationship is more likely to be mitigated by the direction of acquisition flows. For example, firms from EE prefer to take higher equity stakes in high psychic distance countries, while firms from DE acquire smaller equity stakes. Further, acquirer prior experience in the target country, high-tech industry, and foreign investment regulations introduced by target country have strong effects on the choice of equity control in target ownership.
Lim & Lee (2016b): IBR	How does economic disparity between the acquirer and target countries affects the likelihood of completion and the time taken for completion of a publicly announced	Institutional theory, Organizational learning	65 acquirer and 58 target countries	1985–2008	2445; Thomson Reuters SDC	*Completion likelihood* of a publicly announced acquisition (dichotomous variable, 1 or 0); *Acquisition duration* (the difference between the announcement and completion dates)	Acquirer from a more developed country, Superior economic level (acquirer country-target country)	Legislative strength difference (acquirer country-target country), Contract viability difference (acquirer country-target country), Same continent, Industry relatedness, Acquirer return on equity, Acquirer sales growth rate, Acquirer leverage ratio, Acquirer size, Acquirer public status, Prior acquisition experience, Use of advisors, Defense strategy, Percentage sought, Bid	Binary probit regression, Tobit regression	Superior economic development level of acquirer country, and acquirer from a more developed country have negative effects on the likelihood of completing a publicly announced cross-border acquisition, i.e., lead to abandonment of an announced deal. While a cross-border deal is less likely to be delayed when the acquirer is from a more developed country, that is, decreases the time for the firm to complete. Contact viability difference between acquirer and target countries has a negative effect on

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Authors: Journal	Research question	Theoretical framework	Directional flows	Sample period	Sample; M&A data source	Dependent variable	Explanatory variables	Control variables	Analytical approach	Key findings
	cross-border acquisition?							premium, Termination fees, Stock consideration		the likelihood of acquisition completion.
Malhotra et al. (2016b): JoM	How does previous equity level in the same target country and industry (anchor perspective) influences the choice of focal equity control in cross-border acquisitions?	Behavioral strategy of the firm, Anchoring theory	Worldwide: 50 countries	1990–2009	4491; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 0.1–100%)	Previous equity level (anchor), Unrelated industry, Political stability, CEO overconfidence	R&D intensity, Industry stock volatility, Cultural distance, Cross-border acquisition experience, Cross-border joint venture experience, Cross-border alliance experience, High-tech target industry, Target country interest rate, Exchange rate, Average foreign ownership, Elapsed time, Target industry international acquisitions, Transaction value, Private target, Tender offer, Friendly acquisition, Stock payment, Target country GDP growth, CEO tenure, CEO duality, CEO ownership, Independent board, Board size, CEO past acquisition experience	Tobit regression, Hedonic regression	Prior cross-border acquisition equity level in the target country (anchoring) has a positive effect on the level of focal acquisition equity. For example, a one point change in the anchoring effect is associated with a 3.2% change in the focal acquisition ownership. This effect is stronger in politically unstable target countries, suggesting that the interaction effect between anchoring and political stability is negative. The relationship between anchoring effect and the level of focal acquisition ownership is weaker when the acquirer has an overconfident CEO.
Li et al. (2016a, 2016b): SMJ	How does cultural attractiveness affects the value of foreign direct investment inflows in culturally close and culturally distant countries?	Institutional theory, Interpersonal attraction framework	Worldwide: 41 countries for FDI; 40 countries for cross-border acquisitions	1985–2012; 1990–2009	Developed to developed economies (FDI flows 5872 observations), Developed to developing economies (FDI flows 4624 observations), Developing to developed economies (FDI flows 3959 observations), Data from OECD; 8519 cross-border deals, Thomson One Banker	Annual FDI flows, Cumulative abnormal returns (CAR)	Cultural attractiveness	GLOBE values distance, GLOBE practices distance, Kogut & Singh's cultural distance index, Ronen and Shenkar's clusters, Schwartz's cultural distance index, Acquirer country GDP, Target country GDP, Geographic distance, Cultural attractiveness variance, Economic distance, Target country GDP growth, Political constraint index, Common language, Colonial ties, Legal origin	Feasible generalized least squares (FGLS) estimation; Event study method, OLS regression	Cultural attractiveness of target country has a positive effect on the market for capital inflows in that country. For example, a one point increase in cultural attractiveness leads to increase capital inflows by about 7.3% for developed–developed group, 7.2% for developed-developing group, and 13.3% for developing-developed group. Cultural distance between acquirer and target countries has a negative effect on the capital inflows for developed–developed group, but not for other country groups.
Acquisitions by firms from developed economies										
Chari and Chang (2009): JIBS	How do country- and firm-level determinants influence the choice of equity control in cross-border acquisitions?	Transaction cost economics, Information asymmetry, Costs and benefits of ownership	Acquisitions by U.S. firms	1996–2002	730; Mergerstat	Choice of equity control in target ownership (full control: 100% and partial control: less than 100%)	Uncertainty avoidance, Individualism, Country risk, Level of acquisition activity in the target country, Employment	Foreign firm size, Foreign firm profitability, Foreign firm international experience, Foreign firm R&D intensity, Prior presence, Target country GDP growth, GAAP differences	Tobit regression	Foreign firms are likely to acquire partial equity control in culturally distant countries, measured by target country's uncertainty avoidance and individualism. Target country's higher country risk and greater GAAP differences lead to partial equity control in

							contract rigidity, Local firm size, R&D intensity of local firm's industry, Different industry local firm			target firm, while employment contract rigidity is insignificant.
Ragozzino (2009): MIR	How does geographic distance between the home and host countries influences the choice of equity control in cross-border acquisitions?	Institutional economics	Acquisitions by U.S. firms	1993–2004	608; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 1–100%)	Geographic distance, Cultural distance, Political risk	Acquirer R&D intensive, Target R&D intensive, Private acquirer, Private target, Occupation employment survey for knowledge distance, M&A experience, Target country M&A experience, Target country alliance experience	Tobit regression	Acquiring firms prefer full-equity control in geographically proximate target countries, while they choose partial-equity control in geographically distant target countries. At greater cultural distance and political risk measures, firms tend to choose partial-equity control for proximate deals, and full-equity control in geographically distant acquisitions. Acquirer's prior alliance experience in the target country lead to shared-ownership, and target firm's high R&D expenses lead to full-ownership.
Malhotra (2012): CJAS	How does geographic distance moderates the relationship between cultural distance and the choice of equity control in cross-border acquisitions?	Institutional theory	Acquisitions by U.S. firms	1990–2008	9222; Thomson Reuters SDC	Choice of equity control in target ownership (full control: more than 95% and partial control: up to 95%)	Cultural distance, Geographic distance	Public target, Private target, Public acquirer, Acquisition experience, Toehold, Transaction value, Tender offer, Hostile, Related acquisition, Exchange rate, Target country GDP	Binomial regression	Foreign firms tend to choose partial-equity control in geographically distant target countries, while they opt for full-equity control in proximate target countries. At moderate to higher levels of cultural distance between acquirer and target countries, firms tend to opt for full-control over partial-control in geographically distant target countries, suggesting that geographic distance mitigates the curvilinear (an inverted U-shaped) relationship between cultural distance and the choice of equity control in target ownership.
Baik et al. (2015): MIR	How do cross-country institutional differences influence the incentives of bidders to engage in earnings management?	Earnings management; Institutional theory	Acquisitions by U.S. firms	1984–2012	853; Thomson Reuters SDC	Performance-matched cumulative abnormal accruals of acquiring firms	Non-English, Non-Christian, High cultural distance, Low accounting quality, Low voice and agreement, Low political stability and absence of violence, High corruption, Low government effectiveness, Factor (composite of the eight variables), Stock financing	Acquirer's experience, Bid-ask spread, Analyst following, Institutional ownership, Industrial relatedness, Target foreign institutional ownership, Book to market ratio, Firm size, Firm's relative size, Firm's leverage, Earnout, Tender, Hostile, Antidirector rights, Common law, Rule of law, IPO size/population, Target country GDP per capita, Target country tax rate	OLS regression	At greater institutional differences between acquirer and target countries, firms are more likely to engage in income-increasing earnings management. For example, the level of engagement in earnings management is higher when acquisitions flow to target countries that do not have a similar religion of the acquirer country, and countries with less government effectiveness, high corruption, less freedom of press and less political stability. Albeit, cultural distance and target country's accounting quality have insignificant effects on acquirer's propensity to engage in earnings management.

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Authors: Journal	Research question	Theoretical framework	Directional flows	Sample period	Sample; M&A data source	Dependent variable	Explanatory variables	Control variables	Analytical approach	Key findings
Dutta et al. (2016): JWB	How do organizational slack resources and a CEO with different traits affect the likelihood of equity control in cross-border acquisitions?	Structuration theory, Agency theory insights	Acquisitions by U.S. firms	2000–2010	4812; Thomson Reuters SDC	Choice of equity control in target ownership (minority: up to 50% and majority: more than 50%)	Prior ownership experience, Retained earnings, Cash, CEO overconfidence, CEO tenure	Public target, Target country acquisition experience, Overall cross-border acquisition experience, Firm prior performance, Tender offer, Friendly takeover, Cash payment, Related acquisition, Geographic distance, Cultural distance, Emerging country target, Target country corruption, Target country political stability, Common law country, Investor right protection, Average foreign ownership	Binary logistic regression	At firm level, the positive effect of prior acquisition ownership experience on focal acquisition ownership position tends to increase at a decreasing rate and eventually becomes negative. Hence, organizational slack resources, measured by retained earnings and cash, negatively moderates the relationship between prior acquisition experience and focal acquisition ownership position, while acquirer's CEO overconfidence positively moderates.
Choi et al. (2016): IBR	How does formal institutional distance between the acquirer and target countries affects the incidence of cross-border acquisitions?	Institutional theory	Acquisitions by U.S. firms	1981–2008	7492; Thomson Reuters SDC	FDI inflow (the percentage of equity in local firm sought by acquirer at the firm level)	General environmental institutions distance, Minority investor protection institutions distance	Power distance, Uncertainty avoidance distance, Geographic distance, Energy production, Patent applications, GDP, Exchange rate stability, FDI restriction index, Common equities of acquirer, Shared border dummy	Multivariate regression	Acquiring firms are more likely to initiate a cross-border acquisition in target countries with better quality of general environmental institutions. By contrast, firms are less likely to initiate an international takeover in target countries with higher levels of FDI restrictions and better minority investor protection institutions, relative to the acquirer country.
Piaskowska and Trojanowski (2014)	How do top level management (TMT) traits mitigate the relationship between cross-country differences and the likelihood of equity control in cross-border acquisition decisions?	Upper echelons theory, Institutional theory	Acquisitions by UK firms	1999–2008	2122; Thomson Reuters SDC	Choice of equity control in target ownership (full control: 95–100% and partial control: less than 95%)	Cultural distance, Host country risk, TMT international career experience, TMT foreign nationals, TMT international formative-years' experience	TMT target country experience, TMT average tenure, TMT average age, Board size, Target country GDP growth, Target country population, Corruption index, Acquirer size, Past performance, Leverage, Diversifying acquisition	Multilevel Logit estimations, Tobit regression	Acquiring firms prefer to opt for partial-equity control than full-equity control in target countries with higher cultural distance and higher country risk. TMT characteristics such as executives' international career experience, executives' foreign nationality, and executive international experience in formative years strongly moderate the relationship between cultural distance and the level of equity control in target ownership, i.e., lead to full-equity control. A higher proportion of TMT foreign nationals' has a moderating effect on the relationship between target country risk and the level of equity control.
Arslan et al. (2015): IBR	How does economic freedom distance between the home and host countries affects the likelihood of	Institutional theory	Nordic (Denmark, Finland, Norway, and Sweden) acquisitions in Common Wealth of Independent	1990–2009	348 FDI entries; Thomson One Banker, Annual reports	*Establishment mode* (dichotomous variable, 1 for acquisition and 0 for greenfield); *Ownership mode*	Economic freedom distance	Industry R&D intensity, Parent firm diversification, International experience of the investing firm, Target country experience of the investing firm, Parent firm size, Target country risk, Target country GDP, Target country GDP growth,	Binomial logistic regression	Foreign firms are less likely to opt for acquisitions over greenfield in target countries with higher economic freedom distance, higher cultural distance and higher country risk. Target country's high economic performance, measured by GDP

	establishment and the choice of ownership in market entry strategies?		States and South-Eastern Europe			(dichotomous variable, 1 for wholly-owned subsidiary and 0 for joint venture)		Timing of investment, Cultural distance, Finland dummy, Sweden dummy		growth, has a positive effect on the likelihood of acquisitions.
Di Guardo et al. (2016b): JBR	How does level of corruption in the target country affects the choice of equity control in cross-border acquisitions?	Institutional theory	Acquisitions by firms from 7 European countries (Germany, France, Italy, Netherlands, Spain, Sweden, and UK)	2000–2012	20034; Thomson Reuters SDC	Choice of equity control in target ownership (full control: 95–100% and partial control: less than 95%)	Corruption, Legal strength, Industry high relatedness, Industry unrelatedness, Trade shares, Past M&A, Common language, Spatial distance, Acquirer's specific experience in target country	Acquirer's generic experience, Acquirer listed, Acquirer private, Acquirer subsidiary, Acquirer independent, Target listed, Target private, Target subsidiary, Target independent	Probit regression	There is a curvilinear, U-shaped relationship between the level of corruption in target country and the likelihood of full-equity control in target ownership. For example, firms tend to acquire full control at both lower and higher levels of corruption, and partial control at moderate levels of corruption. Albeit, industry relatedness of acquisitions and the level of economic connectivity (trade shares, past M&A) have significant moderating effects on the relationship between the level of corruption and the choice of equity control.
Acquisitions by firms from emerging economies										
Yang (2015): MD	How do formal and informal institutional differences, industry relatedness, and board structure influence the likelihood of equity control in cross-border acquisitions?	Transaction cost economics, Institutional theory, Agency theory	Acquisitions by firms from nine emerging economies (Brazil, China, India, Indonesia, Mexico, Russia, South Africa, Thailand, and Turkey)	2000–2012	1358; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 0.1–100%)	Institutional distance, Cultural distance, Industry relatedness, Board concentration, Board independence	Transaction value, Government involvement, Tender offer, Firm size, Leverage, Prior performance, Prior international acquisition experience, Target country experience, Acquirer country GDP growth rate, Financial crisis 2008	Tobit regression	Institutional distance between acquirer and target countries, industry relatedness of acquisitions, and acquirer board concentration have significant effects on the likelihood of equity control in target ownership. For example, firms tend to opt for full-equity control over shared-equity control when regulatory framework of acquirer and target country is similar, when the acquirer and target firms are in the same industry, and when acquirer board members own a large percentage of company shares.
Deng and Yang (2015): IBR	How do natural resources, financial resources and the level of institutions in the target country influence the acquiring firm's propensity to initiate a cross-border acquisition?	Resource dependence theory	Acquisitions by firms from nine emerging economies (Brazil, China, India, Indonesia, Mexico, Russia, South Africa, Thailand, and Turkey)	2000–2012	1976 country-year observations; Thomson Reuters SDC	Number of acquisitions	Market capitalization of target country, Natural resources of target country, Patents of target country, Target country government effectiveness	Acquirer country GDP growth, Acquirer country Market capitalization, Acquirer country foreign reserves, Cultural distance	Negative binominal regression	Firms are likely to make more number of deals in developed countries with larger market capitalization, abundant natural resources and richer strategic assets. Albeit, a greater government effectiveness in developed countries negatively moderates the positive relationship between the resource measures and the incidence of acquisitions. Firms are likely to initiate more number of foreign acquisitions in developing countries with larger market capitalization and richer natural resources. Interestingly, weaker government effectiveness in developing countries strengthens the positive relationship between the resource

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Authors: Journal	Research question	Theoretical framework	Directional flows	Sample period	Sample; M&A data source	Dependent variable	Explanatory variables	Control variables	Analytical approach	Key findings
										measures and the incidence of acquisitions.
Liou et al. (2016a): JWB	How do formal and informal institutional differences affect the likelihood of equity control in cross-border acquisitions?	Institutional theory	Acquisitions by firms from nine emerging economies (Brazil, China, India, Indonesia, Mexico, Russia, South Africa, Thailand, and Turkey)	2000–2012	2644; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 0.1–100%)	Formal institutional distance (the index of economic freedom variables), Informal institutional distance (Hofstede's measures), Acquirer country GDP per capita, Acquirer country regulatory institutional quality (averaged the ten economic freedom variables)	Transaction value, Government involvement, Friendly deal, Unrelated deal, Cash, Acquirer size, Acquirer past experience, Target country GDP, R&D funding, Government restriction, Acquirer country GDP growth	Tobit regression	Acquiring firms prefer to acquire large equity stakes in target countries with better formal institutions, i.e. a greater institutional distance, while firms tend to opt for small equity stakes in target countries with a greater informal institutional distance. Hence, acquirer country development, measured by GDP per capita and regulatory institutional quality, have positive moderating effects on the relationship between the formal institutional distance and the likelihood of equity control. The moderating effect is even stronger when the acquiring firm comes from a country with high GDP per capita.
Chari and Acikgoz (2016): JBR	What are the important factors driving emerging market acquisitions into tax haven countries?	Institutional theory; Tax regulatory framework	Acquisitions by firms from 10 emerging economies (Brazil, Russia, China, India, South Africa, Malaysia, Thailand, UAE, Poland, and Mexico)	2010 (starting year)	775; Thomson Reuters SDC	The likelihood of a tax haven target country	Target country GDP, Target country natural resources, Target country labor cost, Target country knowledge assets, Corporate tax rate difference between acquirer and target country, Institutional strength of acquirer country	Cultural distance, Geographic distance, Acquirer ownership type	Logistic regression	A lower tax rate in the target country (i.e., corporate tax rate difference between the acquirer and target country) has a positive effect on the likelihood of emerging economy acquisitions in tax haven countries. However, acquirer country's institutional strength, and target country's market size, natural resources and knowledge assets have negative effects. Therefore, emerging economy acquisitions in tax haven countries are driven by lower tax rates in the target country and institutional weakness in the acquirer country.
Liou et al. (2016b): TIBR	How does the lack of human capital in the acquirer country mitigates the relationship between the formal and informal institutional distance and the likelihood of equity control in cross-border acquisitions?	Institutional theory, Human capital theory	Acquisitions in the U.S. economy initiated by firms from 26 emerging economies	2005–2011	421; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 0.1–100%)	Formal institutional distance, Informal institutional distance, Human capital-skilled labor, Human capital-innovative capacity	Firm size, High-tech industry, Debt-level, Cross-border acquisition experience, Related acquisitions, Toehold, Acquirer country GDP, Geographic distance	Multivariate linear regression	At greater informal institutional distance, firms tend to opt for shared-ownership over full-ownership in the United States. Albeit, the formal institutional distance has an insignificant effect. However, human capital in the acquirer country, measured by skilled labor and innovative capacity, mitigates the relationship between the formal/informal institutional distance and the likelihood of equity control. For example, a lack of skilled labor motivates emerging economy firms to attain higher equity stakes in developed countries such as the U.S.

Zhou et al. (2016a): JIBS	How do country-level, firm-level and deal-level factors affect the likelihood of completion of a publicly announced cross-border acquisition?	Institutional theory; M&A process framework	Brazil, Russia, India, and China (BRICs): In and Outbound acquisitions	1995–2010	Inbound 2736, Outbound 747; Thomson Reuters SDC	Completion likelihood of a publicly announced acquisition (dichotomous variable, 1 or 0)	Legal and regulatory distance, Country-risk distance, M&A success experience, M&A failure experience, Equity stake sought, Cash, Acquirer size	Culture distance, Geographic distance, Industry relatedness, Target status, Disclose, Attitude, Competing bidders	Probit regression	A higher cross-national distance between the acquirer and target country, measured by law and regulations, and country risk, has a significant negative effect on the likelihood of completing a publicly announced cross-border acquisition. This effect is stronger for inbound deals than for outbound ones. Thus, acquisitions that flow to BRICs are less likely to be completed. Acquiring firm past acquisition success experience has a positive influence on the completion likelihood of outbound deals.
De Beule and Duanmu (2012): EMJ	How do natural resources, knowledge flows and the level of institutions in the target country influence the acquiring firm's propensity to initiate a cross-border acquisition?	Dunning's OLI, Institutional theory	Acquisitions by firms from China and India	2000–2008	652 (China 121, India 531); ZEPHYR	Number of acquisitions	Target country GDP, Target country GDP per capita, Market openness, Natural resources endowment, Patent applications, Trademark applications, Political stability, Rule of law, Control of corruption, Regulatory quality	Target size, Target profitability, Acquirer size, Acquirer experience, Geographical distance	Conditional logistic regression	Chinese firms are likely to initiate more number of acquisitions in target countries with large market size measured by GDP, trade openness, abundant natural resources, superior technological assets, higher levels of corruption, lower levels of regulatory quality, and unstable political environment. Whereas Indian firms are likely to announce higher number of deals in target countries with large market size, a lower GDP per capita, better rule of law, higher levels of institutional quality, lower levels of corruption, and unstable political environment.
Zhang et al. (2011): IBR	How do institutional quality in the target country and firm characteristics affect the likelihood of completing a publicly announced cross-border acquisition?	Institutional theory	Acquisitions by Chinese firms	1982–2009	1324; Thomson Reuters SDC	Completion likelihood of a publicly announced acquisition (dichotomous variable, 1 or 0)	Institutional quality (factor analysis of seven variables suggested by ICRG: government stability, socioeconomic conditions, investment profile, law and order, democratic accountability, prevalence of corruption and bureaucratic quality), Natural resources, High-tech, SOE target, SOE acquirer, Private target, Private acquirer, Target country with OECD membership	Cross-border acquisition experience, Advisor, Equity stake sought, Industry match, Export intensity	Logistic regression	A publicly announced cross-border acquisition is less likely to be completed when a target country possess lower levels of institutional quality, when the acquirer is a government-controlled firm, and when the target industry is highly sensitive to national security of the target country. Acquisitions initiated by state-owned firms are more likely to attract higher levels of regulatory scrutiny and thereby less likely to be completed in OECD membership countries.

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Authors: Journal	Research question	Theoretical framework	Directional flows	Sample period	Sample; M&A data source	Dependent variable	Explanatory variables	Control variables	Analytical approach	Key findings
Li and Xie (2013): JLOS	How do institutions in the acquirer country and acquirer ownership influence the choice of equity control in cross-border acquisitions?	Institutional theory; Information asymmetry	Acquisitions by Chinese firms	1987–2007	547; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 0.1–100%)	Non-state owned acquirer, Post WTO entry	High-tech target, Product diversification, Cultural distance, Public target, Cross-border acquisition experience, Diversification of target, Diversification of acquirer, High-tech acquirer, Follow-on investment, Unfriendly, Country risk, Preemption risk, Two-year average share, Target country economic freedom index, Target country GDP per capita	Tobit regression	China's entry into WTO and state-ownership have differential moderating effects on the likelihood of equity control in cross-border acquisitions. Post WTO entry has a significant positive effect on the degree of target ownership acquired by Chinese firms. However, diversifying acquisitions, high-tech target, and cultural distance between China and the target country have insignificant effects.
Lee et al. (2014a): ABM	How does the cross-national distance between acquirer and target country affects the choice of equity control in cross-border acquisitions?	Institutional theory, Transaction cost economics	Acquisitions by Chinese firms	2005–2012	380; Thomson Reuters SDC	Choice of equity control in target ownership (minority: less than 50%, majority: 50–95% and full: more than 95%)	Cultural distance, Geographical distance, Administrative distance, Regulative distance, Normative distance, state ownership of acquirer country, Strategic asset density in a target country, market capitalization of target country	Firm size, Cross-border acquisition experience, High-tech industry, Investment size, Target country GDP, Target country population growth, Target country purchasing power, Inward FDI climate, Natural resource intensity, Political stability	Tobit regression	Chinese firms are likely to acquire higher equity stakes in target countries with a high density of strategic assets and a greater capitalization of financial markets. Firms tend to opt for lower equity stakes in target countries with greater administrative/regulative distance, but prefer to acquire higher equity stakes in geographically/culturally distant countries. State-owned firms are more likely to opt for lower equity stakes.
Yang and Deng (2015): TIBR	How do natural resources, knowledge flows and the level of institutions in the target country influence the acquiring firm's propensity to initiate a cross-border acquisition?	Institutional theory, Dunning's OLI	Chinese Outbound acquisitions in 22 developed economies	1996–2012	374 country-year observations; Thomson Reuters SDC	Number of acquisitions	Target country determinants: GDP, Natural resources, Patents, Economic freedom, Government effectiveness	China GDP, China GDP Growth, Cultural distance, Target country Inflation rate, Target country trade openness	Negative binomial regression	Chinese firms are likely to initiate more number of cross-border acquisitions in DE that possess larger market size measured by GDP, abundant natural resources, and superior strategic assets measured by patents. Economic freedom of the target country has a positive effect on the incidence of acquisitions, while stronger government effectiveness of the target country has a negative influence. State-owned firms are more likely to make acquisitions in DE with large market size and with relatively weak government effectiveness.

Zhou et al. (2016b): MD	How do institutional quality in the target country and firm-specific characteristics mitigate the relationship between institutional ownership and the likelihood of completing a publicly announced cross-border acquisition?	Agency theory, Institutional theory	Acquisitions by Chinese firms	2000–2012	273; Thomson Reuters SDC	Completion likelihood of a publicly announced acquisition (dichotomous variable, 1 or 0)	Institutional ownership, Common law, Non-state owned firm, Public target	Acquirer size, Bidding shares, Industry relatedness, Target country openness, Exchange rate of target country with acquirer country, Geographic proximity, Target country GDP growth	Binary logistic (LIV: latent instrument variables) regression	Institutional ownership in acquiring firms has a positive influence on the likelihood of completing a publicly announced cross-border acquisition. For example, a 10% increase in the institutional ownership leads to raise the completion rate by 41% in civil-law and 23% in common-law countries. Likewise, the state-owned firms' acquisition completion rate rises by 56% when the institutional ownership increases from 10% to 20%. The appreciating currency value of acquirer country with the target country has a positive effect on the completion of deals.
Buckley et al. (2012): IBR	How do home-host country bilateral trade linkages, and home-host country' economic and institutional factors affect the acquiring firm's propensity to initiate a cross-border acquisition?	Dunning's OLI, Transaction cost economics, Uppsala theory, LLL model	Acquisitions by Indian firms	2000–2007	576; Thomson One Banker	Number of acquisitions, Value of acquisitions	Domestic capital market (Sensex), Exchange rate, English speaking target country, Target country GDP, Target country GDP per capita, Target country natural resource endowment, Target country knowledge based assets, Cultural distance, Geographical distance, North–South cooperation (membership in G-20 summit), South–South cooperation (membership in G-15 summit), Foreign trade partners	Target country trade openness	OLS regression	Indian firms are likely to initiate more number of acquisitions in target countries with large economic size measured by GDP and GDP per capita, natural resource endowments, knowledge based assets, greater trade linkages, measured by foreign trade partners, and common language such as English. Acquirer country stock market development and North-South non-trade linkages such as the G-20 and the Commonwealth memberships have significant positive effects on the firm's propensity to initiate a cross-border acquisition. However, South–South non-trade linkages, geographic distance and cultural distance have a negative influence on the incidence of cross-border deals.
Popli et al. (2016): JWB	How do firm-level cultural experience and industry affiliation mitigate the relationship between cultural distance and the likelihood of completing a publicly announced cross-border acquisition?	Organizational learning, Institutional theory (cultural friction)	Acquisitions by Indian firms	2001–2010	332; Thomson Reuters SDC	Completion likelihood of a publicly announced acquisition (dichotomous variable, 1 or 0)	Cultural distance, Capital-intensive sector, Cultural experience reserve	Public acquirer, Business group affiliation, Cultural cluster dispersion, Number of joint ventures, Institutional distance, Equity stake sought, Relatedness, Public target	Binary logistic regression	At greater cultural distance between India and the target country, a publicly announced cross-border acquisition is less likely to be completed, i.e., leads to deal abandonment. Hence, cultural experience reserve of the acquiring firm strongly moderates the negative relationship between the cultural distance and the likelihood of completing a publicly announced acquisition, i.e., increases the likelihood of deal completion. This moderating effect is less likely stronger for capital-intensive acquiring firms.

(*Continued*)

Authors: Journal	Research question	Theoretical framework	Directional flows	Sample period	Sample; M&A data source	Dependent variable	Explanatory variables	Control variables	Analytical approach	Key findings
Kalotay and Sulstarova (2010): JIM	How do acquirer country and target country economic factors affect the acquiring firm's propensity to initiate a cross-border acquisition?	Dunning's OLI, Institutional economics	Acquisitions by Russian firms	1993–2008	594 country-year observations); UNCTAD	Value of acquisitions	Russia GDP, Target country GDP, Share of natural resources in total exports in target country, Share of services in GDP in target country, Patent registrations in target country, CIS dummy, Geographic distance, Exchange rate		Generalized least squares regression	Russian firms are likely to initiate more number of cross-border acquisitions in target countries with large economic size measured by GDP, and abundant natural resources. Russia economic growth measured by GDP, and CIS countries have positive impacts on the acquirer's inclination to initiate a cross-border acquisition. However, patent registrations in target country, exchange rate and geographic distance have an insignificant effect.
Dikova et al. (2016): IJEM	How does the cross-national distance between acquirer and target country affects the acquiring firm's propensity to initiate a cross-border acquisition?	Institutional theory	Acquisitions by Russian firms	2007–2013	322; ZEPHYR	Number of acquisitions	Target country GDP, Export of natural resources, Number of patents, R&D expenditure, Corruption perception distance, Political stability distance, Cultural distance	Russia GDP per capita, CIS membership, Exchange rate of US dollar to Russian ruble, Interest rates in Russia, Average monthly wage in manufacturing sectors in a target country	Negative binomial regression	Russian firms are likely to initiate cross-border acquisitions in target countries with large economic size indicated by GDP. Albeit, institutional distance between Russia and the target country, measured by the level of corruption, political stability and national culture, has a strong moderating effect on the relationship between the natural resource/strategic asset seeking motives and the incidence of acquisitions. For example, a smaller political stability distance leads has a positive moderating effect on the incidence of deals, while a larger cultural distance has a negative moderating effect.
Pinto et al. (2016): JWB	How does the role of home country government support moderates the relationship between institutional distance and the likelihood of equity control in cross-border acquisitions?	Institutional theory	Acquisitions by Brazilian firms	2006–2012	262; Thomson Reuters SDC	Choice of equity control in target ownership (full control: 100% and partial: less than 100%)	Institutional distance, Business knowledge access, Country knowledge access, Brazilian Development Bank and State-owned Banks (BNDES) financing, BNDES stock participation, BNDES political ties	Geographic distance, Main target countries, Brazil GDP growth, Acquirer industry, Acquirer high-tech intensity, Target high-tech intensity, Acquirer size, Target size, Target privatization, Public acquirer, Acquirer experience in target country, Cross-border acquisition experience	Logistic regression	At greater institutional distance between Brazil and the target country, Brazilian firms generally opt for full-equity control over partial-equity. Albeit, the relationship is more likely to be mitigated by the ownership pattern of an acquiring firm. For example, the influence of government through financing strengthens the relationship, while the influence of government through political ties has an insignificant effect. Interestingly, when the government possess ownership rights in acquiring firms (indicated by BNDES stock participation), firms are likely to make partial-equity deals in institutionally distant countries. Firms tend to prefer full-equity control when their motives are business knowledge access and country knowledge access.

Comparative approach: Acquisitions by firms from developed and emerging economies										
Malhotra et al. (2010): TIBR	How does the corruption perceptions index in the target country affects the acquiring firm's propensity to initiate a cross-border acquisition?	Institutional theory	Acquisitions by U.S. and Chinese firms	1990–2006	9638 (Chinese 467); Thomson Reuters SDC	Number of acquisitions, Value of acquisitions	Corruption perceptions index	Geographic distance, Cultural distance, Target country GDP, Public acquirer, Private acquirer, Exchange rate, Chinese acquirers	OLS regression, Fixed effects regression	American firms are likely to initiate more number and high-value deals in target countries with lower levels of corruption. Chinese firms tend to make more number of deals in less corrupt counties, but the majority of high-value deals are announced in target countries with higher levels of corruption. US firms make a larger number and high-value deals in culturally closer countries, while Chinese firms make large-value deals in culturally distant countries.
Malhotra et al. (2011a): JBR	How does market potential of the target country moderates the relationship between cultural distance and the incidence of a cross-border acquisition?	Institutional theory	Acquisitions by firms from the U.S. and 18 emerging economies	1990–2006	U.S. 9796, emerging economies 4803; Thomson Reuters SDC	Number of acquisitions	Cultural distance, Target country GDP	Geographic distance, Political stability, Exchange rate	Poisson regression	Both the US and emerging economy firms prefer to announce fewer cross-border acquisitions in culturally distant countries. However, target country market potential, measured by GDP, strongly moderates the relationship between the cultural distance and the incidence of emerging economy acquisitions. For example, at greater market potential of the target country, firms are likely to make even more number of deals in culturally distant countries. Whereas target country market potential strengthens the negative relationship between the cultural distance and the incidence of US acquisitions.
Malhotra et al. (2016a): JBR	How does the cross-national distance between acquirer and target country affects the likelihood of equity control in cross-border acquisitions?	Transaction cost economics, Springboard perspective	Acquisitions by firms from the U.S. and Latin American countries	1996–2013	U.S. 8431, Latin America 580; Thomson Reuters SDC	Choice of equity control in target ownership (full control: more than 95% and partial control: up to 95%)	Institutional distance, Geographic distance, Cultural distance	Public target, Public acquirer, Acquisition experience, Transaction value, Tender offer, Toehold, Related acquisition, Percentage of cash, Target country GDP, Target country GDP growth, Acquirer country GDP, Acquirer country GDP growth, Exchange rate	Binomial regression	There is a negative relationship between the cross-national distance (indicated by institutional, geographic and cultural) and the likelihood of full-equity control, i.e., firms are likely to acquire partial-equity control when the cross-national distance between acquirer and target country is larger. However, the relationship is weaker for Latin American firms than US firms. For example, at greater cultural/institutional distance, Latin American firms tend to acquire higher equity control in cross-border acquisitions.

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Authors: Journal	Research question	Theoretical framework	Directional flows	Sample period	Sample; M&A data source	Dependent variable	Explanatory variables	Control variables	Analytical approach	Key findings
Gaffney et al. (2016): IBR	How does the economic and knowledge distance between acquirer and target country affects the choice of equity control in cross-border acquisitions?	Institutional theory	Acquisitions by firms from UK and the BRICs (Brazil, Russia, India, China)	2000–2010	UK 2363, BRICs 519; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 0.1–100%)	Economic distance, Knowledge distance	Transaction value, Acquirer size	Fixed-effects hierarchical regression	Both the UK and BRICs firms prefer to make larger equity stakes when their acquisition motive is knowledge protection. UK firms are less likely to acquire larger equity stakes in target countries with higher economic distance, while emerging economy firms tend to acquire larger equity stakes in distant countries with higher levels of economic development.
Acquisition flows to developed economies										
Uddin and Boateng (2011): IBR	How do home country economic factors affect the incidence of a cross-border acquisition?	Institutional economics	UK: In and Outbound acquisitions	1987–2006	Thomson One Banker	Number of inbound acquisitions, Number of outbound acquisitions	UK GDP, Interest rate, Real exchange rate with US dollar, Money supply, FTSE share price index, Inflation rate		Multivariate regression	Market potential measured by GDP, money supply and stock market development in UK have positive effects on the inflow of cross-border acquisitions. Market potential indicated by a decrease in GDP, exchange rate, interest rates and stock market development drive more number of outward deals.
Moschieri et al. (2014): MIR	How does the institutional environment in acquirer and target countries affects the choice of equity control in cross-border acquisitions?	Institutional theory	European Union (EU): Inbound acquisitions	1985–2010	1914; Thomson Reuters SDC	Choice of equity control in target ownership (continuous variable, 5–100%)	Acquirer country uncertainty avoidance, Target country political risk	Deal post-2001, Acquirer EU member, Acquirer international exposure, Acquirer country-specific experience, Acquirer total experience, Method of payment, Knowledge distance, Competing bids, Toehold, M&A volume, Acquirer EURO, Target EURO, Same language	Tobit regression	At greater uncertainty avoidance in acquirer country and higher political risk in target country, firms tend to opt for shared-ownership over full-ownership in cross-border acquisitions, especially in the early life of EU, i.e., prior to 2001. Hence, the relationship is insignificant during the post–2001 EU policy reforms (e.g., the adoption of the Euro) for the EU acquiring firms, but not for the non-EU acquiring firms.
Acquisition flows to emerging economies										
Dikova and Witteloostuijn (2007): JIBS	How does institutional development in the target country influences the likelihood of establishment mode and the choice of ownership in market entry strategies?	Institutional theory, Transaction cost economics	Western European firms market entry into Central and Eastern Europe (CEE): Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia	Survey was conducted in 2003	160 firms; Survey instrument: Mail	*Establishment mode*: 1 for greenfield, and 0 for acquisition; *Entry mode*: 1 for shared ownership, and 0 for full ownership	Institutional advancement (Kaufmann's six measures), R&D expenses to sales, International strategy	Acquisition experience, Greenfield experience, International experience, Regional experience, Target country concentration, Target country growth, Investment relatedness, Production subsidiary, Investment incentives, Relative size of investment, Advertising intensity, High-tech industry, Low-tech industry	Binomial logistic regression	Acquiring firms' technological intensity measured by R&D expenses to sales, international strategy and acquisition experience have significant effects on both choices of entry mode in CEE countries. However, the relationship is more likely to be mitigated by target country institutional development. For instance, a greater institutional development of the target country leads to the likelihood of acquisitions. Though the joint effects of institutional development and technological intensity (international strategy) have an insignificant effect on the likelihood of acquisitions.

Meyer et al. (2009): SMJ	How does the interaction between the institutional development in target country and the resource needs (tangible vs. intangible) affects the choice of establishment mode in market entry strategies?	Institutional theory, Resource-based view (RBV) theory	Egypt, India, South Africa, and Vietnam	Survey was conducted during 2001–2002	336 responses; Survey instrument: questionnaire and interview	Establishment mode: 1 for greenfield, 2 for acquisition, and 3 for joint venture	Economic freedom, Tangible assets, Intangible assets	Target country GDP, Acquirer country GDP per capita, Time trend, Local firm quality, Local firm quantity, Prior experience in the target country, Prior experience in the target emerging country, Relative size, R&D intensity, Conglomerate	Multinomial logistic regression	At stronger institutional development in the target country, firms are more likely to opt for acquisition and greenfield methods over joint venture choice. However, the relationship between institutional development and the choice of establishment mode is likely to be mitigated by the resource motives of a foreign market entry. For example, When the motive is to seek intangible (tangible) resources, firms are more (less) likely to enter by joint venture choice in institutionally stronger target countries.
Kedia and Bilgili (2015): IBR	How does a historical tie between acquirer and target country mitigates the relationship between formal institutional distance and the choice of equity control in cross-border acquisitions?	Institutional theory	Caucasus and Central Asian countries (Kazakhstan, Uzbekistan, Georgia, Armenia, Kyrgyzstan, Azerbaijan, Tajikistan, and Turkmenistan): Inbound acquisitions	1999–2011	150; Thomson Reuters SDC	Choice of equity control in target ownership (10–49%, 50%, 51–99%, 100%)	Rule of law, Regulatory efficiency, Open markets, Historical ties	Transaction value, Private target, Subsidiary target, Target joint venture, Shares held, Control-seeking, Political risk distance, Target country GDP growth, Target country GDP per capita, Acquirer country GDP growth, Acquirer country GDP per capita, Ownership restriction, Sell-side government involvement	Hierarchical regression	At greater institutional distance between the acquirer and target countries, measured by the rule of law and regulatory efficiency, firms are less likely to opt for smaller equity stakes in cross-border acquisitions, i.e., leads to higher equity stakes. When the open markets distance increases, firms tend to opt for smaller equity stakes. Historical ties between the acquirer and the target country moderates the relationship between the choice of equity control and the institutional distance, indicated by the rule of law and open markets. For example, at larger open markets distance, firms are likely to acquire higher percentage of shares.
Tunyi and Ntim (2016): JIM	How do country-level and firm-level factors influence the incidence of a cross-border acquisition transaction?	Institutional economics, Resource-curse paradox, Information asymmetry, Dunning's OLI	15 African countries (Botswana, Egypt, Ghana, Nigeria, Ivory Coast, Kenya, Mauritius, Namibia, Morocco, Tanzania, Tunisia, Uganda, South Africa, Zambia, and Zimbabwe): Inbound acquisitions	1996–2012	1490 firms, 11183 firm-year observations; Thomson One Banker	Ratio of M&A bids to the number of listed companies	GDP growth, Natural resources endowments, Human capital, Fuel price, Average wage, Corruption perceptions index, Government effectiveness index, Voice and accountability index, Regulatory quality index, Rule of law index, Control of corruption index, Stock market capitalization, Stock price volatility, Number of active stocks on the	GDP	Panel regression	Countries that possess high GDP growth, better quality of institutions (e.g., low corruption, high government effectiveness, high voice and accountability), and financial markets development (indicated by stock market capitalization, market returns, and number of active stocks) are likely to receive higher number of cross-border acquisitions. Human capital in target country measured by patents has a positive effect on the likelihood of inbound deals, while natural resource endowments have a negative effect.

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Authors: Journal	Research question	Theoretical framework	Directional flows	Sample period	Sample; M&A data source	Dependent variable	Explanatory variables	Control variables	Analytical approach	Key findings
							country's stock market			
Elango et al. (2013): R&D	How does institutional distance and prior acquisition experience in the target country affect the likelihood of equity control in cross-border acquisitions?	Resource-based view, Knowledge-based view, Organizational learning, Institutional theory	BRICs (Brazil, Russia, India, and China): Inbound acquisitions	2001–2008	1091; Thomson Reuters SDC	Choice of equity control in target ownership (full control: more than 95% and partial control: up to 95%)	Institutional distance, Prior acquisition experience in the target country	Sequential investment, Transaction value, Enterprise value of target, Method of payment, Country risk difference, Bilateral trade, GDP growth rate difference, GDP per capita difference, Cultural distance, Knowledge distance, Geographic distance	Binomial regression	A higher institutional distance between the acquirer and target country generally leads to the choice of partial equity control in cross-border acquisitions. However, the relationship is likely to be moderated by target industry and prior acquisition experience in the target country. For instance, when the cross-border acquisition is related to high technology industry, firms are likely to acquire full-equity control in institutionally distant countries.
Contractor et al. (2014): IBR	How do the formal and informal institutional distance and industry relatedness influence the likelihood of equity control in cross-border acquisitions?	Institutional theory	China and India: Inbound acquisitions	1998–2008	1389; Thomson Reuters SDC	Choice of equity control in target ownership (minority: less than 50%, majority: 50–99%, and full: 100%)	Institutional distance, Uncertainty avoidance distance, Industry relatedness	GDP difference, GDP growth rate difference, Financial distance, Country of origin, Enterprise value of target, Transaction value	Multinomial regression	At higher uncertainty avoidance distance between the acquirer and target country, firms tend to opt for minority ownership over both majority and full ownership choices. Albeit, institutional distance has an insignificant effect on the likelihood of equity control. Although industry relatedness leads to the choice of majority and full acquisitions, the joint effects of industry relatedness and higher institutional distance are less likely to drive full acquisitions, i.e., lead to minority equity control.
Zhang and He (2014): IBR	How does institutional environment in the target country affects the probability of completing a publicly announced cross-border acquisition?	Institutional theory	Chinese inbound acquisitions	1985–2010	7275; Thomson Reuters SDC	Completion likelihood of a publicly announced acquisition (dichotomous variable, 1 or 0)	Security, SOE target, Private target, Foreign relation, FDI share, High-tech industry, Capital intensive industry, Loss share	Equity stake sought, Investment risk, Hong Kong dummy, U.S. dummy, Japan dummy	Logistic regression	A publicly announced cross-border acquisition is more likely to be completed when the acquirer country maintains good foreign relations with China, when the acquisition motive is to bring technology, and when the acquisition motive is to restructure poorly-performing target firms. When the target firm is a state-owned firm, and when the acquirer comes from DE (e.g., U.S., Japan), a publicly announced cross-border deal is likely to face severe regulatory procedures, i.e., lead to deal abandonment.

Lahiri et al. (2014): JWB	How do the institutional distance between the acquirer and target countries, acquirer's country-of-origin, and the type of service influence the likelihood of equity control in cross-border acquisitions?	Institutional theory	Indian inbound acquisitions	1998–2008	385; Thomson Reuters SDC	Choice of equity control in target ownership (full control: 100% and partial: less than 100%)	Institutional distance, Country of origin, Type of service	Acquirer size, Acquirer acquisition experience, Transaction value, Industry relatedness, GDP growth rate difference, Cultural distance	Binomial regression	At greater institutional distance between the acquirer country and India, acquiring firms from developed and EE tend to opt for full-equity control over partial-equity control in both soft-service and hard-service international acquisitions. The study highlights the effects of country-of-origin and institutional distance on cross-border service acquisitions. For instance, firms from EE are more likely to acquire full-equity than partial-equity control.
Ferreira et al. (2016): RDA	How does the cross-national distance between acquirer and target country affects the choice of equity control in cross-border acquisitions?	Institutional theory	Brazilian inbound acquisitions	2008–2012	736; Thomson Reuters SDC	Choice of equity control in target ownership (full control: 100% and partial: less than 100%)	Economic distance, Financial distance, Political distance, Administrative distance, Cultural distance, Demographic distance, Knowledge distance, Global connections distance, Geographic distance	Acquirer size, Acquirer high-tech, Target high-tech, Core diversification, General diversification, Acquisition experience, Industry	Logistic regression	At higher financial and cultural distance between the acquirer country and Brazil, foreign firms are motivated to choose full-ownership than partial-ownership in cross-border acquisitions. A larger geographic distance leads to the choice of partial-ownership over full-equity control.

Source: Prepared by authors.

Journal abbreviations: ABM: Asian Business & Management; BJM: British Journal of Management; CJAS: Canadian Journal of Administrative Sciences; EMJ: European Management Journal; IBR: International Business Review; IJEM: International Journal of Emerging Markets; JBR: Journal of Business Research; JIBS: Journal of International Business Studies; JIM: Journal of International Management; JLOS: Journal of Leadership & Organizational Studies; JoM: Journal of Management; JWB: Journal of World Business; MD: Management Decision; MIR: Management International Review; R&D: R&D Management; RdA: Revista de Administração; SMJ: Strategic Management Journal; TIBR: Thunderbird International Business Review.

Note: Several studies have used control variables such as year dummy, industry dummy, country dummy, and other selective controls depending upon the analytical approach and accessible data, and shown both the main and robustness results using the additional analytical methods. Hence, these explanations are omitted in the table due to page alignment restrictions.

Appendix C. Highlights of the bibliometric analysis

(i) The number of cross-border M&A and FDI articles reviewed

Year	Gross Number of articles	Number of cross-border M&A articles	Number of cross-border M&A articles published in IB Journals*	Number of FDI articles reviewed
till 2005	19	12	2	7
2006	7	1	1	6
2007	8	3	2	5
2008	14	10	2	4
2009	17	12	4	5
2010	15	11	4	4
2011	19	15	6	4
2012	20	16	3	4
2013	21	13	2	8
2014	27	21	10	6
2015	38	27	11	11
2016	52	44	19	8
Total	**257**	185	66 (36%)	72

Source: Prepared by authors.

The list of IB Journals (see Tüselmann et al., 2016): APBR: Asia Pacific Business Review; APJM: Asia Pacific Journal of Management; EJIM: European Journal of International Management; GSJ: Global Strategy Journal; IBR: International Business Review; JIBS: Journal of International Business Studies; JIM: Journal of International Management; JWB: Journal of World Business; MIR: Management International Review; TIBR: Thunderbird International Business Review.

(ii) The number of cross-border M&A and FDI articles reviewed, by discipline and journal

International Business		Management/Strategy/General		Economics		Finance & Accounting		Other disciplines	
Journal	Number of articles	Journal	Number of articles	Journal	Number of articles	Journal	Number of articles	Journal	Number of articles
JIBS	22	JBR	8	WE	6	JCF	7	CJIP	1
IBR	21	BJM	4	JIE	3	GFJ	5	CPCS	1
JWB	13	SMJ	5	JPE	3	JMFM	5	FP	1
MIR	8	MD	3	JPM	3	JFE	4	GAHG	1
TIBR	7	CR	2	AE	2	EMR	3	I-Int	1
JIM	6	JoM	2	CER	2	JIMF	3	JoP	1
APJM	4	LABR	2	EG	2	JoF	3	LARR	1
APBR	1	TNCR	2	ITPF	2	RFS	3	W/P	3
EJIM	1	ABM	1	Kyklos	2	RIBF	3		
GSJ	1	AMJ	1	NTJ	2	PBFJ	3		
		CGIR	1	ODS	2	NAJEF	2		
		CJAS	1	WD	2	QREF	2		
		EMJ	1	ADR	1	CAR	1		
		GBR	1	AEJ	1	FM	1		
		IJCM	1	AER	1	FMII	1		
		IJEM	1	APCE	1	IJA	1		
		IJTG	1	CAE	1	IJFE	1		
		JBE	1	CQ	1	IREF	1		
		JCIM	1	CWE	1	JAAR	1		
		JGM	1	EcP	1	JEF	1		
		JLOS	1	EEE	1	JIFMA	1		
		JMG	1	EER	1	JIFMIM	1		
		JOCM	1	EM	1	RDF	1		
		JTM	1	EP	1				
		LRP	1	FPA	1				
		MRJIAM	1	IER	1				
		NBRI	1	JAPE	1				
		ORG	1	JCEBS	1				
		OSc.	1	JDE	1				
		R&D	1	JEI	1				
		RAE	1	JPAM	1				
		RdA	1	JWE	1				
				PER	1				
				RES	1				
				RS	1				
				RWE	1				
				SAJMPF	1				
				TESG	1				
Total	84		52		57		54		10

Source: Prepared by authors.

Journal abbreviations:

International Business – APBR: Asia Pacific Business Review, APJM: Asia Pacific Journal of Management, EJIM: European Journal of International Management, GSJ: Global Strategy Journal, IBR: International Business Review, JIBS: Journal of International Business Studies,

JIM: Journal of International Management, JWB: Journal of World Business, MIR: Management International Review, TIBR: Thunderbird International Business Review.

Management/Strategy/General – ABM: Asian Business & Management, AMJ: Academy of Management Journal, BJM: British Journal of Management, CGIR: Corporate Governance: An International Review, CJAS: Canadian Journal of Administrative Sciences, CR: Competitiveness Review, EMJ: European Management Journal, GBR: Global Business Review, IJCM: International Journal of Commerce and Management (now, Review of International Business Strategy), IJEM: International Journal of Emerging Markets, IJTG: International Journal of Technology and Globalisation, JBE: Journal of Business Ethics, JBR: Journal of Business Research, JCIM: Journal of Comparative International Management, JGM: Journal of Global Marketing, JLOS: Journal of Leadership & Organizational Studies, JMG: Journal of Management & Governance, JOCM: Journal of Organizational Change Management, JoM: Journal of Management, JTM: Journal of Transnational Management, LABR: Latin American Business Review, LRP: Long Range Planning, MD: Management Decision, MRJIAM: Management Research-The Journal of the Iberoamerican Academy of Management, NBRI: Nankai Business Review International, ORG: Organization, OSc: Organization Science, R&D: R&D Management, RAE: Revista de Administração de Empresas, RdA: Revista de Administração, SMJ: Strategic Management Journal, TNCR: Transnational Corporations Review.

Economics – ADR: African Development Review, AE: Applied Economics, AEJ: Asian Economic Journal, AER: American Economic Review, APCE: Annals of Public and Cooperative Economics, CAE: Canadian Journal of Economics, CER: China Economic Review, CQ: China Quarterly, CWE: China & World Economy, EcP: Economic Papers, EEE: Eastern European Economics, EER: European Economic Review, EG: Economic Geography, EM: Economic Modelling, EP: Economic Policy, FPA: Foreign Policy Analysis, IER: International Economic Review, ITPF: International Tax and Public Finance, JAPE: Journal of the Asia Pacific Economy, JCEBS: Journal of Chinese Economic and Business Studies, JDE: Journal of Development Economics, JEI: Journal of Economic Integration, JIE: Journal of International Economics, JPAM: Journal of Policy Analysis and Management, JPE: Journal Public Economics, JPM: Journal of Policy Modeling, JWE: Japan & World Economy, Kyklos; NTJ: National Tax Journal, ODS: Oxford Development Studies, PER: Pacific Economic Review, RES: Review of Economics and Statistics, RS: Regional Studies, RWE: Review of World Economics, SAJMPF: South Asian Journal of Macroeconomics and Public Finance, TESG: Tijdschrift voor economische en sociale geografie, WD: World Development, WE: World Economy.

Finance & Accounting – CAR: Contemporary Accounting Research, EMR: Emerging Markets Review, FM: Financial Management, FMII: Financial Markets, Institutions & Instruments, GFJ: Global Finance Journal, IJA: International Journal of Accounting, IJFE: International Journal of Finance & Economics, IREF: International Review of Economics and Finance, JAAR: Journal of Applied Accounting Research, JCF: Journal of Corporate Finance, JEF: Journal of Empirical Finance, JoF: Journal of Finance, JFE: Journal of Financial Economics, JIFMA: Journal of International Financial Management & Accounting, JIFMIM: Journal of International Financial Markets, Institutions & Money, JIMF: Journal of International Money and Finance, JMFM: Journal of Multinational Financial Management, NAJEF: North American Journal of Economics and Finance, PBFJ: Pacific-Basin Finance Journal, QREF: Quarterly Review of Economics and Finance, RDF: Review of Development Finance, RFS: Review of Financial Studies, RIBF: Research in International Business and Finance.

Other disciplines – CJIP: Chinese Journal of International Politics, CPCS: Communist and Post-Communist Studies, FP: Food Policy, GAHG: Geografiska Annaler-Series B Human Geography, I-Int: International Interactions, JoP: Journal of Politics, LARR: Latin American Research Review, W/P: Working papers.

(iii) Citation analysis for the cross-border M&A articles reviewed, by year and discipline

Year	Number of articles	Number of citations	Average citations	Journal	Number of articles	Total citations	Average citations
till 2005	12	1871	156	JIBS	13	2553	196
2006	1	118	118	IBR	14	423	30
2007	3	1719	573	JWB	5	360	72
2008	10	1179	118	JIM	2	171	86
2009	12	1713	143	GSJ	1	158	–
2010	11	653	59	MIR	6	152	25
2011	15	761	51	TIBR	2	15	8
2012	14	784	56	APBR	1	6	–
2013	12	254	21	EJIM	1	1	–
2014	21	301	14	International Business	45	3839	85
2015	23	357	16	Finance & Accounting	36	3160	88
Total	134	9710	72	Management/General	24	1347	56
				Economics	25	1302	52
				Other journals	4	62	16

Source: Prepared by authors.

Journal abbreviations – JIBS: Journal of International Business Studies, IBR: International Business Review, JWB: Journal of World Business, JIM: Journal of International Management, GSJ: Global Strategy Journal, MIR: Management International Review, TIBR: Thunderbird International Business Review, APBR: Asia-Pacific Business Review, EJIM: European Journal of International Management (see, for instance, the list of IB journals, Tüselmann et al., 2016).

Note: The number of citations should be read as the Google Scholar' citations, as of 25th November 2016; the articles published in 2016, the articles published in the 'corrected proof section' during 2015–2016, and working papers are excluded from the citation analysis.

(iv) The top 25 highly-cited cross-border M&A articles

Number of citations	Journal	Citation	Title	Research design
1400	JIBS	Luo and Tung (2007)	International expansion of emerging market enterprises: a springboard perspective	Conceptual/ Theoretical development
979	JFE	Rossi and Volpin (2004)	Cross-country determinants of mergers and acquisitions	Empirical analysis
910	SMJ	Meyer, Estrin, Bhaumik, and Peng (2009)	Institutions, resources, and entry strategies in emerging economies	Empirical analysis
520	JIE	di Giovanni (2005)	What drives capital flows? The case of cross-border M&A activity and financial deepening	Empirical analysis
330	RFS	Bris and Cabolis (2008)	The value of investor protection: firm evidence from cross-border mergers	Empirical analysis
278	JoF	Erel, Liao, and Weisbach (2012)	Determinants of cross-border mergers and acquisitions	Empirical analysis
267	JIBS	Dikova and Van Witteloostuijn (2007)	Foreign direct investment mode choice: entry and establishment modes in transition economies	Empirical analysis
206	JFE	Ahern, Daminelli, and Fracassi (2015)	Lost in translation? The effect of cultural values on mergers around the world	Empirical analysis
195	JCF	Martynova & Renneboog (2008b)	Spillover of corporate governance standards in cross-border mergers and acquisitions	Empirical analysis
194	JIBS	Reus and Lamont (2009)	The double-edged sword of cultural distance in international acquisitions	Empirical analysis
185	RFS	Ferreira, Massa, and Matos (2010)	Shareholders at the gate? Institutional investors and cross-border mergers and acquisitions	Empirical analysis
165	JWB	Sun, Peng, Ren, and Yan (2012)	Comparative ownership advantage framework for cross-border M&As: the rise of Chinese and Indian MNEs	Conceptual/ Theoretical development
164	ODS	Nayyar (2008)	The Internationalization of firms from India: investment, mergers and acquisitions	Conceptual/ Theoretical development
162	JIBS	Dikova, Rao Sahib, and Witteloostuijn (2010)	Cross-border acquisition abandonment and completion: The effect of institutional differences and organizational learning in the business service industry, 1981–2001	Empirical analysis
158	GSJ	Peng (2012)	The global strategy of emerging multinationals from China	Conceptual/ Theoretical development
151	JCF	Bris, Brisley, and Cabolis, (2008)	Adopting better corporate governance: evidence from cross-border mergers	Empirical analysis
143	JFE	Siegel, Licht, and Schwartz (2011)	Egalitarianism and international investment	Empirical analysis
132	JWB	Nielsen and Nielsen (2011)	The role of top management team international orientation in international strategic decision-making: the choice of foreign entry mode	Empirical analysis
131	JIBS	Slangen and Hennart (2008)	Do multinationals really prefer to enter culturally distant countries through greenfields rather than through acquisitions? The role of parent experience and subsidiary autonomy	Empirical analysis
131	JIM	Kalotay and Sulstarova (2010)	Modelling Russian outward FDI	Empirical analysis
118	JIBS	Weitzel and Berns (2006)	Cross-border takeovers, corruption, and related aspects of governance	Empirical analysis
117	JoF	Huizinga and Voget (2009)	International taxation and the direction and volume of cross-border M&As	Empirical analysis
111	EER	Hijzen, Görg, and Manchin (2008)	Cross-border mergers and acquisitions and the role of trade costs	Empirical analysis
109	JBR	Collins, Holcomb, Certo, Hitt, and Lester (2009)	Learning by doing: cross-border mergers and acquisitions	Empirical analysis
107	IBR	Zhang, Zhou, and Ebbers (2011)	Completion of Chinese overseas acquisitions: institutional perspectives and evidence	Empirical analysis

Source: Prepared by authors.

Journal abbreviations- EER: European Economic Review, GSJ: Global Strategy Journal, IBR: International Business Review, JBR: Journal of Business Research, JCF: Journal of Corporate Finance, JoF: Journal of Finance, JFE: Journal of Financial Economics, JIBS: Journal of International Business Studies, JIE: Journal of International Economics, JIM: Journal of International Management, JWB: Journal of World Business, ODS: Oxford Development Studies, RFS: Review of Financial Studies, SMJ: Strategic Management Journal.

Note: The number of citations should be read as the Google Scholar' citations, as of 25th November 2016.

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