

TOP MANAGEMENT TEAM INTERNATIONAL ORIENTATION AND CROSS-BORDER ACQUISITIONS

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To Maa and Baba.

Abstract

This thesis comprehensively examines in four key empirical chapters, if and how traits of the top management teams (TMTs) affect cross-border acquisition choices as well as consequential outcomes from the perspective of acquiring firms. Three aspects of the TMTs which are particularly relevant to these types of deals have been considered: their international experience, host country knowledge and national diversity. These TMT characteristics, has been termed as ‘international orientation’ here. The underlying premise of this thesis is that information asymmetry prevalent in these complex decisions are likely to be mitigated if and only if these specially-endowed TMTs are optimally orientated.

A comprehensive dataset of listed cross-border acquirers from the United Kingdom from 1999-2008 with their TMT characteristics has been used here with a variety of methodologies and modelling techniques, including short and longer window event study methods, multilevel modelling, etc. The first and second chapters explores the consequences of the decision-making process by the TMTs, as the returns to these bidder firms; while the third chapter looks at one of the key elements of the process itself in terms of payment mode choices by bidder TMTs. The final chapter investigates whether the moderating role these internationally oriented TMTs play, is recognised in the investors’ reaction to frequent cross-country acquisition announcements.

The first chapter examined the short-term wealth effects of international orientation of TMTs, focusing on when it may (not) improve performance due to internationalization decisions, synthesising the views expressed in prior research. Although not robust, a negative effect of international experience on abnormal returns in line with the hubris hypothesis was observed. Further, some discernible benefits from national diversity or country-specific experience in TMTs in consonance with the view of TMT ‘international orientation’ as a valuable resource were also detected. However, additional analyses revealed that performance benefits may only accrue to the most experienced TMTs and may be detrimental if too many of TMT members have same host country exposure. Generally, the acquirer announcement performance seemed to be affected by TMT orientation in opposite ways with different TMT proxies.

The second chapter extended the investigation to both financial and operating performance for a one-year post-acquisition period to delve deeper into the effects of having globally-oriented TMTs in acquirer boards, motivated by lack of consensus on two counts. First, as to whether acquirers create or destroy wealth as far as the longer term outcomes are concerned; second, in respect of whether the TMTs of these firms act competently or take inefficient decisions on international expansions. The ‘international orientation’ of acquirer executives from two angles, i.e. their international experience and national diversity amongst them were examined. The findings presented strong evidence of curvilinear relationships of the chosen TMT proxies, although, in this case too, the effects observed were opposite for the different proxies. In particular, inadequate international knowledge of the team members at initial levels were likely to generate unfavourable outcomes, which could transform favourably at higher levels after a cut-off point. An opposite curvilinear relationship between the TMT proxy of foreigners’ presence and such performance was observed, however.

The third chapter looked at the decision-making role of internationally-orientated TMTs of acquiring firms so as to whether and how such TMTs may(not) influence the preferred mode of payment, mitigating information asymmetry with a level of high uncertainty and complexity in deals involving international targets. In consonance with the findings of the previous chapters, non-linear effects of TMT ‘international orientation’ on the possibilities of making an appropriate choice of method of payment in cross-border transactions were proposed and tested. It was revealed that only the most experienced TMTs and/or executive-teams with a greater diverse mix of nationalities were more likely to opt for pure cash or a mixed payment mode as against pure stock exchange, amidst high environmental uncertainties, often prevalent in decisions relating to expansion abroad. Specifically, internationally-oriented TMTs seem to be positioned to act more competently after surpassing a threshold of this orientation, thereby mitigating environmental uncertainties under extreme country risk and cultural distance. These findings shed new light on alleviation of information asymmetry in cross-border payment mode decisions, hitherto studied from the perspective of returns to acquirers in the domestic context.

The final core chapter concentrated solely on short-term value creation serial acquirers in cross-border deals as against in extant literature where mostly these firms are studied with one-time acquirers. Taking a more comprehensive view of earlier research, in this study the potential role of previously identified factors affecting their short-run returns against the backdrop of

‘international orientation’ of their top managerial teams (TMTs) is demystified. In other words, which of the forecasted effects, i.e. learning or post-acquisition integration issues, predominate, when TMTs of such firms have either international experience or host country familiarity or mix of diverse nationalities were analysed. Testing for the non-linear moderating influence of TMT orientation, the negative influence of indigestion, as an outcome of both frequent acquisitions and higher transaction values, cumulated over a prior three-year event window was documented. Nevertheless, this detrimental impact was likely to be mitigated at higher levels of international experience of acquirer executives. However, the findings failed to substantiate either the postulated benefits of ‘organizational learning’ or any moderating impact of TMT orientation thereon. These empirical results highlighted that when the hypothesized notion of indigestion effects outweighed that of learning for these serial bidders, moderating benefit of their internationally oriented TMTs is non-linear. This implied that beyond a cut-off point, more of these TMTs seem to mitigate either acquisition-indigestion or the memory-lapse, although the latter effect is not robust.

Overall, the findings from the core chapters indicated that international orientation of bidder TMTs are beneficial after an optimal point, in respect of improved decision-making, favourable longer terms returns and finally, moderating the detriments of multiple acquisitions.

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Chapter 1: Introduction

1.1 Context and motivation

With the advent of globalization, a substantial volume of merger and acquisition (M&A) activities have transcended geographical borders. During 2014, such activity totalled US\$1.3 trillion globally, accounting for 37% of overall M&A volume (ThomsonReuters, 2015), thus, evidencing its popularity. Further, these transactions have sustained the academic interest for a number of reasons. First and foremost, these transactions contribute immensely to the overall economic growth of any country. Secondly, these international deals akin to their domestic counterparts thus, continue to remain among the most significant investment projects undertaken by firms, having irrevocably long-lasting consequences on their ever-expanding operational performance. Finally, they have the potential to decimate shareholders' wealth on a massive scale (Moeller, Schlingemann & Stulz, 2005; Betton, Eckbo & Thornburn, 2008). Undoubtedly therefore, there has been no dearth of studies dealing extensively with the factors which interact to affect the returns generated (involving mainly US public firms) from domestic M&As as well as their patterns (Erel, Liao & Weisbach, 2012). This literature has improved our understanding with respect to cross-border M&As too. Yet, the confounding impact of severe information asymmetry in competitive foreign markets makes it still worthwhile exploring individual aspects that potentially affect these huge investment decisions and their consequences. Moreover, there are relatively under-researched dimensions which present challenges from the standpoint of their potential impact on the value creation for shareholders. One such challenging yet promising area, is to study the decision-making role of top managers or executive directors as far as these internationalisation choices are concerned. More so, since an opaque information environment surrounds these foreign transactions, it can be construed that observable characteristics and dispositions of top executives of bidder firms plays a significant role in international M&As. This was the underlying assumption of my study.

Prior corporate finance research (Jensen & Meckling, 1976; Fama, 1980; Fama & Jensen, 1983) had envisaged a board of directors to have a monitoring role to mitigate agency conflicts in all vital corporate decisions of firms. The voluminous literature on internal corporate governance (see for example, the survey by Adams, Hermalin & Weisbach 2010) also investigated the efficacy of boards in strategic decision-making. Recent studies (e.g., Masulis,

Wang & Xie, 2009; Masulis & Mobbs; 2011; etc.) have attempted to examine different classes of directors from this standpoint. There has been another emergent stream of work (e.g. Roll, 1986; Malmendier & Tate, 2005; 2008; etc.) which dealt with the behavioural idiosyncrasies of executives affecting the corporate strategies and outcomes pertaining to their firms. However, research on top executives is not only relatively scarce, but the focus has usually been on a single executive, such as the chief executive officer (CEO). Rather, corporate finance research has not considered the collective decision-making consequences of top managerial teams¹ (TMTs) or the internal directorial teams, as such. Similarly, the international business (IB) literature (please refer to the survey by Brouthers & Hennart, 2007) has also tended to hold a restricted view of how these executive directors jointly contribute in making foreign investment choices, like M&As. Therefore, both these different streams of research leave gaps to be addressed and explored further, in respect of collective responsibilities and the position of top executive decision-makers. However, the theory on ‘upper echelons’ in strategic leadership literature (see for example, Finkelstein, Hambrick & Cannella, 2008) underscores the part played by these TMTs, rather than the board as a whole in the M&A decision-making process. Primarily, this thesis attempts to link the divergent streams of research such as, corporate finance, IB and management and strategic leadership and proposes the determinants of ‘international orientation’ of TMTs of acquiring firms. Synthesising the extant research, this thesis attempts to examine the cooperative role and efficacy of executive teams or TMTs in acquiring firms to influence the international acquisition choices and their outcomes. This thesis is therefore, all about the experiential and decision-making role of the inside or executive directorial teams of acquiring firms in the global market for corporate control.

1.2 Key features and structure of thesis

Prior research postulated that individual traits of executives *inter alia*, are likely to influence their perceptions of uncertainty with respect to foreign expansions, which could thereby affect their strategic decision-making abilities. Such characteristics documented are: international careers of top executives (e.g., Carpenter & Fredrickson 2001, etc.); their national cultural values and a heterogeneous mix of nationalities (e.g., Nielsen & Nielsen, 2011); past exposure to the country(s) of proposed foreign host(s) (e.g., Barney, 1988; Piaskowska & Trojanowski,

¹ There has been a wide disparity in defining the “TMTs” in the strategic leadership literature (Finkelstein et al., 2008). Throughout this thesis, the TMT of a bidder has been categorized to be consisting of all executive or insider directors on the board of that firm, including the CEO, following Carpenter, Geletkanycz & Sanders (2004).

2014); etc. These observable traits have loosely been termed ‘international orientation’ of top managerial/executive team for the purposes of this thesis. Primarily, this thesis takes up this crucial yet relatively under-researched factor, i.e., ‘international orientation’ of their executive directors or top managers. Whatever little extant research on top managerial team conducted until now, has been based on data from the United States (US) (e.g., Sambharya, 1996; Hambrick, 2007; etc.), when with the United Kingdom (UK) sample hardly any comprehensive research exists. Moreover, two unique features make the UK an interesting setting for our research. These are the prevalence of financing deals with cash and the predominance of private targets (both of which have been highlighted as potential reflection of managerial hubris, e.g., Malmendier & Tate, 2005; 2008).

The fundamental premise is that TMT ‘international orientation’ is likely to have an impact on cross-border M&A choices and consequent outcomes from the perspective of acquiring firms. This central hypothesis was tested on a sample of such acquirers from the UK listed on the London Stock Exchange. The empirical analysis in each of the chapters utilised a combined dataset of 1965 cross-country acquisition announcements undertaken by these UK bidders during the period 1999 until 2008². This data merged with the pre-acquisition data on their TMTs³ and financial parameters. More details on the merged dataset are provided in the first empirical chapter, i.e. Chapter 2.

The first two chapters (Chapters 2 and 3 respectively) explore the impact of decision-making with respect to cross-border acquisitions by virtue of ‘international orientation’ of acquirer TMTs as far as the performances of these firms are concerned. Specifically, the three-day cumulative abnormal announcement returns and the one-year post-acquisition announcement buy-and-hold abnormal and operating performance in terms of return on equity, etc. are investigated in these chapters. The study on longer term returns to the bidders was motivated from two perspectives: A) If the stock market failed to acknowledge TMT ‘international orientation’ on the acquisition announcements by these bidder firms (which seemed to be the case in the short-run study), whether it was a delayed reaction. B) Whether the investors recognized and gave credit to the ‘international orientation’ of bidder TMTs for the longer

² Only completed acquisition announcements were included in the sample used. Therefore, the terms ‘acquirers’ and ‘bidders’ have been used interchangeably.

³ I am very grateful to Grzegorz Trojanowski and Dorota Piaskowska to kindly allow me to use their data on TMT-level, target country(s), which I have extensively used for all my empirical analyses.

term. C) Looking from the angle of operational returns, how did these firms fare as far as post-acquisition profitability in the long-run was concerned? The third chapter looked at a crucial aspect of decision-making, viz. preference with respect to a particular payment mode by these TMTs, reflecting a superior choice to alleviate information asymmetry. Hence, while first two chapters examined the consequences of foreign acquisition choices by acquirer TMTs, the third looked at a prime constituent of such choice. The last but one chapter (i.e. Chapter 5) was devoted solely to studying the shorter term wealth effects (three-day cumulative abnormal announcement returns) to serial acquirers based on the conjectures on experiential learning or post-acquisition integration problems. Basically, which of the two impacts was predominant and whether either of these was moderated and somewhat mitigated by TMT international orientation, were investigated. The final chapter (Chapter 6) presents my concluding remarks summarising the principal findings of each key empirical chapter. I also discuss some common limitations of this research and the dataset used, concluding with suggestions for possible extension and direction for future work.

1.3 Primary contributions

The insight from prior literature would lead us to expect that a valuable asset such as, ‘international orientation’ of acquirer TMTs would give a comparative edge to firms in the global market for corporate control. This is somewhat corroborated by the limited extant studies, (e.g. Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014; etc.) which suggested a positive view of this quality in TMTs of such firms. But negative empirical findings in strategy research (e.g., Finkelstein *et al.*, 2008; Hiller & Hambrick, 2005; etc.) on TMTs went against this common perception as well as empirical findings. Further, the CEO-focused behavioural research in finance, referred to in the last section, also substantiated the adverse impact of hubris and/or overconfidence (e.g. Roll, 1986) on firm profitability. In this thesis therefore, the aim was to reconcile this inherent positive notion with the negative effects shown in earlier studies. In other words, the main chapters attempt to document both the adverse effects of inadequate TMT orientation and the desired positive impacts of optimal level of such orientation for the bidding firms. This is intended to be the first and foremost contribution of this thesis.

As already mentioned, the essence of this thesis is to consider the role of the entire team of top executives, as a principal determinant of global diversification decisions and examine resultant outcomes. The concept of relating corporate strategies such as, acquisitions to decisions of an ‘insider management team’ had hitherto neither been considered in finance, nor in management literature. This research thus, aims to broaden the envisaged role of CEOs as in corporate finance and management (cf Hiller & Hambrick, 2005; Malmendier & Tate, 2005; 2008) to include a team perspective (Nadolska & Barkema, 2014), whilst taking vital strategic decisions. Further, it complements the emerging research on TMTs and corporate boards and extends it to look into the plausible factors influencing cross-border acquisitions.

Finally, this thesis also intends to extend the existing studies on firm-level acquisition experience (e.g., Haleblan & Finkelstein, 1999) to include TMT-level international exposure. Thus, the scope of prior-acquisition experience in the context of foreign expansion becomes more comprehensive as a contributing aspect of such choice as well as consequences.

To summarise, the primary focus of this thesis is to examine the collective role of TMTs of the UK listed acquiring firms engaging in cross-country acquisitions, from the perspective of the so-called ‘international orientation’. Basically, the key research questions examined in the following main empirical chapters were: Whether and how the teams’ ‘international orientation’ affects the performance of these firms both in the short-run and a longer term? Under what conditions these globally-oriented teams would be positioned to make superior strategic payment choices and decisions? Does this team orientation moderate short term returns of the multiple bidders? Thus, this research brings together and integrates insight from different fields of work to investigate the part played by teams of top executives in respect of foreign acquisitions; indicating when and under what conditions optimization of benefits and detriments of ‘international orientation’ could be achieved.

Chapter 2: Twice as smart or too clever by half? TMT international orientation and announcement returns of cross-border acquisitions

2.1 Introduction

Cross-border M&As by virtue of their sheer size in terms of investment of the resources of a firm, entail vital strategic decisions on international diversification or foreign direct investments (FDIs). Therefore, such transactions have considerable impact on performance of a firm both in the short and long run (Andrade, Mitchell & Stafford 2001). International acquisitions in particular present firms with more unique challenges in comparison to their domestic counterparts due to additional elements of uncertainty, and often result in poorer performance (e.g. Moeller & Schlingemann, 2005).

Prior research documented a range of factors which influence M&A outcomes. They include characteristics of the business environment, firm and deal features, and personal attributes of managers (see Halebian, Devers, McNamara, Carpenter & Davison, 2009 for a review). Focusing in particular on international experience in the management suite, research found that both executive experience and the mix of nationalities represented in TMTs play an important role in strategic decisions, including decisions about acquisitions (e.g. Sambharya, 1996; Tihanyi, Ellstrand, Daily & Dalton, 2000; Herrmann & Datta, 2006; Nielsen & Nielsen, 2011, etc.). However, it remains unclear how TMT-level international experience and national diversity – the so-called TMT international orientation (Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014) – relate to performance. In this chapter we address this issue by focusing on how TMT international orientation influences shareholder wealth generated in the short term upon announcements of cross-border acquisitions.

There are two alternative views on how TMTs international orientation (in particular, executives' career experience) might affect cross-border M&As. One view, predominant in the international business (IB) literature, is that managers' international orientation enhances their cognitive base and could therefore help them to spot and act upon opportunities in foreign markets, as well as to understand and manage local peculiarities, such as differences in cultural and institutional environments, business practices, and consumer needs and preferences (e.g.

Carpenter, Sanders & Gregersen, 2001; Gupta & Govindarajan, 2002; Herrmann & Datta, 2006). It has also been postulated that international experience might affect executives' perceptions of uncertainty associated with foreign expansions, which in turn influences the ownership stakes acquired (Piaskowska & Trojanowski, 2014). Therefore, internationally-oriented managers are expected to be particularly able to deal with information asymmetries arising in cross-border M&As.

The alternative view, popular in corporate finance literature and some of the upper echelon studies, is that these very same managerial characteristics may disproportionately inflate top executives' core self-evaluations (Billett & Qian, 2008; Hiller & Hambrick, 2005) leading to distorted notions of superior capability to generate gains from such cross-border transactions. Previous studies argue that excessive confidence level of managers, achieved either through experience or 'self-attribution bias', may bias managers' comprehension of the plausible pros and cons of a proposed deal and adversely impact their capacity to assess the synergies that might be generated from acquiring other firms (Roll, 1986; Hambrick & Cannella, 1993; Hiller & Hambrick, 2005; Malmendier & Tate, 2005 and 2008; Billett & Qian, 2008), leading to misevaluation of the target and thereby destruction of shareholder wealth in the process. This negative effect is consistent with Roll's (1986) hubris hypothesis (see also Aktas, de Bodt, & Roll, 2009) and with more recent evidence on managerial overconfidence (Billett & Qian, 2008; Malmendier & Tate, 2008).

We revisit the two aforementioned views and present contrasting explanations for the effect of prior experience in the context of market reaction to cross-border acquisition announcements (cf. Hayward, 2002; Barkema & Schijven, 2008; Billett & Qian, 2008; Aktas *et al.*, 2009). We subsequently synthesise these insights to investigate (1) whether there exists an appropriate balance of various dimensions of TMT international orientation which would benefit shareholders of the companies completing cross-border acquisitions and (2) how various levels of TMT international orientation translate into short-term wealth creation.

Our starting point is the key insight of the upper echelon theory that top managers' cognitions, personalities and experiences as well as their personal views and biases, become reflected in their decisions (Hambrick & Mason, 1984; Hiller & Hambrick, 2005; Finkelstein, Hambrick, & Cannella, 2008; Li & Tang, 2010). Given the complexity and potentially far-reaching consequences of cross-border M&A decisions, such strategic choices are bound to involve

TMTs of acquiring firms rather than just individual executives (Hambrick & Mason, 1984; Nadolska & Barkema, 2014).

We also draw from IB literature, which has identified multiple factors that influence acquisition behaviour and performance, including aspects of the institutional environment, firm and deal characteristics, and managerial characteristics such as experience, cognition and personality (Barkema & Schijven, 2008; Haleblan *et al.*, 2009). We compare the insights from these two streams of literature together with those from the emergent stream of corporate finance literature focusing on the role of managerial traits and the consequences of behavioural factors in the context of financial decision making (e.g. Bertrand & Schoar, 2003; Billett & Qian, 2008; Malmendier & Tate, 2008; Aktas *et al.*, 2013).

On the empirical side, different measures of overconfidence or hubris are available in the extant literature (e.g. Malmendier & Tate, 2005 & 2008; Hirshleifer, Low, & Teoh, 2012). These measures tend to focus on ‘revealed beliefs’ of managers, evidenced for example through holding options beyond rational thresholds. We take an alternative approach and use insights from the aforementioned streams of literature to make inferences about managerial overconfidence or hubris by considering some of the personal traits of TMTs of acquiring firms. In a marked departure from prior studies in the area of corporate finance, this approach allows us to relate not only the CEO’s beliefs, but also TMT-level traits to acquisition performance. While CEOs are perhaps the most visible decision-makers in companies, it is unlikely that they decide on major strategic decisions such as international acquisitions entirely on their own. TMTs are involved across the stages in this decision-making process and hence should be considered when making inferences about acquisition performance (Nadolska & Barkema, 2014).

Thus, we argue that a bidder TMT’s international orientation, as captured through general international experience, specific target country experience, and national diversity on the team, makes it more capable and self-assured in deciding on a foreign acquisition. While superior capabilities may lead to positive acquisition outcomes, self-confidence might take a toll on them.

We tested our hypotheses on a final sample of 1,818 completed cross-country acquisitions announced by 446 UK acquiring firms during the period 1999-2008. While the results

pertaining to the number of internationally experienced executives weakly pointed towards negative effects of TMT international experience on cross-border acquisition announcement returns, this was not the case for other measures of TMT international orientation. For instance, presence of either foreign nationals or of executives with target country experience on the acquirers' TMTs had a positive significant effect on deal announcement returns, albeit not robust across all the model specifications. Additional analyses indicated that performance benefits may only accrue to the most experienced TMTs, whilst too many managers with similar host country familiarity may not be advantageous. Overall, our findings, while opening avenues for further research, already shed a new light on when TMT international orientation may improve performance due to internationalization decisions, over and beyond the impact it may have on the decisions themselves as documented in prior research.

This chapter aims to make a number of contributions to the extant literature, some of which have already been mentioned in Chapter 1. First, we link different branches of literature on cross-country deals, namely corporate finance, IB, and upper echelons literatures to generate a set of predictions pertaining to cross-border M&A announcement effects. Second, by accounting for additional factors that could potentially affect acquirer returns, we provide new evidence on M&A announcement return and performance of bidding firms, which could help reconcile some inconsistencies in the findings in the M&A literature (cf. Martynova & Renneboog, 2008; Ellis, Moeller, Schlingemann, & Stulz, 2011). Importantly, this chapter contributes to the emergent stream of corporate finance research examining how managerial traits and behavior may impact financial decision making (e.g., Bertrand & Schoar, 2003; Billett & Qian, 2008; Malmendier & Tate, 2008; Aktas *et al.*, 2013). Finally, we add and extend the extant literature by introducing TMT-level orientation to firm-level experience.

2.2 Theoretical background

Cross-border M&A activity necessitates considerable resource involvement from the acquirers' perspective (Chari & Chang, 2009). Hence, prior literature considered whether these strategies generate gains to the shareholders of bidding firms. One common approach has been to examine acquisitions as a corporate strategy for international diversification, mainly in the form of foreign direct investment (FDI). Another common approach has been to correlate

bidder returns with country characteristics. However, the empirical evidence from these two approaches, primarily from event studies, is mixed.

2.2.1 The role of country characteristics

The existing literature on stock market reactions reveal that country specific characteristics are a major factor that contributes to the complexity and the associated uncertainty and information asymmetries in international acquisitions. These characteristics include economic, institutional and legal environments, regulatory and capital market structures, enforcement and disclosure standards, as well as prevalent socio-cultural preferences (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 1997; House, Javidan, Hanges & Dorfman, 2002; Vankat & Kumar, 2006). These sources of uncertainty may also impede post-acquisition integration of foreign targets (Kang & Kim, 2010).

Some studies document that international acquisitions fail to generate incremental value for shareholders (e.g. Grubel, 1968; Black, 1974; Mikhail & Shawky, 1979; Doukas & Travlos, 1988; Dos Santos, Errunza & Miller, 2008). In addition, foreign investments underperform domestic ones, particularly in restrictive institutional environments (Moeller & Schlingemann, 2005; Martynova & Renneboog, 2008). Yet, there exists evidence of emerging market M&As and other foreign acquisitions being positively received by the stock markets when bidders come from countries with high governance standards and strong investor protection regimes (Martynova & Renneboog, 2008; Kuipers, Miller, & Patel, 2009; Chari, Ouimet & Tesar, 2010; Ellis *et al.*, 2011).

2.2.2 The role of experience in mitigating information asymmetry

Much prior research in the area of strategy and IB focused on how firms may alleviate uncertainty and information asymmetry in international acquisitions, highlighting the importance of firms' experiential learning over time (e.g., Barkema, Bell & Pennings, 1996; Halebian, Kim & Rajagopalan, 2006). However, empirical evidence on its plausible benefits in terms of acquirer abnormal returns seems to be conflicting (Hayward, 2002; Conn Cosh, Guest & Hughes, 2004; Billett & Qian, 2008; Barkema & Schijven, 2008; Aktas *et al.*, 2009). One possible explanation could be that this strand of research routinely does not consider the

role of bidding firms' internal corporate governance and the integral role played by corporate boards in strategic decisions, including M&As (e.g., Fama, 1980; Fama & Jensen, 1983).

Crucially, bidder directors are valuable suppliers of human capital by virtue of their education, specific exposure to any firm and its industry, as well as their networks of ties to other firms (Castanias & Helfat, 2001; Hillman & Dalziel, 2003). Directors decide on resource allocation for strategic investments such as M&As (Krug & Augilera; 2005) and have valuable firm-specific knowledge and information (Fama & Jensen, 1983), including prior acquisition experience (Kroll, Walters & Wright, 2008).

2.2.3 The role of decision makers: focus on TMTs

Although these findings suggest the overall importance of boards in foreign acquisition decisions, bidder TMTs' collective responsibilities therein remain understudied. Instead, while looking at acquisition outcomes, the decision-maker role of chief executive officers (CEOs) as one of the most powerful members of the TMTs has been widely researched both from agency perspective (e.g., Jensen, 1986) as well as behavioural perspective (e.g., Doukas & Petmezas, 2007; Malmendier & Tate, 2008). Empire building (Jensen, 1986 & 1988) and overconfidence of a bidding firm CEO (Malmendier & Tate, 2008) are among the most commonly cited explanations of poor acquisition announcement returns. Whilst the misuse of a firm's resources by overinvesting may arise due to conflicts of interest between the firm's CEO and shareholders, overconfidence is viewed as a manifestation of self-attributive bias of a CEO who believes that (s)he is acting in shareholders' interest (Malmendier & Tate, 2008).

The IB literature also tends to have a restricted view of TMTs' role in acquisition decisions, with a prevalent focus being on the CEO (cf. Brouthers & Hennart, 2007). This is in contrast with research on the 'upper echelons' which indicates that perceptions, 'orientations', and values of entire TMTs influence strategic decisions (Hiller & Hambrick, 2005; Finkelstein *et al.*, 2008; Li & Tang, 2010). Individual decision makers' cognitions and personalities are shaped by various demographic factors like their education and experience. These factors underpin managerial discretion in situations with higher information asymmetry (Crossland & Hambrick, 2011), such as strategic decisions concerning international M&As. They also contribute to a collective cognition and decision-making ability and attitudes of a TMT, thereby affect the consequences of organizational strategies (Hambrick & Mason, 1984; Finkelstein *et al.*, 2008). Indeed, strategic decisions are likely to be taken by the TMT as a whole, or the

‘dominant coalition’ (Cyert & March, 1963), rather than any one executive (Hambrick & Mason, 1984; Lee & Park, 2008; Nadolska & Barkema, 2014).

Yet, the literature on the impact of TMT characteristics on the acquirer returns in cross-country transactions is relatively scarce. Agency theory measures of characteristics and composition of corporate boards (for instance, proportion of independent outsiders on board) have been used to examine the outcomes of acquisitions (Byrd & Hickman, 1992; Brown & Maloney, 1999). However, agency theory is silent on the issue of how bidder TMTs’ collective experiences and cognitions may influence such decisions, as suggested by ‘upper echelons’ theory, and thus shareholder value. In what follows we first revise the concept of TMT international orientation before combining insights from these streams of literature to argue about the relationship between TMT international orientation and shareholder wealth creation through foreign acquisitions.

2.2.4 TMT international orientation

‘Upper echelons’ theory has defined TMT orientation as an “interwoven set of psychological and observable characteristics” (Finkelstein *et al.*, 2008, p. 49) of every member thereof. These characteristics can be shaped through education and experience, among others (Hambrick & Mason, 1984). In particular, international experience of a CEO and the entire TMT can facilitate the development of international market knowledge and contributes to superior internationalization decisions (Daily, Certo & Dalton, 2000; Carpenter *et al.*, 2001). Such international exposure may also lead to development of informal network ties (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004). Thus, general international experience is a key contributor to TMT international orientation (Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014).

Furthermore, specific host country experience in a TMT may put the team in an advantageous position while negotiating terms of the transaction with target management, since the team would have superior knowledge of alternatives available to both their own firm and to the proposed target (Stroup, 2012). We postulate that next to the general international experience, specific host country experience is a relevant aspect of TMT international orientation when considering its effect on shareholder value creation upon announcements of foreign acquisitions.

Finally, values and ideas ingrained in national cultures are likely to have a deep and lasting effect on TMT international orientations, independent of their cognitions and wisdom from any other foreign experience, the latter tending to be limited in time and scope (Nielsen & Nielsen, 2011). Differences in such cognitions and cultural values due to diverse TMT nationalities may also affect the ways managers interpret and utilize available information, based on their home country familiarity, thereby affecting their strategic decisions. All these observable characteristics of executives may thus influence managers' risk and uncertainty perceptions as well as add to their skills and confidence to manage deals across borders (Carpenter, Pollock & Leary, 2003; Herrmann & Datta, 2005; 2006).

Situations of high information asymmetry such as those characterizing foreign M&A decisions are likely to induce top executives' subjective evaluations of potential targets, the more so the more discretion the executives have (Finkelstein *et al.*, 2008; Crossland & Hambrick, 2011). However, when information asymmetry is combined with uncertainty, as is often the case in foreign acquisitions, prior experience may prove unreliable. Under such circumstances, TMTs' collective confidence may be misplaced and prior international experience may be misapplied (cf. Haleblan & Finkelstein, 1999), leading to overestimation of expected synergies and future cash flows (Malmendier & Tate, 2008). This is often the case for those top executives in the team who seem to possess high core self-evaluations (Hiller & Hambrick, 2005). This self-attributive assessment (Billett & Qian, 2008) of international orientation could lead to hubris (Roll, 1986) in future decisions on acquiring foreign targets. Moreover, TMT heterogeneity by virtue of mix of different nationalities may adversely affect the process of group decision making due to varied information resources, outlooks, and cognitive interpretations (Wiersema & Bantel, 1992).

Therefore, in this study we explore whether and how international orientations of TMTs of acquiring firms influence the abnormal returns on the announcement of international acquisitions. In order to do so, we focus on quantifiable TMT orientation dimensions identified by upper echelons theory, namely general international experience, specific host country experience, and TMT nationality mix.

2.3 Research hypotheses

As discussed above, cross-border acquisitions are likely to be associated with unique challenges attributable to their international nature, despite having similar patterns and rationales as the domestic ones. The additional element of country-level information asymmetry and uncertainty, absent in their domestic counterparts, makes the cross-country M&As fraught with more difficulties for managers. Thus, the complexity of unfamiliar environments and un-foreseeability of outcomes necessitate that foreign acquisition strategies are decided upon not by a single individual like CEO, but rather by the entire team of top executives. Moreover, since corporate regulations mandate that such critical strategic decisions can seldom be taken singlehandedly, it is logical that the quality of such decisions can improve when each member of the TMT contributes their own cognitions and expertise, thereby enriching the overall decision-making process.

Since foreign acquisition choices are largely irreversible and inflexible, they are more susceptible to environmental risks and uncertainties compared with other firms' choices. Under such circumstances, top managers of an acquiring firm's face a lot of ambiguous information from sources both within and outside their firm. In such cases, they tend to use their existing cognitions and heuristics to scan and sort the available information to assimilate and interpret it in order to make a decision (Shaw, 1990). These cognitions and heuristics may also distort TMT perception of the strategic decision situation and lead to a suboptimal decision. They are shaped by their discernible background characteristics such as managers' tenure with the firm, formal education, functional and international exposures (Hambrick & Mason, 1984; Finkelstein *et al.*, 2008). Managers' insights and self-evaluations also develop during their young or formative age from their family and social environments, tending to play a major role in strategic choices like international acquisitions under intense uncertainty (Hiller & Hambrick, 2005; Piaskowska & Trojanowski, 2014).

As discussed earlier, international exposure of one or more members of the TMT may enhance the team's deal negotiating and executing capabilities by virtue of better understanding of cross-cultural risks and cultural differences as well as of having developed superior local networks in the host country. Such international experience broadens the top executives' horizon of knowledge of complex and uncertain deal characteristics in an international scenario. The amassed insight on foreign cultures and business practices may make a bidding

firm's managers more adventurous and optimistic, and hence aggressive, in their foreign acquisition decision (Carpenter *et al.*, 2001). From a team perspective, the presence of a large number of such knowledgeable executives should generate higher team cognitive capacity and confidence to alleviate the perceived risks, filtering and processing all available information and thereafter making a judgment on the transaction (Piaskowska & Trojanowski, 2014). Therefore, we propose the following hypothesis:

***Hypothesis 1a:** The presence of higher number of internationally-experienced executives in acquiring firms' TMTs will be associated with higher abnormal returns at the time of announcement of cross-country acquisition.*

However, the skill set discussed above may at the same time disproportionately boost up top executives' core self-evaluations (Hiller & Hambrick, 2005) which can lead to distorted notions of superior capability to generate gains from cross-border transactions, tarnishing the benefit of international experience garnered. This overestimation of self-abilities tends to be more prominent in situations of limited information and uncertainty (Doukas & Petmezas, 2007), as happens in the case of cross-border acquisitions. Thus, the TMT collective ego may bias their comprehension of the plausible pros and cons of the decision at hand (Hambrick & Cannella, 1993), affecting the rationality of evaluation of returns from their strategic choice. This is likely to create an overoptimistic estimation of the features of the proposed deal, leading to mispricing of the target, and thereby destruction of shareholder wealth in the process, consistent with Roll's (1986) hubris hypothesis.

The notion of 'self-serving attribution' is predicted to give rise to overconfidence with regard to one's own abilities (e.g. managerial skills) in judging the expected gains from international acquisitions, resulting in overestimation thereof (Malmendier & Tate, 2008). Also, as suggested by psychologists, overconfidence in individuals stems from the perception of prospective outcomes deemed to be under their control and to which they feel very committed (Weinstein, 1980; Weinstein & Klein, 2002). 'The combination of overconfidence and optimism is a potent brew, which causes people to overestimate their knowledge, underestimate risks, and exaggerate their ability to control events' (Kahneman & Riepe, 1998, p. 54). Thus, internationally experienced TMTs of bidding firms may be expressly optimistic about future

returns from cross-country acquisitions whilst underestimating the plausible risks, thereby suffering from an ‘illusion of control’ (Langer, 1975; March & Shapira, 1987).

Misjudgement might not arise solely due to agency problems as theorised by Jensen (1986, 1988). TMTs may believe that M&A decisions would be in the interest of the shareholders (Doukas & Petmezas, 2007; Malmendier & Tate, 2008). Consequently, TMTs with higher number of executives having any sort of international experiences will tend to have a misperceived interpretation of cross-country information ambiguity. Such misleading view of uncertainty, simply by dint of greater number of internationally oriented executives, may encourage TMTs to take more daring initiatives, such as higher number of international acquisitions or bidding more aggressively, resulting in paying higher premiums. These could decrease the returns from M&A deals. Therefore, we propose the following competing hypothesis to Hypothesis 1a:

Hypothesis 1b: *The presence of higher number of internationally-experienced executives in acquiring firms’ TMTs will be associated with lower abnormal returns at the time of announcement of cross-country acquisition.*

Apart from general international experience, host-country specific experience and the resulting knowledge, abilities, and personal connections may be a valuable managerial resource (Hillman & Dalziel, 2003) when deciding upon foreign acquisitions. Such experience can be gained through domicile or employment and it facilitates the development of insights regarding regulatory environment, governance, market structures, disclosure practices, culture, economy, and institutions (Barney, 1988). Therefore, TMTs including such individuals would be in a better position to (1) identify attractive acquisition targets due to superior insight into the host market and (2) effectively negotiate the deal with its foreign target. Such superior information could place the bidder at an advantage in the transaction. Therefore, we propose the following hypothesis:

Hypothesis 2a: *The presence of higher number of executives having familiarity with target country in the TMT of an acquiring firm will be associated with higher abnormal returns at the time of announcement of cross-country acquisition.*

Country-specific experience could substantially tone down the TMT's perceived uncertainty pertaining to the host country, arguably more so than general international experience or presence of foreigners in the TMT would. Consequently, the TMT may pursue the acquisition transaction in a familiar host country with greater aggressiveness or over-optimism, thereby obfuscating the possible advantages of familiarity. Therefore, if TMT includes greater number of executives with host country experience, it can be argued that the collective source of similar knowledge might bring about a sense of complacency in the team. This effect may also be due to the 'groupthink' phenomenon (cf. Benabou, 2013): TMT members with similar host-country specific experience may tend to agree with one another, creating pressures for conformity, which in turn may result in failure to consider alternatives, selective processing of information, under-appreciation of risks and illusion of invulnerability (Janis & Mann, 1977). This may lead to overoptimistic acquisition decisions. For these reasons the usefulness of superior information can wane, leading to deterioration in the overall structure and value of the deal. Accordingly, we propose the following contrasting hypothesis to Hypothesis 2a:

Hypothesis 2b: *The presence of higher number of executives having familiarity with target country in the TMT of an acquiring firm will be associated with lower abnormal returns at the time of announcement of cross-country acquisition.*

The last of the three elements of TMT international orientation that we consider is the national diversity of the team (cf. Nielsen & Nielsen, 2011). Research on national cultural psychology suggests that different inherent values and thinking patterns, which guide individual behavior and actions, are inculcated in early childhood. These patterns tend to be so deep-rooted so as to surmount later experiences in life (Hofstede & Hofstede, 2005). Thus, foreign executives on TMTs contribute to a heterogeneous mix of cross-cultural cognitions and perceptions on the team. Cultural diversity in the team increases its international orientation, and the mix of cultural values of managers becomes reflected in their judgments (Nielsen & Nielsen, 2011). Therefore, the presence of higher number of foreign nationals amongst top managers may improve their comprehension of cross-country issues and provide access to enhanced home-country networks, thus moderating the overall team's uncertainty perceptions (Greve, Nielsen & Ruijgrok, 2009; Nielsen & Nielsen, 2011). Therefore, we propose the following hypothesis:

Hypothesis 3a: *The presence of a higher number of foreign nationals in the TMT of an acquiring firm will have a positive effect on the acquirer's shareholders returns at the announcement of cross-country acquisition.*

A nationally diverse TMT is likely to consider a wider range of alternatives and, once selected, arrive at their decision on an international acquisition with greater confidence. However, heterogeneous TMT may suffer from suboptimal, slow decision making (Tihanyi *et al.*, 2000). For instance, more foreigners in TMT expend larger resources of the acquiring firm in hiring greater number of consultants, additional discussions due to lower consensus, etc. (Nielsen & Nielsen, 2011). Hence, the acquisition process is more likely to become costlier. Slow TMTs may wear out the patience of target firm's management or be preempted by faster bidders, resulting in on average lower quality targets being acquired by such teams. Further, more heterogeneous mix in the TMT may lead to inefficient communication (Priem, 1990) and conflicts. Thus, the benefits of TMT diversity may taper off with greater TMT heterogeneity generating overconfidence (Malmendier & Tate, 2005; 2008), slowing the decision making process and making it costlier. Thus, we propose the following competing hypothesis to Hypothesis 3a:

Hypothesis 3b: *The presence of a higher number of foreign nationals in the TMT of an acquiring firm will have a negative effect on the acquirer's shareholders returns at the announcement of cross-country acquisition.*

2.4 Sample and methodology

To test our hypotheses about how different elements of TMT international orientation relate to short-term stock market performance of firms upon cross-country acquisition announcements, we collected a sample of the listed UK acquirers listed on the London Stock Exchange at any time between 1999 and 2008. The initial sample was obtained by merging data from SDC Platinum, BoardEx, and Thomson One Banker/DataStream. The data from the SDC Platinum database yielded 2,278 completed foreign acquisitions by 642 UK public companies for the chosen sample period. All other relevant information on these acquisition announcements like, transaction value, method of payments (i.e., cash payment, stock payment, or mixed payment), foreign target status (i.e. whether public or private or subsidiary) were also collected. The study

focused on the universe of listed firms and did not exclude any specific industry types, like financial firms. The cross-country deals in the sample were only filtered to include those with value of at least £ one million. This data was then merged with the data on financials of acquiring firms obtained from DataStream. The combined dataset was then matched with the information on acquiring firms' TMTs from BoardEx UK universe (as in Piaskowska & Trojanowski, 2014). Target country-level data were collected from World Bank, Transparency International, Geert Hofstede's research (Hofstede, 2001), and Euromoney magazine. The merging processes of different data sets and limited availability of data on some of the variables required for analysis restricted the final sample size to 1,965 acquisitions completed by 479 firms. However, due to missing observations on all the variables employed for the analyses, the analyzable data came further down to 1818 cross-country acquisitions by 446 such firms.

The first step in the empirical analyses involved obtaining a measure of acquirer performance, i.e. the cumulative abnormal return on announcement of a cross-border M&A transaction, which we generated using a standard event study procedure. In the second step we used multiple linear regression models (using ordinary least squares (OLS) method) to explain the acquirer performance generated in the first step. Before presenting detailed model specifications, below we discuss operationalization of key variables of interest. All the variables, except indicator variables, have been winsorized at 1st and 99th percentile levels to avoid the results being affected by outliers.

2.4.1 Dependent variable

We used short-run (a three-day period) cumulative abnormal returns (CARs) for the UK acquiring firms as dependent variable in our regression analyses. The CARs using daily stock returns were estimated using the widely-accepted event study method (cf. Brown & Warner, 1985). This method relies on Fama's (1970) contention that all important events are accurately and promptly incorporated in the share prices of firms. A three-day event window (from one day before to one day after cross-country acquisition announcements) is in line with the recent studies (e.g., Chari *et al.*, 2010; Ahern *et al.*, 2012). Similar tests were later repeated with eleven-day CARs as a robustness check.

The announcement stock returns were calculated using two models: (a) market model (MM) and (b) market adjusted returns (MAR) model. For MM, the expected return (R_{it}) was

computed for each acquirer's stock i on day t , the implicit assumption being that stock returns can be explained by a single factor, i.e. market return.⁴

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}, \quad (2.1)$$

where R_{Mt} is FTSE all-share market index return for the same day t as R_{it} and ε_{it} is the error term. The acquirer firm's stock-specific parameters α_i and β_i were estimated using a 190 trading-day non-event window period from 250 to 60 trading days before the acquisition announcement for each security i . The daily abnormal returns (AR_{it}) for each security i were calculated as the difference between observed returns for day t and the expected return computed from Equation 1 above, i.e.:

$$AR_{it} = R_{it} - (\hat{\alpha}_i + \hat{\beta}_i R_{mt}) \quad (2.2)$$

where $\hat{\alpha}_i$ and $\hat{\beta}_i$ are the OLS estimates of the regression parameters α_i and β_i .

For MAR model, no such non-event estimation period is required. The daily abnormal returns (AR_{it}) for each company stock i are given as the difference between the observed stock returns on day t and the corresponding market return on the same day:

$$AR_{it} = R_{it} - R_{mt} \quad (2.3)$$

The cumulative average abnormal returns (CARs) of the announcement effect over a three-day window around the announcement date i.e. CAR (-1, +1) were obtained by aggregating the sample AR_{it} s on the event dates and one day before and one day after the same, given as:

$$CAR(-1, +1) = \frac{1}{N} \sum_{i=1}^N \sum_{t=-1}^{+1} AR_{it} \quad (2.4)$$

The statistical significance of the CARs was tested using t-test and Wilcoxon test. Since event samples tend to have stocks with varied trading status, stock returns tend to be thick-tailed where approximation by the normal distribution would be poor (Fama, 1976). Hence, t-test might not be reliable and non-parametric tests (e.g., generalized sign test) tend to perform better under relatively general distributional assumptions regarding ARs (Cowan, 1992).

⁴ More precisely, throughout this section i denotes a particular M&A deal announced by a given acquirer. In cases where a particular acquirer announced multiple deals on separate dates over the 10-year sample period, the parameters of the market model were estimated separately for each deal.

2.4.2 Independent variables

Information on acquirer managers' demographic characteristics like education and employment history gathered from the data sources aforementioned was used to determine the international orientation of TMT members. This data was then used to operationalize the following two variables:

- a) TMT international experience (*Num TMT Intl experience*): The number of TMT members who obtained educational qualification or ever been employed outside their country of domicile or nationality until one year prior to the acquisition under consideration; - to be used in Equation 2.5 below.
- b) TMT host-country specific experience (*Num TMT host country experience*): The number of TMT members who had familiarity with country of the proposed target by virtue of living and / or working therein up to one year before the announcement of the focal acquisition deal; to be used in Equation 2.6 below.

We also created two additional proxies for TMT international experience, represented by the average number of years and the average number (range) of countries of international experience for each acquiring firm TMT. These proxies were utilized for further analyses of the effect of bidder TMT orientation.

- c) TMT national diversity (*Num TMT foreign nationals*) was measured as the number of foreign (i.e. non-UK) nationals in the managerial team of the acquiring firm one year prior to the deal announcement and was employed as a regressor in Equation 2.7 below. The number of nationalities represented in TMTs.

2.4.3 Control variables

Prior studies found a range of acquirer and deal characteristics which influence abnormal returns to acquisition announcements (e.g., Fuller, Netter & Stegemoller, 2002; Shleifer & Vishny, 2003; Moeller, Schlingemann & Stulz, 2004). The control variables included in the analysis can be classified into three categories: deal-specific, bidder-specific, and target country-specific variables.

Deal-specific variables:

Prior research (e.g. Travlos, 1987) has indicated that acquisitions financed solely with stocks of bidding firms are likely to generate lower returns for their shareholders. Thus, we distinguish three different methods of payment, i.e. cash, stock, and a combination of both along with debt, etc. To code this information, two binary variables were constructed: the first one (i.e. *Cash*) takes the value of one for pure cash payments and zero otherwise, the second one (i.e. *Stock*) takes the value of one for pure stock payments and zero otherwise. *Full acquisition* denotes transactions where upon completion of the acquisition, the acquirer gains full control of the target, i.e. at least 95% stake (cf. Piaskowska & Trojanowski, 2014). *Transaction value* (in £ millions) is expressed in logarithmic form.

Bidder-specific variables:

Acquiring firm characteristics such as size and profitability have also been shown to influence M&A announcement returns. *Acquirer's size* is measured as the logarithm of total market capitalization expressed in £ millions at the end of the financial year preceding the focal cross-border transaction. *Acquirer's profitability* is operationalized as the ratio of return on assets (ROA) and also measured at the end of the financial year preceding the focal cross-border transaction. Finally, a binary variable was constructed to control for diversifying acquisitions by a bidding firm. This indicator variable is equal to one when an acquisition involved any industry other than the acquirer core macro industry (based on Fama-French industry classification), and zero otherwise. We also included *TMT Size* as an additional control in line with Carpenter *et al.* (2004) to take into account the range of opinions that may arise in the process of decision-making amongst the TMTs, for reasons other than their international orientation.

Target country-specific variables:

Cultural differences between the acquirer and the host countries have also been the subject of previous research showing that environmental risk and uncertainty perceptions regarding target markets rise with greater cultural differences (Kogut & Singh, 1988) and impact acquisition decisions (Piaskowska & Trojanowski, 2014). Since the frequency of acquisitions between pairs of countries reduces with increasing cultural disparities (Ahern *et al.*, 2012), this factor is also likely to increase the costs to the acquiring firms (Erel *et al.*, 2012) and may lead to diminished value to the bidders' shareholders. We quantify cultural differences as the distance

between the target country and the country of the acquiring firm (i.e. the UK) using Kogut & Singh's (1988) index on the basis of four cultural dimensions by Hofstede (2001). These dimensions were power distance, avoidance of uncertainty, individualism vs. collectivism and masculinity vs. femininity (see Appendix p.64 for more details).

Information on both objective and subjective factors relating to a country like its political risk, economic performance, and access to finance both in the long and short terms, debt indicators, etc. was incorporated into Euromoney magazine index (Euromoney, 2009). This time-varying index of riskiness of the host country termed as *country risk*, was quantified in such a way that higher values meant higher risk. Finally, development of the target country was measured by one-year lagged *GDP per capita* in USD thousands with the data provided by World Bank.

Previous studies (e.g. Moeller & Schlingemann, 2005; Ellis *et al.*, 2011) show that bidder shareholder returns are affected by the status of the target firm, i.e. whether it is a public company, private company, or a partly-owned subsidiary of the bidding firm. We therefore, introduce two dummy variables as to whether the target is *private target* represented as one and zero otherwise, and whether it is *listed target* coded as one and zero otherwise, as target-specific controls.

We estimate the following regression to test Hypothesis 1a v Hypothesis 1b:

$$\begin{aligned}
 CAR_{it} = & \alpha_1 + \beta_1 NumTMTIntlexperience_i + \beta_2 Cash_i + \beta_3 Stock_i + \beta_4 FullAcquisition_i + \\
 & \beta_5 Log_TransactionValue_i + \beta_6 Log_AcquirerSize_i + \beta_7 ROA_i + \\
 & \beta_8 DiversifyingAcquisition_i + \beta_9 CulturalDistance_i + \beta_{10} CountryRisk_i + \\
 & \beta_{11} GDP_PerCapita_i + \beta_{12} PrivateTarget_i + \beta_{13} ListedTarget_i + \beta_{14} TMTSize_i + \varepsilon_{it}
 \end{aligned}
 \tag{2.5}$$

In Equation 2.5, CAR_{it} is the three-day CAR estimated for a bidding firm at its announcement of cross-border acquisition on day t , ε_{it} is the standard error term, and $\alpha_{1t}, \beta_{1t} \dots \beta_{14t}$ denote regression coefficients. All the regressors are defined above.

For the next two regression models, the main explanatory variable in Equation 2.5 (i.e. *Num TMT intl experience_i*) is substituted with other measures of TMT international orientation that

we use. In Equation 2.6, we use *Num TMT host country experience_i* instead, counting the number of executives having experience of the host country in the TMT of a bidder *i* in the year preceding the acquisition announcement, which allows us to test Hypothesis 2a v Hypothesis 2b. In Equation 2.7 we use *Num TMT foreign nationals_i* representing the number of foreign nationals in the TMT of an acquiring firm *i* in the year preceding year of the announcement of a cross-country acquisition, in line with Hypotheses 3a and 3b above. The control variables in the regressions below are the same as those in Equation 2.5 earlier.

$$\begin{aligned}
CAR_{it} = & \alpha_2 + \delta_1 NumTMT_{hostcountryexperience}_i + \delta_2 Cash_i + \delta_3 Stock_i + \delta_4 FullAcquisition_i \\
& + \delta_5 LogTransactionValue_i + \delta_6 Log_MktCapitalization_i + \delta_7 ROA_i + \\
& \delta_8 DiversifyingAcquisition_i + \delta_9 CulturalDistance_i + \delta_{10} CountryRisk_i + \\
& \delta_{11} GDP_PerCapita_i + \delta_{12} PrivateTarget_i + \delta_{13} ListedTarget_i + \delta_{14} TMTSize_i + \varepsilon_{2it} \quad (2.6)
\end{aligned}$$

$$\begin{aligned}
CAR_{it} = & \alpha_3 + \gamma_1 NumTMT_{ForeignNationals}_i + \gamma_2 Cash_i + \gamma_3 Stock_i + \gamma_4 FullAcquisition_i + \\
& \gamma_5 Log_TransactionVauel_i + \gamma_6 Log_MktCapitalization_i + \gamma_7 ROA_i + \\
& \gamma_8 DiversifyingAcquisition_i + \gamma_9 CulturalDistance_i + \gamma_{10} CountryRisk_i + \gamma_{11} GDP_PerCapita_i \\
& + \gamma_{12} PrivateTarget_i + \gamma_{13} ListedTarget_i + \gamma_{14} TMTSize_i + \varepsilon_{3it} \quad (2.7)
\end{aligned}$$

The same model specifications are used to test our hypotheses in the multilevel mixed-effects linear regression framework to check the sensitivity of the findings from the OLS models originally used. Extant research (e.g., Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014) adopt a multilevel research design arguing that such structure seems more appropriate where acquisitions are not only nested within firms, which in turn are nested within industries; and also within the different host countries.

As a further measure of robustness as well as to examine whether a composite measure of international orientation of the TMTs of the acquirer firms affects announcement CARs, an exploratory factor analysis is also performed. The rationale for this method is that the predictor variables in Equations 2.5-2.7 are correlated with one another, as indicated by Table 2.2.

2.5 Descriptive statistics

Table 2.1 shows the descriptive statistics and significance tests for the CARs. Using both parametric and non-parametric tests for 3-day and 11-day CARs, both tests show CARs are significantly different from zero at 1% level for MM. For MAR model, 11-day CARs are statistically significant at 10% level for the parametric test while the non-parametric test for 11-day CARs shows significance at 1% level. The average CARs are positive for the chosen event windows.

[Insert Tables 2.1 and 2.2 about here]

The means and standard deviations and the correlation matrix of all the independent and control variables used for analysis with the corresponding p-values in parentheses are shown in Table 2.2. In the sample, UK bidding firms have on average a market capitalization value of £7,710 million and return on assets of 5.16% in the year preceding acquisition announcements.

With regard to the deal characteristics, it can be seen that 60.7% of the cross-border transactions undertaken by UK acquirers are paid fully in cash, whilst only 3.3% are wholly stock-financed deals. Moreover, considering the status of the acquired foreign targets, it can be seen that about 51.7% of the deals involve private targets, public targets being a mere 10.5%. These findings are consistent with the features of UK equity market as reported by Faccio & Masulis (2005) and Doukas & Petmezas (2007). In more than three quarters of the sample acquisitions the bidder gains full control over the target as a result of the deal.

Except the host country experience predictor, the other two predictor variables have a negative correlation with bidder CARs (using MM), although the correlation coefficient is significant only for the number of internationally experienced managers on acquirer's TMT ($\rho = -0.07$, p-value < 0.00).

[Insert Table 2.3 about here]

2.6 Results

2.6.1 Univariate analysis

Table 2.3 presents CARs of the bidding firms over a three-day period surrounding the announcements of cross-border acquisitions tabulated as a function of TMT international orientation indicators. Specifically, the table shows how large the acquiring firms' CARs are

in presence (or absence) of TMT members with international experience, foreign nationals in TMTs, and TMTs with members familiar with host country.

It can be seen that presence of internationally-experienced executives in bidding firm TMTs lowers these firms' CARs in both MM and MAR model. The difference between the two categories (i.e. presence v. absence of such executives) is significant at 5% level for MM and 10% for MAR model. The Wilcoxon rank-sum test also shows that the distributions of the acquirer CARs are statistically different between the two categories at 10% level for MM and 5% for MAR model. These results suggest that the market fails to perceive the presence of such specially-endowed bidder TMTs as facilitators of superior announcement abnormal returns to bidder shareholders and the market reaction is more consistent with overconfidence and hubris explanations proposed earlier.

The results pertaining to the presence of host country knowledgeable TMT members indicate a small increase in average CARs, although this difference is not statistically significant either using the t-test or Wilcoxon rank-sum test for neither MM nor MAR model. This is also the case in both MM and MAR model. These findings suggest that the stock market fails to recognize the value of TMT host country specific experience.

The presence of foreign nationals in TMTs of the acquiring firms' is associated with a small decrease of these firms' CARs for both MM and MAR model (compared to the case where such executives are absent on a TMT). While the direction of this difference is opposite to the difference due to TMT host-country specific experience, it is similarly insignificant either for t-test or for Wilcoxon rank-sum test for either MM or MAR model.

[Insert Table 2.4 about here]

2.6.2 Multivariate results

Table 2.4 reports the multivariate regression estimates corresponding to models specified by Equations 2.5 (i.e., Models 1A and 1B), 2.6 (i.e., Models 2A and 2B), and 2.7 (i.e., Models 3A and 3B), respectively. Models 4A and 4B combine all the variables used into single specifications. The results are tabulated for acquiring firms' CARs over a three-day event

window using both MM and MAR model, where the models marked 'A' report CARs based on MM, those marked 'B' show CARs based on MAR model.

The first two regression models (i.e. Models 1A and 1B) examine how the number of internationally experienced executives on boards of acquiring firms impacts abnormal returns to these firms in cross-border acquisitions, in conjunction with other control factors as detailed above. The results show that as postulated by Hypothesis 1b (and contrary to the competing Hypothesis 1a), the international expertise of bidder TMTs is inversely related with the CARs of the acquiring firms, although this effect is statistically insignificant. Hence, everything else constant, the impact of number of executives in a TMT with prior international exposure cannot be meaningfully interpreted for either the MM or the MAR model.

Models 2A and 2B examine whether higher number of bidding firm managers with host country exposure influences abnormal returns to these firms, as postulated by either Hypothesis 2a or 2b. The key explanatory variable in this model (i.e. the number of acquirer's TMT members with host country experience) shows statistical significance at 10% level only for MAR model. However, for MM, the corresponding estimate is insignificant, although with a positive sign. Thus, Hypothesis 2a is at most weakly supported, being also consistent with the findings of Stroup (2012) that such knowledge might be conducive to greater likelihood of cross-country acquisition decisions.

The next two models (i.e. Models 3A and 3B) investigate the prediction of Hypothesis 3a v Hypothesis 3b as to whether the greater numbers of foreign nationals in acquirer TMTs have an impact on the CARs of the acquiring firms. The results show that for neither MM nor MAR model, the number of foreign executives on the bidder team is a statistically significant determinant of CARs (albeit the sign of the coefficient estimate for either model is positive, as predicted by Hypothesis 3a on the lines of the beneficial impact of diversity on cross-border decisions as reported by Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014). So, the number of foreign managers in UK acquiring firm TMTs does not appear to have any influence on the announcement returns of the acquiring firms.

Only two of the control variables employed in the analysis namely, diversifying cross-border acquisition indicator and lagged acquirer size are consistently significant across all model specifications. Each of the variables influence acquirer firm CARs negatively, *ceteris paribus*.

Diversifying acquisition announcements are accompanied by CARs lower by about 33 b.p. for MM, as implied by Model 1A (and by 44 b.p. for MAR model, as implied by Model 1B). Cross-border acquisitions announced by larger firms are also perceived less favorably by the market.

With respect to other control variables, country risk, GDP per capita and listed targets respectively appear significant in a number of models. It seems that acquisitions in more risky countries are perceived more favorably by the market. It suggests that value-creation potential might be higher for acquisitions in countries with high growth potential, even if the corresponding risk of investing there could be higher. The evidence with respect to higher CARs in cases of expansions into host countries with higher per capita GDP and negative effect of listed targets on CARs are quite expected and support prior related findings. All the other control variables are insignificant even at a generous 10% level in all regression specifications.

The last two models reported in Table 2.4 (i.e. Models 4A and 4B) illustrate the combined effect of the explanatory variables examined earlier. The negative effect of international expertise of bidder TMT on announcement CARs (documented by Models 1A and 1B) is now significant at 5% and 10% respectively for MM and MAR models, supporting Hypothesis 1b. The coefficients corresponding to the other two key explanatory variables are also significant in Model 4B, although in Model 4A, only that of foreign nationals in the TMTs show 10% significance. Therefore, we can reject either Hypotheses 2b or 3b and find strong support for Hypothesis 3a and some for Hypothesis 2a. Economically, this implies everything else constant, when the number of internationally experienced executives increases (decreases) by one standard deviation, the magnitude of average bidder CARs decreases (increases) by 48 basis points (b.p.) in case of MM and by 61 b.p. for MAR model, respectively. It would also imply that, *ceteris paribus*, if the number of foreigners increase in the TMT, bidder CARs on average would increase in magnitude by 34 and 55 b.p. for MM and MAR model respectively. Our findings in respect of international experience of top managers uphold the evidences based on overconfidence as documented by Hiller & Hambrick, 2005; Doukas & Petmezas, 2007, etc. However, the findings also show the postulated advantages in respect of the other two proxies of TMT orientation (i.e. number of managers with host country knowledge and different nationalities), as advocated by the other strand of literature (e.g., Carpenter *et al.*, 2001; Nielsen & Nielsen, 2011, etc.). The results corresponding to control variables in Models 4A and 4B are quite similar to those discussed earlier for Models 1A-3B. Both MM as well as

MAR model yielded generally similar results showing that these findings are consistent across the event study technique adopted.

2.7 Additional analyses regarding TMT international orientation

Considering the key lines of theoretical arguments presented in this paper, one can argue for nonlinear or conditional effects of TMT international orientation on abnormal returns upon acquisition announcements. Prior research showed that initial firm-level acquisition experience influenced performance negatively due to firm's inability to learn from such a complex experience and the likelihood of misapplying any lessons learned to subsequent acquisitions (e.g., Halebian & Finkelstein, 1999). The benefits of acquisition experience may not become apparent until enough of it is gained for a firm to be able to distinguish which past lessons can be applied and which cannot when a new acquisition decision is being taken. A similar effect may exist in the case of TMT international experience where initial international experience may provide limited lessons while being a source of perhaps unwarranted sense of confidence in the team's judgment and ability.

The effect of TMT host-country specific experience in foreign acquisition decisions may be different: initially, specific knowledge may be helpful, but at higher levels it may lead to 'groupthink' (Benabou, 2013) and therefore negatively impact shareholder wealth. The benefits of TMT national diversity may also follow a nonlinear pattern, bringing initial benefits which may fade as heterogeneity and risk of misunderstanding and slow decision making increases.

Thus, we explored quadratic relationships between TMT international orientation measures and CARs. We also used alternative operationalization of the measures involved as well as a composite measure of TMT international orientation achieved by factor-analyzing the three original components. Finally, we considered potential interactive effects of different elements of TMT international orientation, in the expectation that for example lack of foreign nationals on a team may be compensated for with higher international experience.

While most of the associated estimates were insignificant, when the effect of international experience of bidding firms' TMTs was measured using average years thereof, as opposed to

count of such executives, we found evidence of a U-shape relationship with inflection point at about 60th percentile of the sample, equivalent to approximately 6 years of average international experience on the TMT (see Table 2.5). The detrimental effect of greater international experience appeared to be toned down as more of it is gained with time. This is a particularly interesting result as it shows that TMT international experience may benefit only the most experienced teams – in other words, such experience is valuable, but may hurt if insufficient. Indeed, being hard to replicate, extensive international experience on the TMT may form a basis of competitive advantage of the firm. However, we notice the contrasting effect in case of more host country acquainted managers. As argued before, we find that the advantage of this facet of international orientation actually wanes after a threshold. E.g. in Model 5B, we find an inverted U-shaped association at about 90 percentile of the sample, signifying at most 2 managers with same host country experience in TMT can be beneficial, beyond which it could be disadvantageous owing to either ‘groupthink’ or choosing sub-optimal targets on account of familiarity.

[Insert Table 2.5 about here]

Another set of analysis involved the use of two composite factors, one capturing acquirer TMT international exposure and the other reflecting target-country familiarity (both of which were obtained as a result of factor analysis). When these factors were used separately in multiple regression models with the same controls as in Equations 5, 6, and 7, TMT international orientation showed a positive relationship with bidding firm CARs for both MM and MAR models, albeit insignificant. The host-country knowledge factor also shared a similar relation with acquirer abnormal returns, being statistically non-significant for both the models just as the former composite orientation factor. We do not report this result here.

Finally, we re-tested our hypotheses replacing the numbers of TMT members with particular attribute reflecting international orientation by the proportion (or percentage) thereof. The corresponding results were in line with those earlier for the counterparts of Models 1A-3B reported in Table 2.4 and are provided in the appendix in Table 2.6.

2.8 Further robustness tests

The models presented in Table 2.4 were re-estimated using a longer event window, eleven-day CARs. However, the overall models' statistical significance diminishes in this case for MM. The results uphold our original findings with respect to three-day CARs for all the new Models 7A-10B. Thus, eleven-day Models 10A and 10B support Hypotheses 1b, 2a and 3a. Among the control variables employed, the diversifying acquisition indicator loses its earlier significance in the regressions, although acquirer size still retains significance in all the models. We find full acquisition dummy and private target dummy becoming at least marginally significant in some specifications. These findings are reported in the appendix in Table 2.7.

We also adopted multilevel mixed-effects linear regression methodology as a further test of our hypotheses. The results obtained using the multilevel technique, are consistent with those of the OLS method. The models are not reported here since the likelihood ratio test-statistic was insignificant in most cases – we consider it a limitation of our analysis. Significant association of CARs with the TMT proxies was only noticed in the combined specification with all of the latter. Overall, the findings here, including those for the control variables, are largely in line with those reported in Table 2.4 above.

Since the sample period witnessed two major crises, i.e. the post-2000 dot-com bubble burst and the financial crisis beginning in late 2007, year dummy variables were used to check for fixed time effects. Since the corresponding results are broadly consistent with those reported earlier while overall significance of the models deteriorates, they are not included here.

Since the sample includes the universe of all UK acquirers, the original models are rerun after dropping the financial firms from the sample (based on Fama-French 17 industry classification), resulting into a loss of 186 observations. The results from both MM and MAR models are in principle consistent with the main findings presented in Section 2.6; hence, not reported here for the sake of brevity.

The larger the deal size, the greater might be the involvement of the TMTs of the acquiring firms in the decision making process. Thus, it can be expected that in a case of a large deal, the

impact of TMT attributes is likely to be more profound. We estimated a series of models where the centered measures of international orientation were interacted with the centered deal value to check for this possibility. The resulting coefficient estimates were negative, albeit statistically insignificant. These findings are reported in Table 2.8 in the appendix.

Finally, we employed a quartile distribution specification of another variant of TMT international experience variable, i.e. range of countries where the managers may have accrued their international exposures from. The high quartile showed positive relationship with CARs in both MM and MAR, shown in Table 2.9 in the appendix. This result indicates that more variety of international experience could be beneficial for the internationalizing firms, thus positively affecting their performance, thus also upholding the likely advantages of international experience in top executives, as predicted by one strand of literature (e.g., Daily et al., 2000; Stroup, 2012;).

2.9 Discussion and conclusion

This chapter is motivated from a combination of different strata of literature on cross-country deals. First, there seems to be confounding empirical evidence on the wealth creation for acquiring firms' shareholders and the plausible reasons it might be attributable to, of which information asymmetry appears to be predominant. Second, research on whether information asymmetry can be alleviated in the process of firms learning through acquisition experience also fails to present consistent findings. Third, the role of board of directors of such bidding firms, more specifically that of the TMT, in making strategic decisions like acquisitions amidst uncertainty, has been highlighted by prior literature. Building upon the various predictions and findings from all of these streams of research, we have proposed here to extend the role of international orientation of acquirer TMTs in upper echelons and IB literatures in an attempt to explain the gains, if any, accruing to bidders' from such foreign acquisitions. Specifically, this chapter has looked at stock market perceptions of international experience or foreign nationality or host country knowledge of TMTs of acquiring firms, using abnormal returns accruing from cross-border acquisitions as its measure.

Prior research in upper echelons and IB has accentuated the importance of international exposure (e.g., Lee & Park, 2008) and national diversity (e.g., Nielsen & Nielsen, 2011) of

TMTs on their foreign expansion strategies. It has been conjectured and shown that such TMTs are endowed with special capabilities and knowledge which enhance the entire teams' decision making ability. This is because the expanded 'cognitive and value base' improves the teams' perceptions of uncertainty and complexities involved, thus boosting up their confidence levels leading to higher acquisition stakes in host countries. This positive influence tends to be documented in many extant studies (e.g., Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014). However, this specially endowed TMTs' level of confidence may also generate an overoptimistic assessment of their foreign investment decisions, leading to over-estimation of the perceived benefits therefrom. Also, internationally-oriented executives may have high core self-evaluations; making them further overconfident of their managerial skills to negotiate an acquisition deal in a different country (e.g., Hiller & Hambrick, 2005). This biased perception of superior skill set might obscure the expected positive outcomes.

Looking into the short-term stock market reaction upon announcements of cross-country acquisitions, our results show some support for greater number of foreign executives and those with host country exposure appears to have some positive significant impact on acquirers' short-run CARs. We also find weak evidence that greater number of internationally experienced executives in the acquiring firms' teams tends to negatively influence the abnormal acquisition announcement returns. However, this negative effect diminishes at very high levels of TMT international experience when measured by average years of such experience among TMT members as well as a greater range of countries of exposure. These findings add to the body of existing studies portraying the positive moderating effect of the international orientation of bidder executives on perceived uncertainty associated with foreign acquisition decisions (e.g., Carpenter *et al.*, 2001; Stroup, 2012; Piaskowska & Trojanowski, 2014) by explicitly addressing performance consequences of such decisions. Our results also highlight the negative consequences associated with diminishing perceived uncertainty, in line with Roll's hubris hypothesis (1986) and findings of studies such as Malmendier & Tate (2005), and Hiller & Hambrick (2005).

Our findings so far indicate that TMTs of firms considering cross-border expansion decisions should have an optimal combination of internationally oriented executives, as supported by preliminary evidence revealing nonlinearity in the association between the number of years of international experience of bidder TMTs and CARs. We also notice an opposite non-linear effect, although weak, in case of number of managers with target country familiarity. However,

neither of these results is robust to both the event-study models used. These results suggest that superior outcomes may be achieved with a proper balance in the team of internationally-experienced managers. Presumably balanced teams would not suffer from any collective judgment bias, which could otherwise affect their acquisition performance. Since such personal characteristics may shape managerial perceptions about the complexities involved due to information asymmetry in decision-making, this might manifest more distinctly, when explored in the long-run study. Therefore, we specifically examine whether this is sustained in the one-year post-acquisition announcement as well as operating returns in the next chapter.

This chapter is not without limitations. First, it focuses on acquirers from a single country: the UK. As mentioned in Chapter 1, using a sample from the UK helps us to draw inference as to whether and how the incidence of cash financed deals private targets, advocated in some of the studies as referred above to be a latent source of overconfidence of top executives. Whilst this is a distinctive characteristic making our analysis more interesting, but since most of the TMT members in the sample have a common nationality, this could have potentially influenced the acquisition decisions, and consequently, the outcomes. Thus, a comparative study using different home countries to explore the effect of international orientation of TMTs on acquisition performance of firms may be useful to investigate how country-specific governance structure types interact with TMT international orientations and other TMT characteristics to the benefit or detriment of shareholder value.

Second, although the explanatory variables used for this study were analogous to the ones in the prior research (e.g. Piaskowska & Trojanowski, 2014), their operationalization requires further work. For instance, there was insufficient information in certain cases as to when an executive worked or studied abroad or about foreign assignments of such executive during the time of employment with the acquiring firms. Also, limited data on international career experience of executives might have affected the proxy used for number of internationally experienced managers to estimate its potential influence on acquirer returns. Finally, controls such as, industry exposure of managers and acquiring firms' prior operations in host countries might have had some impact for the results discussed here.

To conclude, this chapter adds to a vast body of existing literature on short-run event studies investigating so-far under-researched TMT-level factors that might affect the abnormal returns to the bidding firms. It also adds to the understanding about how the backgrounds of top

executives shape their behavior, which in turn guides firms' international expansion choices and influences the returns therefrom. However, the relationship found in this study between ambiguity integral to foreign expansions and TMT demographics, especially their international exposure, needs to be explored further.

Table 2.1: Cumulative abnormal returns for acquiring firms around the announcement of cross-border acquisitions.

| CAR measure | CAR | Std. Dev. | t-test p-value | Wilcoxon test p-value |
|--------------------|------------|------------------|---------------------------|----------------------------------|
| 3-day CAR (MM) | 0.00654 | 0.05896 | 0.000 | 0.000 |
| 3-day CAR (MAR) | 0.00652 | 0.08095 | 0.000 | 0.000 |
| 11-day CAR (MM) | 0.00763 | 0.09480 | 0.000 | 0.000 |
| 11-day CAR (MAR) | 0.00862 | 0.22594 | 0.071 | 0.000 |

Note to Table 2.1: This table shows the summary statistics and p-values for parametric and non-parametric tests of acquiring firms' CARs over three-day (i.e. from day -1 to day +1) and eleven-day (i.e. from day -5 to day +5) event windows using market model (MM) and market adjusted return model (MAR).

Table 2.2: Descriptive statistics and correlations of independent and control variables.

| Variable | | Mean | S.D. | Correlations | | | | | | | | | | | | | | | 16 | 17 | 18 |
|----------|---------------------------------|-------|------|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|---------|---------|---------|---------|---------|-------|
| | | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | | | |
| 1 | 3-day CAR (MAR) | 0.008 | 0.05 | | | | | | | | | | | | | | | | | | |
| 2 | 3-day CAR (MM) | 0.007 | 0.05 | 0.96** | | | | | | | | | | | | | | | | | |
| 3 | Num TMT int'l experience | 2.06 | 1.63 | -0.07** | -0.07** | | | | | | | | | | | | | | | | |
| 4 | Num TMT host country experience | 0.53 | 0.96 | 0.01 | 0.01 | 0.32** | | | | | | | | | | | | | | | |
| 5 | Num TMT foreign nationals | 0.85 | 1.10 | -0.02 | -0.02 | 0.64** | 0.18** | | | | | | | | | | | | | | |
| 6 | Amount of int'l experience | 5.19 | 4.83 | -0.02 | -0.02 | 0.61** | 0.20** | 0.47** | | | | | | | | | | | | | |
| 7 | Cash | 0.61 | 0.50 | 0.02 | 0.02 | -0.01 | 0.05* | 0.02 | -0.01 | | | | | | | | | | | | |
| 8 | Stock | 0.03 | 0.18 | 0.01 | 0.02 | -0.03 | 0.01 | -0.05* | 0.01 | -0.23** | | | | | | | | | | | |
| 9 | Full acquisition | 0.79 | 0.41 | -0.04 | -0.03 | -0.09** | 0.09** | -0.09** | -0.09** | -0.05* | -0.02 | | | | | | | | | | |
| 10 | Transaction value | 2.01 | 1.99 | -0.000 | 0.003 | 0.12** | 0.14** | 0.03 | 0.13** | 0.35** | 0.04+ | 0.01 | | | | | | | | | |
| 11 | Acquirer size | 6.51 | 2.35 | -0.11** | -0.10** | 0.52** | 0.12 | 0.36** | 0.47** | 0.06* | 0.14** | -0.04+ | 0.30** | | | | | | | | |
| 12 | Acquirer ROA | 5.16 | 15.7 | -0.04+ | -0.06* | 0.000 | 0.01 | 0.03 | 0.01 | 0.08** | -0.20** | 0.03 | 0.05+ | 0.28** | | | | | | | |
| 13 | Diversifying acquisition | 0.33 | 0.47 | -0.05* | -0.05* | -0.05* | 0.05* | -0.06* | -0.08** | -0.05* | -0.07** | 0.06* | -0.17** | -0.10** | 0.04 | | | | | | |
| 14 | Cultural distance | 0.06 | 1.58 | -0.002 | -0.01 | 0.14** | -0.32** | 0.13** | 0.16** | -0.04+ | 0.02 | -0.25** | -0.04+ | 0.13** | -0.05* | -0.11** | | | | | |
| 15 | Country risk | 0.01 | 0.17 | 0.02 | 0.01 | 0.16** | -0.22** | 0.15** | 0.17** | -0.02 | 0.05* | -0.32** | -0.06* | 0.11** | -0.06* | -0.14** | 0.58** | | | | |
| 16 | GDP per capita | 27.7 | 14.3 | -0.001 | 0.02 | -0.18** | 0.24** | -0.16** | -0.10** | 0.01 | -0.04+ | 0.28** | 0.05* | -0.11** | 0.06* | 0.13** | -0.53** | -0.84** | | | |
| 17 | Private target | 0.52 | 0.50 | 0.02 | 0.02 | -0.18** | -0.05* | -0.15** | -0.19** | -0.12** | -0.02 | 0.06* | -0.20** | -0.25** | 0.03 | 0.12** | -0.10** | -0.09** | 0.12** | | |
| 18 | Listed target | 0.10 | 0.30 | -0.05* | -0.04+ | 0.19** | 0.11** | 0.15** | 0.21** | 0.10** | 0.08** | -0.22** | 0.31** | 0.24** | 0.02 | -0.08** | 0.004 | 0.06* | -0.08** | -0.35** | |
| 19 | TMT size | 4.01 | 1.70 | -0.06* | -0.05* | 0.57** | 0.19** | 0.40** | 0.05* | -0.03 | -0.11** | 0.02** | 0.04+ | 0.36** | 0.11** | -0.001 | 0.04+ | 0.01 | -0.13** | -0.08** | 0.06* |

Note to Table 2.2: 3-day CAR (MAR) is the cumulative abnormal return for the a firms announcing a cross-border acquisition computed over a three-day event window (i.e. from day -1 to day +1) using market adjustment model. 3-day CAR (MM) is the cumulative abnormal return for a firm announcing a cross-border acquisition computed over a three-day event window (i.e. from day -1 to day +1) using market model. Num TMT int'l experience, Num TMT host country experience and Num TMT foreign nationals, denote the number of acquiring firms' TMT members with international career experience, those who have had exposure to the host country, and those who are non-UK nationals, respectively, and are measured at the end of the financial year preceding the focal cross-border transaction. Amount of int'l experience is the average number of years of acquiring firms' TMT members' international career experience and is measured at the end of the financial year preceding the focal cross-border transaction. Cash and Stock are indicator variables for transactions paid purely in cash and stock, respectively. Full acquisition denotes transactions where upon completion of the acquisition the acquirer gains full control of the target, i.e. at least 95% stake. Transaction value is the transaction value (in £ millions) is expressed in logarithmic form. Acquirer size and Acquirer ROA are the logarithm of market capitalisation of the acquiring firm (expressed in £ millions) and the ratio of return on assets, respectively, and are measured at the end of the financial year preceding the focal cross-border transaction. Diversifying acquisition is the indicator variable equal to one when an acquisition involved any industry other than the acquirer core macro industry, and zero otherwise. CultDist is the distance between the target country and the country of the acquiring firm (i.e. the UK) using Kogut & Singh's (1988) index on the basis of four cultural dimensions by Hofstede (2001). CountryRisk and GDP per capita are the *Euromoney* country risk index and one-year lagged GDP per capita (in USD thousands) of the host country. The correlation table reports pairwise correlation coefficients with +, *, and **denoting the corresponding significance levels at 10%, 5%, and 1%, respectively.

Table 2.3: The effects of the acquirer's TMT international orientation on CARs surrounding the announcement of a cross-country acquisition: univariate analysis.

| TMT international orientation measure | Abnormal return measure (3-day CAR) | TMT international orientation measure = 0 | | TMT international orientation measure > 0 | | Tests for the significance of the difference | |
|---------------------------------------|-------------------------------------|---|-----------|---|-----------|--|-------------------------|
| | | Mean | Std. dev. | Mean | Std. dev. | t-test statistic | Wilcoxon test statistic |
| Num TMT int'l experience | MM | 0.00177 | 0.04966 | 0.00576 | 0.04920 | 2.078* | 1.929+ |
| | MAR | 0.01235 | 0.05046 | 0.00663 | 0.04912 | 1.973+ | 2.019* |
| | | N = 352 | | N = 1643 | | | |
| Num TMT host country experience | MM | 0.00610 | 0.04848 | 0.00839 | 0.05112 | -0.964 | -1.070 |
| | MAR | 0.00692 | 0.04869 | 0.00921 | 0.05091 | -0.963 | -1.103 |
| | | N = 1369 | | N = 626 | | | |
| Num TMT foreign nationals | MM | 0.00866 | 0.05228 | 0.00659 | 0.04627 | 0.843 | 0.181 |
| | MAR | 0.00774 | 0.05223 | 0.00588 | 0.04617 | 0.940 | 0.118 |
| | | N = 1008 | | N = 987 | | | |

Note to Table 2.3: + and * denote significance at 10% and 5%, respectively. All the variables are defined the same way as in Tables 2.1 and 2.2.

Table 2.4: The effects of the acquirer's TMT international orientation on CARs surrounding the announcement of a cross-country acquisition: multivariate regressions.

| | Model1A | Model1B | Model2A | Model2B | Model3A | Model3B | Model4A | Model4B |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Num TMT int'l experience | -0.0978 (-0.94) | -0.0392 (-0.37) | | | | | -0.253* (-1.97) | -0.224+ (-1.75) |
| Num TMT host country experience | | | 0.149 (1.08) | 0.232+ (1.69) | | | 0.217 (1.51) | 0.281+ (1.96) |
| Num TMT foreign nationals | | | | | 0.145 (1.10) | 0.210 (1.64) | 0.270+ (1.74) | 0.308* (2.04) |
| Cash | 0.144 (0.51) | 0.0999 (0.35) | 0.139 (0.49) | 0.0892 (0.31) | 0.140 (0.49) | 0.0902 (0.32) | 0.114 (0.40) | 0.0634 (0.22) |
| Stock | -0.291 (-0.27) | -0.461 (-0.44) | -0.324 (-0.31) | -0.473 (-0.45) | -0.356 (-0.33) | -0.522 (-0.49) | -0.279 (-0.26) | -0.451 (-0.43) |
| Full acquisition | -0.467 (-1.48) | -0.508 (-1.62) | -0.439 (-1.41) | -0.481 (-1.55) | -0.459 (-1.47) | -0.510 (-1.64) | -0.466 (-1.50) | -0.509 (-1.64) |
| Transaction value | 0.0573 (0.75) | 0.0664 (0.87) | 0.0595 (0.78) | 0.0698 (0.91) | 0.0513 (0.67) | 0.0573 (0.75) | 0.0538 (0.70) | 0.0611 (0.80) |
| Private target | -0.146 (-0.59) | -0.250 (-1.01) | -0.156 (-0.63) | -0.261 (-1.05) | -0.148 (-0.60) | -0.249 (-1.01) | -0.150 (-0.60) | -0.254 (-1.03) |
| Listed target | -0.741 (-1.60) | -0.883+ (-1.89) | -0.838+ (-1.80) | -0.977* (-2.09) | -0.819+ (-1.77) | -0.954* (-2.05) | -0.819+ (-1.76) | -0.976* (-2.09) |
| Acquirer size | -0.201** (-2.88) | -0.261** (-3.74) | -0.242** (-3.78) | -0.293** (-4.61) | -0.231** (-3.73) | -0.278** (-4.48) | -0.196** (-2.81) | -0.253** (-3.66) |
| Acquirer ROA | -0.0120 (-1.05) | -0.00273 (-0.25) | -0.0100 (-0.90) | -0.00134 (-0.13) | -0.0101 (-0.90) | -0.00131 (-0.12) | -0.0125 (-1.09) | -0.00326 (-0.30) |
| Diversifying acquisition | -0.651** (-2.63) | -0.577* (-2.32) | -0.640** (-2.58) | -0.563* (-2.26) | -0.666** (-2.66) | -0.602* (-2.39) | -0.660** (-2.63) | -0.591* (-2.35) |
| Cultural differences | -0.0422 (-0.47) | -0.0705 (-0.79) | -0.0469 (-0.52) | -0.0756 (-0.85) | -0.0183 (-0.20) | -0.0314 (-0.35) | -0.00802 (-0.09) | -0.0258 (-0.28) |
| Country risk | 2.608+ (1.73) | 3.308* (2.18) | 2.329 (1.57) | 3.078* (2.06) | 2.322 (1.56) | 3.056* (2.04) | 2.489+ (1.66) | 3.159* (2.09) |
| GDP per capita | 0.0289+ (1.78) | 0.0283+ (1.71) | 0.0278+ (1.72) | 0.0277+ (1.69) | 0.0257 (1.57) | 0.0244 (1.47) | 0.0268 (1.63) | 0.0255 (1.53) |
| TMT size | 0.0376 (0.41) | 0.0119 (0.13) | -0.0317 (-0.40) | -0.0449 (-0.57) | -0.0217 (-0.29) | -0.0322 (-0.42) | 0.0265 (0.29) | -0.00130 (-0.01) |
| Intercept | 1.320 (1.34) | 1.911+ (1.93) | 1.935* (2.21) | 2.403** (2.72) | 1.870* (2.16) | 2.327** (2.67) | 1.400 (1.42) | 2.009* (2.03) |
| Observations | 1818 | 1818 | 1818 | 1818 | 1818 | 1818 | 1818 | 1818 |
| R-squared | 0.0231 | 0.0254 | 0.0233 | 0.0268 | 0.0232 | 0.0269 | 0.0262 | 0.0299 |
| F | 2.895** | 3.184** | 2.737** | 3.228** | 2.731** | 3.178** | 2.782** | 3.251** |

Note to Table 2.4: This table reports the results of OLS regressions showing the effect of TMT international orientation variables with relevant controls on the 3-day CARs of an acquiring firm. All the variables are defined the same way as in Tables 2.1 and 2.2. The models marked 'A' show MM-based CARs, while those marked 'B' show CARs based on MAR model. The t-statistic using robust standard errors are in parenthesis. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 2.5: Non-linear effects of the acquirer's TMT international orientation on CARs surrounding the announcement of a cross-country acquisition.

| | Model5A | Model5B | Model6A | Model6B |
|--|---------------------|----------------------|---------------------|---------------------|
| Num TMT host country experience | 0.401 (1.63) | 0.490* (2.02) | | |
| (Num TMT host country experience) ² | -0.126 (-1.24) | -0.129 (-1.28) | | |
| Amount of int'l experience | | | -0.00676 (-0.19) | 0.0127 (0.35) |
| (Amount of int'l experience) ² | | | 0.00837+ (1.81) | 0.00486 (1.06) |
| Cash | 0.144 (0.51) | 0.0934 (0.33) | 0.135 (0.47) | 0.0955 (0.34) |
| Stock | -0.36 (-0.34) | -0.527 (-0.50) | -0.365 (-0.34) | -0.519 (-0.49) |
| Full acquisition | -0.473 (-1.51) | -0.524+ (-1.68) | -0.426 (-1.36) | -0.483 (-1.55) |
| Transaction value | 0.0473 (0.62) | 0.0532 (0.70) | 0.0652 (0.85) | 0.0719 (0.94) |
| Private target | -0.157 (-0.63) | -0.258 (-1.04) | -0.119 (-0.48) | -0.232 (-0.93) |
| Listed target | -0.832+ (-1.80) | -0.968* (-2.08) | -0.831+ (-1.81) | -0.957* (-2.06) |
| Acquirer size | -0.231** (-3.72) | -0.277** (-4.48) | -0.257** (-3.59) | -0.306** (-4.29) |
| Acquirer ROA | -0.00967 (-0.86) | -0.000922 (-0.09) | -0.011 (-0.97) | -0.00188 (-0.17) |
| Diversifying acquisition | -0.665** (-2.65) | -0.601* (-2.39) | -0.625* (-2.52) | -0.557* (-2.23) |
| Cultural differences | -0.0131 (-0.15) | -0.0261 (-0.29) | -0.044 (-0.49) | -0.0741 (-0.83) |
| Country risk | 2.39 (1.61) | 3.126* (2.09) | 2.21 (1.46) | 2.992* (1.96) |
| GDP per capita | 0.0255 -1.57 | 0.0243 -1.46 | 0.0268 -1.63 | 0.0263 -1.57 |
| TMT size | -0.0145 (-0.19) | -0.0248 (-0.33) | 0.037 -0.48 | 0.0255 -0.33 |
| Intercept | 1.959* (2.25) | 2.419** (2.76) | 1.558+ (1.65) | 2.112* (2.22) |
| Observations | 1818 | 1818 | 1818 | 1818 |
| R-squared | 0.024 | 0.0278 | 0.025 | 0.0266 |
| F | 2.601** | 3.032** | 2.808** | 3.024** |

Note to Table 2.5: This table reports the results of OLS regressions showing the non-linear effect of TMT international orientation variables with relevant controls on the 3-day CARs of an acquiring firm. All the variables are defined the same way as in Tables 2.1 and 2.2. The models marked 'A' show MM-based CARs, while those marked 'B' show CARs based on MAR model. The t-statistic using robust standard errors are in parenthesis. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Appendix: Additional analyses for robustness-

Table 2.6: The effects of the acquirer's TMT international orientation on 3-day CARs surrounding the announcement of a cross-country acquisition: multivariate regressions.

| | Model11A | Model11B | Model12A | Model12B | Model13A | Model13B |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Percent TMT int'l experience | -0.177 (-0.43) | 0.0370 (0.09) | | | | |
| Percent TMT host country experience | | | 0.478 (0.91) | 0.765 (1.47) | | |
| Percent TMT foreign nationals | | | | | 0.498 (0.93) | 0.656 (1.25) |
| Cash | 0.146 (0.51) | 0.101 (0.36) | 0.138 (0.49) | 0.0892 (0.31) | 0.142 (0.50) | 0.0928 (0.33) |
| Stock | -0.298 (-0.28) | -0.481 (-0.45) | -0.337 (-0.32) | -0.490 (-0.46) | -0.361 (-0.34) | -0.532 (-0.50) |
| Full acquisition | -0.459 (-1.46) | -0.502 (-1.60) | -0.440 (-1.42) | -0.484 (-1.56) | -0.458 (-1.46) | -0.508 (-1.63) |
| Transaction value | 0.0576 (0.75) | 0.0662 (0.87) | 0.0595 (0.78) | 0.0695 (0.91) | 0.0520 (0.68) | 0.0582 (0.76) |
| Private target | -0.148 (-0.60) | -0.252 (-1.02) | -0.155 (-0.62) | -0.258 (-1.04) | -0.152 (-0.61) | -0.254 (-1.03) |
| Listed target | -0.764+ (-1.65) | -0.905+ (-1.94) | -0.837+ (-1.81) | -0.969* (-2.08) | -0.812+ (-1.76) | -0.944* (-2.03) |
| Acquirer size | -0.216** (-3.10) | -0.273** (-3.96) | -0.242** (-3.76) | -0.290** (-4.54) | -0.231** (-3.73) | -0.277** (-4.48) |
| Acquirer ROA | -0.0112 (-0.98) | -0.00203 (-0.19) | -0.0101 (-0.91) | -0.00155 (-0.15) | -0.00996 (-0.89) | -0.00114 (-0.11) |
| Diversifying acquisition | -0.651** (-2.63) | -0.577* (-2.32) | -0.634* (-2.56) | -0.556* (-2.23) | -0.663** (-2.65) | -0.598* (-2.38) |
| Cultural differences | -0.0424 (-0.47) | -0.0714 (-0.80) | -0.0447 (-0.50) | -0.0724 (-0.81) | -0.0220 (-0.24) | -0.0363 (-0.40) |
| Country risk | 2.519+ (1.66) | 3.225* (2.12) | 2.348 (1.58) | 3.118* (2.08) | 2.356 (1.58) | 3.105* (2.07) |
| GDP per capita | 0.0284+ (1.74) | 0.0278+ (1.68) | 0.0277+ (1.72) | 0.0276+ (1.68) | 0.0263 (1.62) | 0.0253 (1.53) |
| TMT size | -0.00736 (-0.10) | -0.00419 (-0.06) | -0.00195 (-0.03) | -0.00203 (-0.03) | -0.00325 (-0.04) | -0.00350 (-0.05) |
| Intercept | 1.615+ (1.80) | 2.082* (2.30) | 1.803* (2.11) | 2.199* (2.55) | 1.773* (2.08) | 2.178* (2.54) |
| Observations | 1818 | 1818 | 1818 | 1818 | 1818 | 1818 |
| R-squared | 0.0227 | 0.0253 | 0.0231 | 0.0262 | 0.023 | 0.0265 |
| F | 2.770** | 3.108** | 2.725** | 3.160** | 2.724** | 3.167** |

Note to Table 2.6: This table reports the results of OLS regressions showing the effect of TMT predictors expressed in proportions (percentages) instead of the original specification as numbers in Table 2.4 and relevant controls, on the 3-day CARs of an acquiring firm. The models marked 'A' show MM-based CARs, while those marked 'B' show CARs based on MAR model. The t-statistic using robust standard errors are in parenthesis. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 2.7: The effects of the acquirer's TMT international orientation on 11-day CARs surrounding the announcement of a cross-country acquisition: multivariate regressions.

| | Model7A | Model7B | Model8A | Model8B | Model9A | Model9B | Model10A | Model10B |
|---------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| Num TMT int'l experience | -0.123 (-0.77) | -0.0977 (-0.62) | | | | | -0.402* (-2.03) | -0.414* (-2.11) |
| Num TMT host country experience | | | 0.284 (1.20) | 0.346 (1.49) | | | 0.383 (1.55) | 0.439+ (1.82) |
| Num TMT foreign nationals | | | | | 0.295 (1.34) | 0.360+ (1.68) | 0.489+ (1.91) | 0.553* (2.20) |
| Cash | 0.77 (1.64) | 0.485 (1.05) | 0.757 (1.61) | 0.467 (1.02) | 0.761 (1.62) | 0.471 (1.03) | 0.716 (1.53) | 0.423 (0.92) |
| Stock | -1.125 (-0.69) | -1.371 (-0.82) | -1.167 (-0.72) | -1.403 (-0.84) | -1.227 (-0.76) | -1.477 (-0.88) | -1.102 (-0.68) | -1.346 (-0.81) |
| Full acquisition | -0.906+ (-1.65) | -0.943+ (-1.76) | -0.859 (-1.57) | -0.893+ (-1.67) | -0.899 (-1.64) | -0.942+ (-1.76) | -0.903+ (-1.65) | -0.941+ (-1.76) |
| Transaction value | 0.0559 (0.48) | 0.173 (1.47) | 0.0604 (0.51) | 0.179 (1.52) | 0.0445 (0.38) | 0.159 (1.35) | 0.0498 (0.42) | 0.166 (1.40) |
| Private target | -0.651 (-1.52) | -0.842* (-2.00) | -0.669 (-1.56) | -0.862* (-2.04) | -0.653 (-1.52) | -0.842* (-2.00) | -0.658 (-1.53) | -0.850* (-2.01) |
| Listed target | -0.254 (-0.36) | -0.364 (-0.50) | -0.417 (-0.59) | -0.538 (-0.74) | -0.375 (-0.53) | -0.487 (-0.67) | -0.394 (-0.55) | -0.522 (-0.72) |
| Acquirer size | -0.243* (-2.01) | -0.404** (-3.36) | -0.307** (-2.70) | -0.468** (-4.15) | -0.284** (-2.59) | -0.439** (-4.02) | -0.233+ (-1.94) | -0.393** (-3.28) |
| Acquirer ROA | -0.028 (-1.38) | -0.0122 (-0.61) | -0.025 (-1.25) | -0.00931 (-0.47) | -0.0251 (-1.25) | -0.00945 (-0.48) | -0.0288 (-1.41) | -0.0131 (-0.66) |
| Diversifying acquisition | -0.606 (-1.41) | -0.518 (-1.21) | -0.585 (-1.37) | -0.493 (-1.16) | -0.636 (-1.47) | -0.554 (-1.29) | -0.621 (-1.44) | -0.536 (-1.25) |
| Cultural differences | -0.0871 (-0.60) | -0.183 (-1.31) | -0.0955 (-0.66) | -0.192 (-1.37) | -0.0405 (-0.27) | -0.125 (-0.87) | -0.0272 (-0.18) | -0.114 (-0.78) |
| Country risk | 2.521 (1.02) | 3.828 (1.55) | 2.081 (0.85) | 3.382 (1.39) | 2.083 (0.85) | 3.385 (1.39) | 2.31 (0.94) | 3.587 (1.46) |
| GDP per capita | 0.0319 (1.22) | 0.0157 (0.59) | 0.0305 (1.17) | 0.0144 (0.55) | 0.0264 (1.01) | 0.00949 (0.36) | 0.0284 (1.08) | 0.0116 (0.44) |
| TMT size | 0.0104 -0.07 | -0.0211 (-0.15) | -0.0985 (-0.79) | -0.131 (-1.05) | -0.0757 (-0.62) | -0.104 (-0.85) | -0.0094 (-0.07) | -0.0436 (-0.31) |
| Intercept | 2.171 (1.27) | 4.190* (2.53) | 3.129* (1.99) | 5.152** (3.38) | 2.975+ (1.92) | 4.964** (3.29) | 2.313 (1.35) | 4.352** (2.62) |
| Observations | 1818 | 1818 | 1818 | 1818 | 1818 | 1818 | 1818 | 1818 |
| R-squared | 0.0178 | 0.024 | 0.0185 | 0.0254 | 0.0183 | 0.0251 | 0.0214 | 0.0288 |
| F | 1.962* | 2.976** | 1.898* | 2.936** | 1.904* | 2.936** | 1.963* | 2.96** |

Note to Table 2.7: This table reports similar results as the models in Table 2.4 with 11-day CARs as the dependent variable. All the variables are defined the same way as in Tables 2.1 and 2.2. The models marked 'A' show MM-based CARs, while those marked 'B' show CARs based on MAR model. The t-statistic using robust standard errors are in parenthesis. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 2.8: The effects of the acquirer's TMT international orientation on 3-day CARs surrounding the announcement of a cross-country acquisition: multivariate regressions showing interactions of TMT predictors with transactions value.

| | Model14A | Model14B | Model15A | Model15B | Model16A | Model16B |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Num TMT int'l experience | -0.0981 (-0.94) | -0.0399 (-0.38) | | | | |
| Num Int'l exp * transaction value | -0.00955 (-0.31) | -0.0217 (-0.71) | | | | |
| Num TMT host country experience | | | 0.153 (1.11) | 0.242+ (1.76) | | |
| Num host country exp * transaction value | | | -0.00603 (-0.10) | -0.0177 (-0.30) | | |
| Num TMT foreign nationals | | | | | 0.144 (1.10) | 0.212+ (1.66) |
| Num foreign nationals * transaction value | | | | | 0.00135 (0.02) | -0.0252 (-0.44) |
| Cash | 0.147 (0.52) | 0.106 (0.37) | 0.139 (0.49) | 0.0928 (0.33) | 0.140 (0.49) | 0.0882 (0.31) |
| Stock | -0.297 (-0.28) | -0.476 (-0.45) | -0.324 (-0.31) | -0.482 (-0.46) | -0.360 (-0.34) | -0.535 (-0.51) |
| Full acquisition | -0.467 (-1.49) | -0.508 (-1.62) | -0.439 (-1.41) | -0.484 (-1.56) | -0.458 (-1.46) | -0.505 (-1.62) |
| Transaction value | 0.0616 (0.78) | 0.0762 (0.96) | 0.0592 (0.77) | 0.0742 (0.96) | 0.0515 (0.67) | 0.0580 (0.76) |
| Private target | -0.146 (-0.59) | -0.250 (-1.01) | -0.156 (-0.63) | -0.262 (-1.06) | -0.148 (-0.60) | -0.250 (-1.01) |
| Listed target | -0.731 (-1.58) | -0.861+ (-1.84) | -0.838+ (-1.81) | -0.964* (-2.06) | -0.815+ (-1.77) | -0.943* (-2.04) |
| Acquirer size | -0.202** (-2.89) | -0.262** (-3.77) | -0.242** (-3.78) | -0.293** (-4.60) | -0.232** (-3.73) | -0.279** (-4.50) |
| Acquirer ROA | -0.0121 (-1.06) | -0.00291 (-0.26) | -0.0100 (-0.90) | -0.00137 (-0.13) | -0.0100 (-0.90) | -0.00124 (-0.12) |
| Diversifying acquisition | -0.650** (-2.62) | -0.576* (-2.31) | -0.640** (-2.58) | -0.565* (-2.27) | -0.667** (-2.66) | -0.604* (-2.40) |
| Cultural differences | -0.0410 (-0.46) | -0.0677 (-0.76) | -0.0470 (-0.53) | -0.0740 (-0.83) | -0.0181 (-0.20) | -0.0309 (-0.34) |
| Country risk | 2.598+ (1.72) | 3.285* (2.16) | 2.331 (1.56) | 3.040* (2.02) | 2.319 (1.56) | 3.045* (2.03) |
| GDP per capita | 0.0288+ (1.76) | 0.0280+ (1.69) | 0.0278+ (1.71) | 0.0273+ (1.65) | 0.0256 (1.57) | 0.0242 (1.46) |
| TMT size | 0.0386 (0.42) | 0.0143 (0.15) | -0.0316 (-0.40) | -0.0460 (-0.58) | -0.0216 (-0.28) | -0.0319 (-0.42) |
| Intercept | 1.440 (1.42) | 2.056* (2.01) | 2.052* (2.24) | 2.564** (2.79) | 1.977* (2.20) | 2.454** (2.71) |
| Observations | 1818 | 1818 | 1818 | 1818 | 1818 | 1818 |
| R-squared | 0.0231 | 0.0256 | 0.0233 | 0.0269 | 0.0232 | 0.0269 |
| F | 2.702** | 3.010** | 2.560** | 3.024** | 2.547** | 2.967** |

Note to Table 2.8: This table shows the results of OLS regressions showing the effect of interaction of the centred TMT predictors with centred transaction value on the 3-day CARs of an acquiring firm. All the variables are defined the same way as in Tables 2.1 and 2.2. The models marked 'A' show MM-based CARs, while those marked 'B' show CARs based on MAR model. The t-statistic using robust standard errors are in parenthesis. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 2.9: The effects of the acquirer's TMT international orientation on 3-day CARs surrounding the announcement of a cross-country acquisition: multivariate regressions showing high and low quartile range of TMT international experience.

| | Model17A | Model17B | Model18A | Model18B |
|--------------------------------|---------------------|----------------------|---------------------|---------------------|
| High range of int'l experience | 0.537+ (1.75) | 0.519+ (1.70) | | |
| Low range of int'l experience | | | 0.0185 (0.06) | -0.0923 (-0.32) |
| Cash | 0.140 (0.49) | 0.0934 (0.33) | 0.147 (0.52) | 0.104 (0.37) |
| Stock | -0.413 (-0.39) | -0.560 (-0.53) | -0.323 (-0.30) | -0.485 (-0.46) |
| Full acquisition | -0.418 (-1.34) | -0.467 (-1.50) | -0.455 (-1.45) | -0.501 (-1.60) |
| Transaction value | 0.0585 (0.77) | 0.0677 (0.89) | 0.0572 (0.75) | 0.0656 (0.86) |
| Private target | -0.157 (-0.63) | -0.259 (-1.05) | -0.150 (-0.60) | -0.251 (-1.02) |
| Listed target | -0.866+ (-1.88) | -0.979* (-2.10) | -0.783+ (-1.69) | -0.913+ (-1.96) |
| Acquirer size | -0.272** (-4.09) | -0.314** (-4.76) | -0.226** (-3.43) | -0.277** (-4.23) |
| Acquirer ROA | -0.00855 (-0.75) | -0.000181 (-0.02) | -0.0106 (-0.95) | -0.00186 (-0.17) |
| Diversifying acquisition | -0.647** (-2.61) | -0.574* (-2.30) | -0.649** (-2.61) | -0.581* (-2.33) |
| Cultural differences | -0.0490 (-0.55) | -0.0762 (-0.85) | -0.0436 (-0.49) | -0.0725 (-0.81) |
| Country risk | 2.088 (1.39) | 2.900+ (1.91) | 2.450 (1.63) | 3.194* (2.11) |
| GDP per capita | 0.0261 (1.62) | 0.0261 (1.59) | 0.0280+ (1.71) | 0.0275+ (1.66) |
| TMT size | 0.00975 (0.13) | 0.00854 (0.11) | -0.00424 (-0.06) | -0.00421 (-0.06) |
| Intercept | 1.894* (2.21) | 2.251** (2.60) | 1.685+ (1.84) | 2.145* (2.34) |
| Observations | 1818 | 1818 | 1818 | 1818 |
| R-squared | 0.0241 | 0.0267 | 0.0225 | 0.0253 |
| F | 2.875** | 3.269** | 2.731** | 3.092** |

Note to Table 2.9: This table reports the results OLS regressions showing the effect of TMT predictor of international experience in terms of range of countries (breadth) with a different specification in highest and lowest quartiles of this predictor, on the 3-day CARs of an acquiring firm. The models marked 'A' show MM-based CARs, while those marked 'B'

show CARs based on MAR model. The t-statistic using robust standard errors are in parenthesis. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Kogut and Singh (1988) cultural distance index is based on:

$$CD_j = \sum_{i=1}^4 \{(I_{ij} - I_{iu})^2 / V_i\} / 4$$

where I_{ij} stands for the index for the i th cultural dimension for country j . V_i is the variance of the index of the i th dimension, u indicates UK. (dimensions are power distance, uncertainty avoidance, masculinity and individualism)

| Value Dimension | Value Description | High Score | Low Score |
|--|--|---|---|
| Power Distance Index (PDI) | The degree of equality, or inequality, between people in the country's society | Indicates that inequalities of power and wealth have been allowed to grow within the society. These societies are more likely to follow a caste system that does not allow significant upward mobility of its citizens. | Indicates the society de-emphasizes the differences between citizen's power and wealth. In these societies equality and opportunity for everyone is stressed. |
| Individualism (IDV) | Degree to which a society reinforces individual or collective achievement and interpersonal relationships. | Indicates that individuality and individual rights are paramount within the society. Individuals may tend to form a larger number of looser relationships. | Typifies societies of a more collectivist nature with close ties between individuals. Reinforce extended families and collectives where everyone takes responsibility for fellow members of their group. |
| Masculinity (MAS) | Degree to which a society reinforces, or does not reinforce, the traditional masculine work role model of male achievement, control, and power | Indicates the country experiences a high degree of gender differentiation. Males dominate a significant portion of the society and power structure, with females being controlled by male domination. | Indicates the country has a low level of differentiation and discrimination between genders. Females are treated equally to males in all aspects of the society. |
| Uncertainty Avoidance Index (UAI) | Level of tolerance for uncertainty and ambiguity. within the society - i.e. unstructured situations. | Indicates the country has a low tolerance for uncertainty and ambiguity Creates a rule-oriented society that institutes laws, rules, regulations, and controls in order to reduce the amount of uncertainty. | Indicates the country has less concern about ambiguity and uncertainty and has more tolerance for a variety of opinions. Reflected in a society that is less rule-oriented, more readily accepts change, and takes more and greater |

Chapter 3: TMT international orientation of acquiring firms and their post-acquisition performance

3.1 Introduction

The market for corporate control with respect to cross-border M&As have always evoked much interest from widely different fields of studies. Thanks to the voluminous research which has looked at this type of strategic investment decision from the perspective of shareholder wealth generation, albeit there has been lesser attention to the longer term. Since not only the empirical findings of prior research, but the factors influencing them are somewhat confusing, we aim to add value to it by choosing to explore the post-foreign-acquisition one-year performance of bidding firms from the UK in terms of both financial (buy-and-hold abnormal returns) and accounting (return on assets and return on equity) returns. In the previous chapter on short-run announcement returns, not only did we document divergent effects of the proxies we adopted for international orientation, but also a non-linear effect of a few proxies. Therefore, in this chapter we re-examine the impact of international orientation in a slightly different framework to get a better understanding of those apparent inconsistencies we observed with respect to the determinants of TMT orientation. Therefore, our object here is to study how the longer term post-acquisition outcomes are shaped by the different features of TMT-level ‘international orientation’ for these bidding firms.

Looking at a multitude of factors extant literature has documented wealth creation or destruction for M&A announcements, although quantifying those concerning cross-border acquisitions continue to pose a challenge. Amongst them, more attention had been devoted to the business setting in which firms operate, characteristics of M&A transactions as well as the involved firms, etc. (see Agrawal & Jaffe, 2000; Haleblan *et al.*, 2009 for reviews). Individual attributes of managers have also warranted some attention, albeit on a lesser scale. Extending this latter under-researched yet more intricate determinant of cross-country strategic outcomes with a two-pronged approach, i.e. international experience and national diversity at the bidder-TMT-level is what we focus on in this chapter. Basically our focus is on how these two features of ‘international orientation’ of top executive teams looked into by earlier studies (e.g., Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014), eventually influence post-acquisition performance of these acquiring firms through choice of foreign hosts by their respective TMTs.

As noted above, it is not only that prior studies on long-run post-acquisition returns have reported conflicting findings, varied research streams such as corporate finance, international business (IB) and upper echelons did present similar contradictory views on managerial motives and behaviours. Limited information coupled with the latitude of action induce top executives on the board of firms to act and judge in specific observed manners that can have long-lasting impacts on performance as well as value of their firms. For instance, it has been argued in both IB and upper echelon studies (e.g., Carpenter *et al.*, 2004; Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014) about the facilitating role played by top manager(s) in being able to identify and venture for more ambitious strategies concerning expansion abroad with their globally-oriented perceptions. Thus, it can be expected that managerial behaviour as well and action tend to play a key role in their firms' vital strategies and investments and consequently, affect their long-term performance. Although rare, there are similar studies both in corporate finance (e.g., Roll, 1986; Malmendier & Tate, 2008) and IB (e.g., Finkelstein *et al.*, 2008; Hiller & Hambrick, 2005) which presented findings with totally contrary implications. In particular, this literature showed either an agency conflict (Jensen & Meckling, 1976) or a behavioural (e.g., Roll, 1986; Hiller & Hambrick, 2005) backdrop. For example, it suggests that past favourable experiences and successes could generate a sense of excessive self-assurance and attribution causing an hubristic attitude. This could adversely affect their subsequent strategies resulting shareholder wealth destruction on a massive scale. Also, evidence of U-shaped (curvilinear) relationships (e.g., Haleblan & Finkelstein, 1999; Schmid & Dauth, 2014) have been hypothesized and traced with the determinants of international orientation of managers and performance of their firms. Integrating these surmised views and the findings in earlier studies, we examine in this chapter the following fundamental questions from a bidder firm's standpoint: (1) Can international-orientation, if present in its TMT, ensure better decision-making thus, ultimately reflecting in the longer term post-cross-border-acquisition performance? (2) Under what conditions TMT international experience and diversity might generate superior returns from such acquisitions? (3) Is an optimal level of this hypothesized 'international orientation' achievable?

We seek to find answers to these questions using a multilevel research design capturing the inherent heterogeneity of acquiring firms and their industry structures as well as the different target countries these firms opt to expand their businesses to. Extant researches contended that international orientation of TMT is revealed in the team members' international exposure and/

or national diversity (Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014; etc.). We associate these features with ensuing outcomes post-acquisition in a framework of cross-country acquisitions for a longer time frame of one year, although this had also been studied in the Chapter 2, but from a shorter-term perspective, as already mentioned. Also, since prior literature generally highlights the unfavourable impact of takeovers as far as acquirers are concerned (see for instance, Andrade *et al.*, 2001; Halebian *et al.*, 2009), we consider investigating further these consequential effects in the longer term. Further, given the underlying intricacies of a global environment not only due to cultural divergence and risks of institutional and market stringencies, but other multifarious unobservable factors, bidders in cross-border acquisitions tend to underperform (Moeller & Schlingemann, 2005). Therefore, acquirer TMT perspectives and impacts of their decision-making in the cross-border setting with a long term outlook, seems intriguing to explore.

We brought in two complementary facets of international exposure as our predictors of long-run post-acquisition returns, viz., its amount in terms of the number of years (depth) and its range in terms of the number of countries (breadth). Specifically, the postulations and evidence advocating both the positive and negative effects of managerial behaviour and actions led us to conjecture a curvilinear (U-shaped) relationship of these two aspects with post-acquisition performance in a one-year window. Our contentions for this proposed curvilinear shape were that if one or more managers in a team of top executives have international wisdom, then: (a) initial inadequate levels of this knowledge might fall short of its desired advantages due to optimism bias causing hubris (Roll, 1986) and/or overconfidence. This could bring about detrimental outcomes for an acquirer firm. (b) However, as the team gathers more of this knowledge, either in terms of more years or more countries, the team is likely to behave more prudently, being better capable of evaluating the pros and cons of the decision to acquire a cross-border target. Yet, taking stock of the advantages and disadvantages of nationality mix (e.g. Nielsen & Nielsen, 2011) in acquirer TMTs, our conjectures were just the opposite with respect to the benefits. We hypothesized an inverted U-shaped association between cultural diversity and the long-term aftermath of cross-country acquisitions. This is due to the fact that initially diversity in moderation could achieve superior cognition of the technicalities of global expansion. This however, tends to fade as problems of effective communication with more foreigners in the bidder TMT might undesirably delay decision-making, escalating costs, and even resulting in ‘adverse selection’ issues over foreign targets. Our empirical analyses employing our original sample substantiated our theoretical predictions.

This chapter makes the following contribution to existing literature: first, we suggested and offered a more comprehensive picture not only of ‘international orientation’ at the TMT-level of bidding firms, but also related it to eventually positive long-term consequential outcomes. Second, we attempted to reconcile both the alleged benefits and detriments of TMT international orientation, showing how the two could be balanced and optimised to generate desired positive effects on long-term performance. Third, we conceived more nuanced indicators of TMT international experience, i.e. its depth and breadth to relate the longer term performance of these firms. Fourth, incorporating the contradictory evidence envisaged by prior research, we extended it in two ways: (i) our econometric specifications allow us to study the relationship of the overall impact of strategic choices by bidder TMT on the profitability of cross-border acquisition outcomes in the longer term. This is opposed to the earlier focus of both corporate finance and IB studies examining behavioural influence of a single executive, like CEOs. (ii) complementing firm-level acquisitive learning as professed by previous studies (e.g., Halebian & Finkelstein, 1999) with learning from ‘international orientation’ at the team-level. Fifth, in view of the ambiguous inferences as well as scarcity of studies looking at long-run post-acquisition operating returns (e.g., Martynova, Oosting, & Renneboog, 2007; etc.), our study also offers an extension. Last but not the least, we predict and explain this performance bringing in novel explanations of the TMT-role using multifaceted aspects of their global orientation to affect acquisition decisions and outcomes, having demonstrated this divergence in our empirical results.

The remainder of this chapter is as follows: Starting with theories influencing the long-run studies and a brief review of the background literature, the succeeding sections develop the research hypotheses, followed by the research design and the sample description. While the last but one section discusses the empirical results of our postulates, the final one, the implications and limitations of this chapter making suggestions for further research.

3.2 Motivating theories

An extensive review of the literature on long-run post-acquisition performance by Agrawal & Jaffe (2000) discussed the theoretical motivations for the empirical findings summarised in the next section. They looked primarily at the following:

(1) the market efficiency in terms of the speed of price reaction to the news of merger announcements: (a) stocks of acquiring companies react instantaneously to the announcement news of M&As as evidence of market efficiency. So, any later price adjustment would be attributable to other factors unrelated to that news; (b) stock prices of firms concerned might under-react or over-react to these news, implying market inefficiency.

(2) different methods of payment used for M&As: Myers & Majluf (1984) conjectured that overvalued firms were more likely to issue equity. This was linked by Loughran & Vijh (1997) to negative abnormal returns, experienced by acquiring firms resorting solely to equity exchange for their targets.

(3) extrapolation of past performance in M&A decisions: Rau & Vermaelen (1998) hypothesized that investors as well as top executives of bidders are predisposed to infer from the previous experience of M&A outcomes, whilst considering their current decision. So, 'glamour' firms with earlier M&A successes would be viewed favourably with respect to the current M&A decision. The long-run returns of these firms however, reflect re-evaluation of the initial market reactions at announcements of M&As by these firms, which would be negative since glamour firms tend to be overvalued. Also, due to their past better performances in comparison to value firms, management in the former would presumably consider the current M&A decision in that light. This suggests somewhat lax and/or optimistic decisions (e.g. paying higher acquisition premiums) at the executive-level of these glamour firms, while for value firms, a contrary scenario would most likely apply.

(4) earnings-per-share (EPS) myopia: Rau & Vermaelen (1998) also put forward a corollary theory to their performance over-assessment theory that overpayment in the form of high premiums may also indicate the aim of a bidder management to achieve a high EPS ratio, which subsequently could be corrected by the market. This correction would then be reflected in an inferior long-run performance by such a firm.

Agrawal & Jaffe (2000) also surveys the studies which empirically test the above hypotheses which we discuss in the next section.

3.3 Prior related literature

Cross-border M&As have always remained one of the riskiest strategic investment ventures from the standpoint of acquiring firms as far as resource involvement is concerned. Therefore imperatively, value creation in terms of such decisions has been empirically investigated both from short and long term perspectives. Whilst extensive empirical evidence hitherto is primarily derived from short-run event studies; extant research albeit somewhat scarce, on the long-run post-acquisition performance of acquirers, both in terms of financial and operating performance is rather mixed. Thus, virtually the inference of this research indicates a lack of consensus. As Agrawal & Jaffe (2000) pointed out, limited research on the returns from a long-run perspective could be ascribed possibly to the strong conviction in the 'Efficient Market' hypothesis by Fama (1970). Since studies mainly focused on takeovers involving US acquirers and targets, evidence from the UK has been somewhat limited (Martynova *et al.*, 2007), notwithstanding that the majority of these papers looked at the combined profitability of both acquirers and targets, post-takeover.

The said review by Agrawal & Jaffe (2000) also segregates these studies into the ones preceding the seminal one by Franks, Harris & Titman (1991), and those that succeeded it. Out of the studies prior to the paper by Franks *et al.*, (1991), it was only Asquith (1983) who reported significantly negative cumulative announcement abnormal returns (CAARs) over a post-announcement window of 240 days of mergers, which were also viable from an economic standpoint. Most of the other papers during this pre-period failed to distinguish between mergers and tender offers⁵. Therefore, it cannot be convincingly concluded that the pre- Franks *et al.* (1991) studies presented empirical evidence contradicting the market efficiency theory.

The paper on long-run performance with a sample of listed US acquiring and target firms by Franks *et al.* (1991), improved the methods employed for computation of these returns, thereby shaping the way for use of more refined techniques in later research. They used three different benchmarks, viz. equally-weighted, value-weighted and ten-factor and eight-portfolio, to calculate abnormal returns, with quite different results. However, they attached more importance to the insignificant returns from considering the third approach as superior-most in comparison to the others they followed since it accounted for the 'cross-correlation' in returns of individual firms in their sample (Agrawal & Jaffe, 2000).

⁵ The main difference between mergers and tender offers comes from the dissimilar exchange medium employed in either case: while the former usually involves cash, the latter equity (Agrawal & Jaffe, 2000).

The studies following the paper by Franks *et al.* (1991), were differentiated by Agrawal & Jaffe (2000), sub-grouping them into those looking at long-term performances of mergers as well as tender offers (abbreviated as TOs henceforth). Considering only the outcomes of mergers, those studies with the US data (e.g. Agrawal, Jaffe & Mandelker, 1992; Anderson & Mandelker, 1993; Loughran & Vijh, 1997; Rau & Vermaelen, 1998; etc.), reported significant negative abnormal returns. All the aforesaid papers except Loughran & Vijh (1997), estimated CAARs, while they computed buy-and-hold returns. Gregory's (1997) estimation of CAARs using the UK data substantiated the findings of these previously mentioned papers, although he did not present his results separating mergers and TOs. Agrawal & Jaffe (2000) concluded the presence of an 'anomaly' against the populist notion about 'efficient market' based on their review of these papers which also suggested economically significant negative long-run returns following mergers, despite the associated methodology issues. However, they were unable to make a similar inference whilst summarising the findings of those papers (e.g. Agrawal *et al.*, 1992; Loderer & Martin, 1992; Loughran & Vijh, 1997; etc.) which separated TOs. This is because, in this latter case, two of these papers, viz. both of Agrawal *et al.*, (1992) and Loderer & Martin (1992) reported statistically insignificant but positive CAARs.

While exploring the factors motivating the observed long-term performances of acquirers, Agrawal & Jaffe (2000) did not find much support for the theory (1)(b) (mentioned in the previous section) positing investors' under-reaction to M&A announcements. For instance, the empirical findings of Agrawal *et al.*, (1992) for their whole sample period, could only suggest the presence of a likely anomaly to the theory of 'efficient markets'. But this paper failed to explain the findings from the time dimension of statistically significant stock price reactions to the announcement news. As suggested by the payment mode theory that all-equity-paying bidders suffer from adverse returns in the longer term, Agrawal & Jaffe (2000) did find some support for this notion. For example, Franks, Harris and Mayer, (1988) observed that those opting for their targets in exchange for only cash were more unlikely to perform worse in comparison to their counterparts opting for equity only. Franks *et al.* (1991) however, did not find any significant evidence of superior long-run abnormal returns by all-cash paying firms. Gregory (1997) reported partial support for this theory, although without the statistical tests for the observed difference in outcomes, separated by payment modes. But, the paper by Loughran & Vijh (1997) also showed a stronger substantiation of this theory. Finally, Mitchell & Stafford (2000) also corroborated this hypothesis, whilst taking care of some of the methodological concerns. Agrawal & Jaffe's (2000) review of the paper by Rau & Vermaelen (1998) to

validate the performance extrapolation hypothesis referred to in the last section, shows that the three-year abnormal returns for the glamour acquirers tended to be lower than that of the value acquirers, controlling for both payment method and form of acquisition. However, the empirical evidence from this paper did not indicate any support for the theory suggesting EPS myopia of the market as well as bidder management.

As discussed in the above paragraphs, Agrawal & Jaffe's (2000) all-encompassing survey of the long-term M&A outcomes, did suggest some evidence of worsening post-takeover returns for the studies succeeding Franks *et al.*, (1991). However, several methodological concerns have generally been raised in respect of the computation of abnormal returns in the longer term (e.g., Kothari & Warner, 1997; Barber & Lyon, 1997; Lyon, Barber, & Tsai, 1999; Mitchell & Stafford, 2000). Further, looking at the conflicting empirical findings of the extant studies, Fama (1998) in his comprehensive literature review of the overall performance by firms in the long-run, observed (p.304) that "Consistent with the market efficiency hypothesis that the anomalies are chance results, apparent overreaction of stock prices to information is about as common as under-reaction...". So, according to Fama (1998) the documented evidence of abnormal returns, either positive or negative as supposed rebuttals to 'efficient markets', tended to be ambiguous at best. Notwithstanding Fama's conclusions from a broader perspective, Agrawal & Jaffe (2000) still adhered to their inference on long-run under-performance following both TOs and mergers. They opined that having reviewed a wide array of studies from both the US and the UK with diverse-ranging sample periods, the persistent report of underperformance might not solely be attributable to either 'chance' as conjectured by Fama (1998) or flawed methodologies employed as argued by the aforesaid papers. In the subsequent paragraphs, we take a brief look at some of the more recent papers on long-run outcomes, including the relatively scant post-acquisition operating performance literature, in order to either retain Agrawal & Jaffe's (2000) basic conclusion on 'underperformance of acquiring firms' or refute it.

Using data from the UK, Baker & Limmack (2002) showed significantly negative buy-and-hold abnormal returns (BHARs) over a 60-month event window, using eight different benchmark models. The study by Moeller Schlingemann & Stulz (2003) of post-acquisition-completion performance abnormal using US data also showed significantly negative BHARs, but across a three-year period. However, they could not document any such evidence using the calendar time portfolio method. Again, Sudarsanam & Mahate (2003) employing a sample of

UK bidding firms showed three-year BHARs after acquisitions, were significantly worse for glamour firms, thus upholding the primary findings of Rau & Vermaelen (1998). However, these authors found a stronger support for the payment hypothesis than that of extrapolation, in contrast to the latter authors, thus corroborating the extant empirical evidence of shareholder wealth destruction by those bidders opting for solely equity swaps. A study with a sample of Canadian firms by Andre, Kooli & L'Her (2004) reported insignificant calendar time returns for a 36-month post-acquisition period. This paper however, suffered from a limited data (only 267 Canadian acquisitions) issue. Similarly, the study by Dube & Glascock (2006), employing US sample (with a small sample of 255 acquisitions) failed to show a significant risk-adjusted abnormal performance for the acquirers. The CTAR methodology with Fama-French regression they used, did not show any trace of abnormal stock returns either for a 12-month or a 36-month period following the acquisitions. The paper by Moeller *et al.* (2005) evidenced large losses to the US acquiring firms, where they documented significantly negative post-acquisition BHARs for a 24-month period. Sudasanam & Huang (2007) also reported significantly negative momentum-adjusted 36-month BHARs with a sample of US acquirers. Further, the more recent studies on UK data (e.g. Cosh, Guest & Hughes, 2006; Antoniou, Petmezas & Zhao, 2007, etc.) also reported significant losses to the bidding firms, despite having used different benchmarks for abnormal returns computation. Specifically, the latter study by Antoniou *et al.*, (2007) employed the calendar-time methodology and their findings suggested significantly negative abnormal returns over a three-year window to the frequent acquirers, irrespective of the listing status of their targets.

Notwithstanding the above findings, Lyon *et al.* (1999) suggested that a pragmatic approach of computing post-acquisition returns using both event-time as well as calendar-time approaches would perhaps better deal with the criticisms levelled on the methodological front. This seems to be the norm followed by the recent studies, including some of those cited above. For instance, another study on Canadian firms by Dutta & Jog (2009) using both these approaches failed to detect any significant abnormal performance in the three years after the effective date of these acquisitions. Nor, did they find any significant indication of under-or-over-performance in terms of operating returns to these firms.

A thorough review of the literature on long-run operating performance following M&As by Martynova *et al.* (2007) leads them to conclude that there has been confounding evidence documented in various studies. Further, they could not present any significant influence of the

factors, like payment methods, industry relatedness, etc. on post-merger operating outcomes. For instance, the US-based studies (e.g., Moeller & Schlingemann, 2004, etc.) failed to detect any post-merger improvement as far as bidders were concerned. The UK-based papers on the other hand, presented more conflicting results than their US counterparts on investigating the long-run operating outcome of acquisitions. For example, while Dickerson, Gibson & Tsakalotos (1997) reported a significant fall in the return on assets of the bidders, Powell & Stark (2005) found an increase in operating profits. Studies looking at continental Europe (e.g., Martynova *et al.* 2007, etc.) also provided empirical evidence which infers somewhat inconclusively of a significant improvement in post-acquisition profitability.

In view of the foregoing summary of the extant literature examining post-M&A profitability of returns, unanimity on the superior performance of the acquiring firms is perhaps not tenable. This could be ascribable to the methodological issues and sometimes a relatively smaller sample sizes which plagued a number of the earlier studies reviewed above. The later studies (e.g. Mitchell & Stafford, 2000; Powell & Stark, 2005, etc.) however, employing more sophisticated techniques (whilst estimating either stock performance or operating performance post-takeover) also failed to report consistent findings. Moreover, the research reviewed here were mostly on domestic M&As with only a few ones (e.g., Martynova *et al.* 2007, etc.) taking a broader approach bringing in the international context. Notwithstanding, the lack of clarity as to whether these reported findings are either favourable or not, our intent with respect to this chapter is slightly different. We want to ascertain whether strategic decision-making pertaining to cross-border acquisitions at TMT-level of the UK bidder firms permeate by affecting the outcomes thereof from a longer term perspective.

3.4 TMTs as decision makers – focus on their international orientation

We have touched upon both the bidder-and-deal-specific factors that may affect abnormal returns in the longer term in our review of empirical research on long-run performance in the previous section. But the part played by the top-managers of acquirers as the primary source of stimulus has not been discussed. Hardly any prior corporate finance studies have explored

post-acquisition value creation and/or destruction in the long-run from this perspective. Something similar had been the outlook of IB research (e.g., Haleblian *et al.*, 2009).

The neo-classical theory of M&As has rested on the fundamental assumption that managers act rationally and seek to maximize firm value based on a synergistic view of acquisition strategies. However, empirical evidence (e.g., Malmendiar & Tate, 2008, etc.) substantiate otherwise, whilst behavioural theories and premises (e.g., hubris by Roll, 1986; agency by Jensen & Meckling, 1976, etc.) provide more realistic explanations, but mostly from a shorter-term approach. Researchers on ‘upper echelons’ (Finkelstein *et al.*, 2008) have indeed looked into the consequences of international M&A decisions due to the experiential learning of acquirer TMTs, albeit that these were also from a shorter-term viewpoint, being generally event studies (e.g., Barkema & Schijven, 2008; Haleblian *et al.*, 2009, etc.). Some IB and organisational behaviour literature (e.g., Halebilan & Finkelstein, 1999; Hiller & Hambrick, 2005, etc.) however, supported the behavioural finance research on managerial motives, upholding the misperceived subjective evaluation of foreign targets and envisaged synergies.

The previous chapter had talked in detail about the lesser focus on the decision-making role of the overall TMTs of the bidder firms by both corporate finance and IB research. Moreover, it was also argued that whilst dealing with complex and risky strategies such as cross-country acquisitions, the entire TMT (Cyert & March, 1963; Nadolska & Barkema, 2014) acts in unison to choose a potential host. This view in respect of TMT behavioural patterns, is underscored by ‘upper echelon’ studies and is in contrast to the views expressed by the corporate finance and IB research, which predominantly focused on decision-making at an individual-level, viz., by acquirer chief executive officers CEOs (e.g., Jensen, 1986; Haleblian *et al.*, 2009).

We had also deliberated in detail in our previous chapter on the contentions of research on ‘upper echelons’ (Finkelstein *et al.*, 2008) that: (a) accumulated wisdom from having diverse nationalities and previous global experience lead to ‘international orientation’ of these top executives; (b) how their individual persona and traits (Hambrick & Mason, 1984) interact to influence their discretionary powers (Crossland & Hambrick, 2011) which in turn affect strategic decisions as well as their consequences, as in cases of international acquisitions; (c) the facilitating role of the TMTs (Carpenter & Fredrickson, 2001) of acquiring firms in garnering positive outcomes by virtue of their superior decision-making abilities.

These visible individual personalities in a TMT in turn would tend to shape its strategic decision-making with respect to cross-border acquisitions (Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014). Therefore, we hypothesize that an ‘internationally oriented TMT would possess the efficiency as well as the confidence to deal with the uncertainties and risks inherent in cross-country acquisitions (Finkelstein *et al.*, 2008; Crossland & Hambrick, 2011).

Notwithstanding the professed advantages of ‘international orientation’, when opting for cross-country M&As, the complexity and riskiness involved in these deals tend to make decision-making more difficult, as already discussed in Chapter 2. The inherent inflexibility of choices made in international acquisitions presumably heightens its uncertainties where ‘international orientation’ may give rise to unwarranted optimism and overconfidence (Haleblian & Finkelstein, 1999). This could obfuscate decision-making or judgements and may lead to circumstances where this so-called advantage is likely to be misapplied. Moreover, ‘international orientation’ as discussed in Chapter 2, may also inflate one’s high core self-evaluations (Hiller & Hambrick, 2005) and could generate a hubristic attitude (Roll, 1986). This coupled with one’s misperception of prior favorable acquisition outcomes being attributable to past international experience or due to the influence of foreign national culture, is also likely to generate a ‘self-attributive’ syndrome as pointed out by Billet & Qian (2008). These perceptible anomalies in the behaviour of top managers, detailed in the previous chapter, have been recognized in IB studies (Crossland & Hambrick, 2011; Haleblian & Finkelstein, 1999) and by a recently emergent branch of corporate finance (e.g. Malmendier & Tate, 2008). The latter group of studies assumed that these individuals have a preconceived belief that their decisions and actions are in the best interest of their firms; therefore, free from the so-called ‘agency conflicts’ as posited in corporate finance (Jensen, 1986).

From the foregoing discussions, it can be hypothesized that overall decision-making by a team of top executives of a bidder can potentially be affected by the idiosyncrasies of individualistic attitudes and mindsets. Under these circumstances, the perceived benefits of ‘international orientation’ might fail to facilitate superior judgement by an acquiring firm’s TMT as a whole, in respect of a prospective foreign host. Since uncertainties associated with limited information available, are more likely to surface in acquisition deals abroad, this specialist knowledge of bidder TMTs could be misused and/ or misapplied. Therefore, the following section on ‘Hypotheses’ development would delineate more precisely: whether there exists a threshold

after which TMT ‘international orientation’ can in reality benefit the acquiring firms opting for cross-border targets. What level of competence would prevent the TMTs from potential misjudgement or overoptimistic assessment of expected synergies of the deals-at-hand or downsizing the risks involved?

3.5 Research hypotheses

The last section has highlighted the pros and cons pertaining to the ‘international orientation’ of one or more TMT members which interact to influence their collective judgement. We also have considered the envisioned threat posed by the hazards of cross-country acquisitions, which may offset the postulated benefits of this so-called ‘international orientation’ to effect better acquisition decisions. In this section we shall build upon all these arguments to predict how either the international experience of managers or their foreign backgrounds could have consequences on the long-run performances of the acquiring firms. In other words, we explore in the subsequent paragraphs how and under what conditions the desired beneficial effects of this orientation, can be optimized whilst outweighing the alleged adverse ones.

As discussed in the earlier chapter as to how amidst a host of environmental factors that operate in the cross-border contexts, both firm and industry level considerations interplay to exacerbate the complexity and unpredictability of these transactions. Our review of previous empirical literature examining the long-run performance of bidding firms revealed ambiguous evidence. According to Agrawal & Jaffe (2000), amongst others, the statistically significant determinants that were documented to contribute to such outcomes, most noteworthy were the different payment methods used (Mitchell & Stafford, 2000) and extrapolation of past performances (Rau & Vermaelen, 1998), etc. We have developed further the extrapolation theory pertaining to managerial behavioural idiosyncrasies and its empirical results in the earlier section, to investigate the detrimental consequences of the likelihood of developing a ‘self-attributive bias’ and/or ‘hubris’ which may arise by virtue of extrapolation of previous successful outcomes. Here, we extend it to investigate the overall impact of exercise of discretionary powers by acquirer TMTs, emphasizing the circumstances when not only these may be mitigated, but rather generate favourable outcomes in the longer term for bidders.

As contended earlier, it is the team of top executives of an acquiring firm, rather than just an individual executive, who is responsible for decisions on these strategic investments such as cross-border acquisitions. Cyert & March (1963) referred such a team as the ‘dominant coalition’ as opposed to the opinion of a single executive (Hambrick & Mason, 1984; etc.) expressed in both corporate finance and IB studies. Each strategic foreign acquisition decision is likely to have a combination of varied motives. This tends to make the scope of learning based on prior experience from factors like residence or education and/or work abroad, somewhat limited and difficult at the same time. This situation seems more probable when the number of years of such exposure is inadequate. Expressed differently, insufficient depth of international experience would make the process of synthesizing and integrating the experiential learning more challenging. Hence, it could be anticipated that this limited international knowledge would inhibit rationalizing the inference that would be warranted from similar acquisitive activities. Consequently, behavioral biases like ‘self-attribution’ ‘hubris’, etc. posited earlier, may be manifested. Therefore, it is essential that the learning from earlier international experience is effectively applied when opting for a cross-country host in view of the multifarious complexities involved. In order to do so, the entire TMT of an acquiring firm should have the ability and competency garnered through an appropriate number of years of international insight. Hence, it could be predicted that as this exposure grows in time, the TMT of a bidder, would be in a position to make a more suitable assessment of all the challenges of the cross-border acquisition-at-hand leading to a more tactical judgement.

Therefore, we posit that if the TMTs of these bidder firms possess greater depth of international experience (in terms of average number of years), they would be better-equipped to optimize this insight more competently. This would in turn be revealed as a favorable effect on the long run outcomes for these bidders which had been postulated in the previous IB studies. On the lines of Haleblan & Finkelstein (1999), it could thus be expected, that the depth in years of TMT international exposure would have a curvilinear (U-shaped) relationship with the post-acquisition returns. Thus, we hypothesize:

Hypothesis 1: There is a curvilinear (U-shaped) relationship between the depth of TMT international experience and the longer term post-acquisition performance.

Just like the depth of international exposure of one or more TMT members acquired over time, the range or the breadth of this international experience too, can act as a valuable source of

TMT ‘orientation’ for the acquiring firms embarking on cross-border acquisitions. The range of this exposure is likely to be broadened and enriched by virtue of staying in a number of countries for either education or career progression. This type of exposure would make an individual manager privy to the diversity of cultural, economic and regulatory factors and associated risks of doing business in these countries. Thus, familiarity with a large number of countries by more than one top executive translates into a wider expanse of international experience which in turn, tends to benefit the overall TMT by augmenting the whole team’s ‘international orientation’. This would presumably make a bidding firm’s TMT capable of handling deals involving foreign targets more efficiently. Potentially for the TMT of an acquirer, the more the familiarity with a varied range of market structures in different countries, the higher will be its skill set to evaluate efficaciously the synergistic ‘fit’ of an international host. The breadth of this exposure would go a long way to facilitate acquisitions with respect to the countries with similar institutional and cultural frameworks as well as risk profiles (Barkema *et al.*, 1996). This breadth of international experience from a range of dissimilar countries tends to enrich the ‘international orientation’ of the TMT of an acquirer firm, which is likely to give it an edge in negotiating and managing a cross-border deal.

The theory of ‘transfer effect’ by Cormier & Hagman (1987) implied past experiential learning from certain events under prescribed conditions, may be successfully transferred to similar subsequent occurrences. However with respect to this theory, Ellis, Reus, Lamont, & Ranft (2011b) surmised that a lower range of experience in terms of lesser number of countries might not be favourable with respect to better decision-making in cross-country acquisitions. This is because initially, lesser breadth of this exposure could generate unwarranted self-confidence and optimism amongst TMT members. This would obfuscate the envisaged benefits of international experience in IB research, leading to the behavioral idiosyncrasies observed among the top executives, as outlined in the preceding section. But, as the team of executives’ overall experience across a wider range of countries continues to expand and develop, such a TMT would learn more adaptively from the ‘quality’ of this exposure. Thus, this team would be better-able to appropriately apply this learning to judge a transaction across borders, by weighting the risks arising from limited information. Hence, on the lines of our arguments for the previous hypothesis, we propose:

Hypothesis 2: There is a curvilinear (U-shaped) relationship between the breadth of TMT international experience and the longer term post-acquisition performance.

A third feature of ‘international orientation’ that we study here, is the TMT composition in an acquiring firm with a heterogeneous mix of nationalities in addition to depth and breadth of international experience that we considered for our last two hypotheses. This aspect is a variant of the number of diverse nationalities in the managerial team that was hypothesized in the last chapter along the lines of Nielsen & Nielsen (2011); Piaskowska & Trojanowski (2014), etc. Further, the research on cultural psychology, advocated the presence of high number of foreigners on the board of a firm. It is envisaged that a nationally diverse TMT is more likely to have an enhanced understanding of cross-cultural differences. As Nielsen & Nielsen (2011) put forward, a greater accessibility to local networks as well as an insight into home country institutional culture could benefit the whole team by virtue of the existence of foreigners amongst top executives. Finally, national diversity in TMT is likely to improve the overall team’s international orientation’ (Piaskowska & Trojanowski, 2014). Thus, this team would presumably deal with the available information more realistically and competently which will be reflected in its superior decision-making ability.

Conversely, the aforesaid professed beneficial effects of nationality mix in the TMT of an acquiring firm may not be realized and get obscured, if there exists too much diversity within the TMT. For instance, the advantages may be outweighed by difference of opinions, necessitating the seeking of advice from hire of more consultants, making the whole process of decision-making slower and costlier (Nielsen & Nielsen, 2011). Also, problems might surface as a result of culture conflicts arising from negative ‘groupthink’ leading to communication issues (Priem, 1990) within a team of executives. All these concerns arising due to a more diverse nationality mix in a TMT of a bidding firm, could eventually lead to losing the potential target to a faster bidder or the host firm management walking away from the deal, intensifying the problem of adverse selection (Akerlof, 1980) for the bidder TMT.

From the above contentions, it can be conjectured that TMTs of acquirer firms with either low or moderate levels of different nationalities, are likely to have an improved cognition and perception of the complexities of acquiring a foreign host. However, as these teams become increasingly diverse, the benefits tend to become overshadowed by the negative effects of ineffective communication, leading to a protracted and hence, more expensive decision-making process. Therefore, we expect a contrary curvilinear impact here as envisaged in the case of our last two hypotheses, where the presence of higher-than-a-certain cutoff level of foreigners

in the TMT of a bidder could cause a decline in post-acquisition performance. Thus, we propose the following hypothesis:

***Hypothesis 3:** There is a curvilinear (inverted U-shaped) relationship between national diversity of TMTs and the longer term post-acquisition performance.*

3.6 Sample and methodology

We used the same sample as in Chapter 2 to empirically test our hypotheses described in the preceding section. Since the original sample of TMT determinants as well as most of the control variables are common for all the chapters, details of their obtainment and preparation for analysis were given in the first chapter and not repeated here. For the calculation of the post-acquisition one-year buy-and-hold abnormal returns (BHARs), we used London Share Price Data (LSPD) for this chapter. Due to the data demands of this new study (in particular, unavailability of data for one-year post-acquisition return computation), the final sample used here is smaller than that in Chapter 2. Hence, while merging these one-year BHARs with the rest of the dataset used in the previous chapter, we were finally left with 428 UK bidding firms completing 1,697 acquisitions in 92 target countries.

We employed a mixed-effects linear regression framework to study one-year post-acquisition performance. This framework has been suitably recommended for research designs akin to ours, where multiple levels are nested within one another (SAGE Publications, 2004). In our sample the acquisitions were not only nested within the bidders, they were also nested within industries of these firms, as well as within the different target countries, therefore showing a multilevel formulation. Also, extant studies (e.g. Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014) looking at cross-country M&As had opted for a similar research technique. The methodological specifics are detailed in the following sub-sections. As mentioned in the last paragraph, since most of the variables that have been employed for empirical analysis in this chapter have been comprehensively discussed in the last chapter, only operationalization of the new variables are mentioned here. Consistent with the previous chapter, the new variables used have been winsorized at 1st and 99th percentile levels to avoid the results being affected by outliers.

3.6.1 Dependent Variables

Three separate performance indicators i.e., BHARs as well as return on assets (ROA) and return on equity (ROE) were used; all these measures being for one year after the cross-border acquisition announcement, in respect of the acquiring firms. While the first denotes stock market performance, the latter two are accounting proxies representing operating performance. Using these multifaceted approaches, we aimed to look at the wealth creation aspect of these international acquisitions in a more comprehensive way.

The one-year post-announcement month BHARs were calculated using a standard long-run event study procedure (see for example, Lyon *et al.*, 1999; Rosen, 2006). We employed a benchmark portfolio approach using FTSE all-share index as the benchmark returns index for the estimation of BHARs. Thus, BHARs for each acquiring firm's stock i for the time period τ_1 to τ_2 (i.e. for months 0 to 12 in relation to an acquisition announcement) were computed as:

$$BHAR_{i\tau} = \prod_{\tau_1}^{\tau_2} (1 + R_{i\tau}) - \prod_{\tau_1}^{\tau_2} (1 + R_{b\tau}) \quad (3.1)$$

where $R_{i\tau}$ is the return for each such firm for month τ and $R_{b\tau}$ is the benchmark return for the same period captured by FTSE all-share market index return.

The BHARs for each acquiring firm's stock i for the time period τ_1 to τ_2 (i.e. for months 0 to 12 in relation to an acquisition completion or effective date of acquisition) were also calculated to check the robustness of the original results for BHARs based on acquisition announcement dates.

3.6.2 Independent Variables

We followed the same definition of TMT as used in Chapter 2 along the lines of Carpenter *et al.* (2004), using the same dataset from Boardex. However, the following modifications in the operationalisation of international orientation are used which were slightly different than that in Chapter 2:

- a) *Amount of TMT international experience (Depth)* was measured as the average number of years of international experience of TMT members on account of either education or employment outside their country of domicile or nationality, until one year prior to the acquisition.

- b) *Range of TMT international experience (Breadth)* was measured as the average number of countries in which TMT members had experience in living and/or working, up to one year prior to the acquisition.
- c) *TMT national diversity* was captured with the *Blau index*⁶ of national diversity measured one year prior to the acquisition announcement.

All TMT variables used in our analyses were mean-centered to alleviate potential collinearity problems and to make the interpretation of the results easier (Aiken and West, 1991).

3.6.3 Control Variables

As, mentioned in first paragraph of this section describing the sample, the control variables that have been included for our analysis were mostly similar to Chapter 2 where we looked at market reaction over a short-term window of three-days. This is because we extend our study here to explore the post-acquisition abnormal returns as well as operating outcomes for the bidder firms in the longer term. These variables are also in line with those used in the extant studies examining M&A returns (e.g., Moeller & Schlingemann (2004)). Thus akin to Chapter 2, they are classified as (a) deal-specific; (b) bidder-specific; and (c) target-specific as explained below:

Lagged accounting measures (ROA and ROE), were used to control for the *past operating performance* along the lines of prior studies (Martynova *et al.*, 2007; Powell & Stark, 2005). This allowed us to control for the endogeneity of the acquisition decisions (see Horton, Millo, & Serafeim, 2012 for a similar argument). Finally, we included year dummy variables to control for fixed time effects such as those associated with major crises. Two such crises happened during our sample period: the post-2000 dot-com bubble burst and the financial crisis beginning in late 2007.

Deal-specific controls:

⁶ Blau Index – diversity index is calculated as:

$$D = 1 - \sum_{i=1}^N P_i^2$$

where P_i is the proportion of the TMT in the i th nationality group and N is the number of nationalities. (0 implies homogeneous and 1 implies heterogeneous, 4 groups as $.25 = .75$).

Our review of prior research earlier had suggested payment mode to be one of the important determinants of long-run returns to the bidders (e.g., Gregory, 1997). Hence, akin to the first chapter, we focused three different methods of payment, i.e. cash, stock, and a combination of both along with debt, etc. Also, analogous to the last chapter we used the two binary variables: the *Cash* and the *Stock*. The other deal-related controls, viz., *Full acquisition* dummy; and *Transaction value* (in logged GBP millions) were the same variables used in Chapter 2.

Bidder-specific controls:

Firm size (in terms of natural logarithm of total assets of the acquirers) as a bidder-specific variable as well as *Diversifying acquisition* indicator variable used in Chapter 2 had also been used here, being prominent in influencing acquisition outcomes in the longer term. *TMT size* was also used as an additional control in this chapter to account for the range of opinions that could affect the overall decision-making process in the team of acquirer managers, apart from their international orientation (Carpenter *et al.*, 2004).

Target-specific controls:

Exactly the same target country-specific variables that we employed in the Chapter 2, were used as controls to investigate the one-year post-acquisition performance of the bidder firms. Therefore, in line with Kogut & Singh's (1988) index *Cultural differences* based on the original four cultural dimensions by Hofstede (2001); and from Euromoney (2009), the time-varying index of *Country risk* was quantified; finally *GDP per capita* in USD thousands was used.

The following basic regression Equations 3.1 - 3.3 are employed for the multilevel approach that we use to test Hypothesis 1, where the main predictor variable is the amount of international experience of the TMT members of an acquiring firm *i* computed in the year preceding the announcement of a cross-country acquisition, used in linear and quadratic forms. While Equation 3.1 estimates the one-year post-acquisition BHAR of an acquirer *i*, as specified above, Equations 3.2 and 3.3 show the one-year post-acquisition announcement ROA and ROE respectively, for a firm *i*:

$$BHAR_{i\tau} = \alpha_1 + \beta_1 AmountIntlexperience_i + \beta_2 AmountIntlexperience_i^2 + \beta_3 Cash_i + \beta_4 Stock_i + \beta_5 Log_TransactionValue_i + \beta_6 Log_AcquirerSize_i + \beta_7 FullAcquisition_i +$$

$$\beta_8 \text{DiversifyingAcquisition}_i + \beta_9 \text{CulturalDistance}_i + \beta_{10} \text{CountryRisk}_i + \beta_{11} \text{GDP_PerCapita}_i + \beta_{12} \text{TMTSize}_i + \varepsilon_{1i\tau} \quad (3.1)$$

$$\begin{aligned} \text{ROA}_{i\tau} = & \alpha_1 + \beta_1 \text{AmountIntlexperience}_i + \beta_2 \text{AmountIntlexperience}_i^2 + \beta_3 \text{Cash}_i + \beta_4 \text{Stock}_i + \\ & \beta_5 \text{Log_TransactionValue}_i + \beta_6 \text{Log_AcquirerSize}_i + \beta_7 \text{FullAcquisition}_i + \\ & \beta_8 \text{DiversifyingAcquisition}_i + \beta_9 \text{CulturalDistance}_i + \beta_{10} \text{CountryRisk}_i + \beta_{11} \text{GDP_PerCapita}_i + \\ & \beta_{12} \text{TMTSize}_i + \beta_{13} \text{LaggedROA}_i + \varepsilon_{1i\tau} \end{aligned} \quad (3.2)$$

$$\begin{aligned} \text{ROE}_{i\tau} = & \alpha_1 + \beta_1 \text{AmountIntlexperience}_i + \beta_2 \text{AmountIntlexperience}_i^2 + \beta_3 \text{Cash}_i + \beta_4 \text{Stock}_i + \\ & \beta_5 \text{Log_TransactionValue}_i + \beta_6 \text{Log_AcquirerSize}_i + \beta_7 \text{FullAcquisition}_i + \\ & \beta_8 \text{DiversifyingAcquisition}_i + \beta_9 \text{CulturalDistance}_i + \beta_{10} \text{CountryRisk}_i + \beta_{11} \text{GDP_PerCapita}_i + \\ & \beta_{12} \text{TMTSize}_i + \beta_{13} \text{LaggedROE}_i + \varepsilon_{1i\tau} \end{aligned} \quad (3.3)$$

We use similar basic regression Equations 3.4 - 3.6 and 3.7 - 3.9 with dependent variables similar to those estimated as in case of Equations 3.1 - 3.3 so as to test Hypotheses 2 and 3 respectively, as shown below: The set of Equations 3.4 - 3.6 have as the main regressor the range of countries of international experience of TMT members for acquirer i one year prior to an acquisition announcement, whereas Equations 3.7 - 3.9 have the national diversity index (Blau Diversity) for each such firm i one year before the acquisition announcement.

$$\begin{aligned} \text{BHAR}_{i\tau} = & \alpha_1 + \beta_1 \text{RangeIntlexperience}_i + \beta_2 \text{RangeIntlexperience}_i^2 + \beta_3 \text{Cash}_i + \beta_4 \text{Stock}_i + \\ & \beta_5 \text{Log_TransactionValue}_i + \beta_6 \text{Log_AcquirerSize}_i + \beta_7 \text{FullAcquisition}_i + \\ & \beta_8 \text{DiversifyingAcquisition}_i + \beta_9 \text{CulturalDistance}_i + \beta_{10} \text{CountryRisk}_i + \beta_{11} \text{GDP_PerCapita}_i + \\ & \beta_{12} \text{TMTSize}_i + \varepsilon_{1i\tau} \end{aligned} \quad (3.4)$$

$$\begin{aligned} \text{ROA}_{i\tau} = & \alpha_1 + \beta_1 \text{RangeIntlexperience}_i + \beta_2 \text{RangeIntlexperience}_i^2 + \beta_3 \text{Cash}_i + \beta_4 \text{Stock}_i + \\ & \beta_5 \text{Log_TransactionValue}_i + \beta_6 \text{Log_AcquirerSize}_i + \beta_7 \text{FullAcquisition}_i + \\ & \beta_8 \text{DiversifyingAcquisition}_i + \beta_9 \text{CulturalDistance}_i + \beta_{10} \text{CountryRisk}_i + \beta_{11} \text{GDP_PerCapita}_i + \\ & \beta_{12} \text{TMTSize}_i + \beta_{13} \text{LaggedROA}_i + \varepsilon_{1i\tau} \end{aligned} \quad (3.5)$$

$$\begin{aligned} \text{ROE}_{i\tau} = & \alpha_1 + \beta_1 \text{RangeIntlexperience}_i + \beta_2 \text{RangeIntlexperience}_i^2 + \beta_3 \text{Cash}_i + \beta_4 \text{Stock}_i + \\ & \beta_5 \text{Log_TransactionValue}_i + \beta_6 \text{Log_AcquirerSize}_i + \beta_7 \text{FullAcquisition}_i + \\ & \beta_8 \text{DiversifyingAcquisition}_i + \beta_9 \text{CulturalDistance}_i + \beta_{10} \text{CountryRisk}_i + \beta_{11} \text{GDP_PerCapita}_i + \\ & \beta_{12} \text{TMTSize}_i + \beta_{13} \text{LaggedROE}_i + \varepsilon_{1i\tau} \end{aligned} \quad (3.6)$$

$$\begin{aligned}
BHAR_{i\tau} = & \alpha_1 + \beta_1 BlauDiv_i + \beta_2 BlauDiv_i^2 + \beta_3 Cash_i + \beta_4 Stock_i + \beta_5 Log_TransactionValue_i + \\
& \beta_6 Log_AcquirerSize_i + \beta_7 FullAcquisition_i + \beta_8 DiversifyingAcquisition_i + \beta_9 CulturalDistance_i \\
& + \beta_{10} CountryRisk_i + \beta_{11} GDP_PerCapita_i + \beta_{12} TMTSize_i + \varepsilon_{i\tau}
\end{aligned} \tag{3.7}$$

$$\begin{aligned}
ROA_{i\tau} = & \alpha_1 + \beta_1 BlauDiv_i + \beta_2 BlauDiv_i^2 + \beta_3 Cash_i + \beta_4 Stock_i + \beta_5 Log_TransactionValue_i + \\
& \beta_6 Log_AcquirerSize_i + \beta_7 FullAcquisition_i + \beta_8 DiversifyingAcquisition_i + \beta_9 CulturalDistance_i \\
& + \beta_{10} CountryRisk_i + \beta_{11} GDP_PerCapita_i + \beta_{12} TMTSize_i + \beta_{13} LaggedROA_i + \varepsilon_{i\tau}
\end{aligned} \tag{3.8}$$

$$\begin{aligned}
ROE_{i\tau} = & \alpha_1 + \beta_1 BlauDiv_i + \beta_2 BlauDiv_i^2 + \beta_3 Cash_i + \beta_4 Stock_i + \beta_5 Log_TransactionValue_i + \\
& \beta_6 Log_AcquirerSize_i + \beta_7 FullAcquisition_i + \beta_8 DiversifyingAcquisition_i + \beta_9 CulturalDistance_i \\
& + \beta_{10} CountryRisk_i + \beta_{11} GDP_PerCapita_i + \beta_{12} TMTSize_i + \beta_{13} LaggedROE_i + \varepsilon_{i\tau}
\end{aligned} \tag{3.9}$$

Table 3.1 reports descriptive statistics and pairwise correlations of variables used in our analyses. The post-acquisition one-year ROA, ROE and BHARs for the bidding firms are on average, positive. The standard t-test shows BHARs statistically significant at 10% level while the non-parametric test shows BHARs are significantly different from zero at 1% level.

All three main predictor variables have a negative correlation with bidder BHARs. This was not the case with the other two indicators of performance, viz., ROA and ROE.

[Insert Table 3.1 about here]

3.7 Results

Tables 3.2, 3.3 and 3.4 show the findings of our multilevel models for each regressand i.e. BHARs, ROAs and ROEs respectively, of the bidder firms. The first Model (A) presented in each of the tables represents the benchmark with only effect of the control variables. The subsequent Models (B, C and D) shown in each tables individually, correspond to each of the Hypotheses 1, 2 and 3, respectively, while the final Model (E) in each table shows all the explanatory variables corresponding to these hypotheses, combined into a single specification.

[Insert Tables 3.2, 3.3, and 3.4 about here]

Our findings in all the three tables in respect of Model B substantiated Hypothesis 1 where we posited a U-shaped relationship between the depth in average years of international experience of acquirer TMTs with their respective firms' post-acquisition performance indicators, i.e. BHARs, ROA & ROE, respectively. The coefficient estimates corresponding to the quadratic

terms of the depth of TMT international experience of bidder firms were positively significant at 5% level for Model 1B and at 1% level for both Models 2B and 3B, whereas those for the linear terms were negative, albeit significant only in respect of Model 2B. This suggests that insufficient international exposure (in terms of years) takes a toll on TMT decision-making, which in turn adversely affects the long-run outcome of the acquiring firms. Therefore, it appears from our empirical results that with less depth of international experience, a bidder TMT might not make the profit-maximizing choice for its firm. Instead its overconfidence and misapplication of TMT orientation tends to overshadow its judgment. However, at higher levels of depth, the TMT seemed to reap the benefits with increased cognizance of the complexities and risks involved with the cross-border deal-at-hand. For instance, we found that the threshold after which the TMT of an acquiring firm could see the advantages of depth of international orientation is 7.73 years on average (the trough of the postulated U-shape in Model 2B). Thus, a positive effect on long-run operating performance post-acquisition will only be achievable by an acquirer TMT beyond this depth of international experience. In our sample, less than a third of the TMTs have this requisite depth.

Our results also upheld our conjecture of a U-shaped association of breadth of international experience with the post-acquisition long-run performance by a bidding firm in respect of the Hypothesis 2. Similar to our previous Models 'B' with respect to TMT-depth, for all the Models 1C, 2C and 3C, the estimated coefficients of the quadratic terms of breadth were positive. However, for both the Models 2C and 3C, significance was at 5% level, whilst in the case of Model 1C the significance level was marginal ($p < 0.10$). The linear term coefficients were also negatively significant, barring Model 1C. These findings underscore our postulations with respect to the negative effects of over-optimism of acquirer TMTs at the initial levels of breadth giving way to an adverse impact on post-acquisition performance. As documented in the last paragraph, we found a cut-off point corresponding to the trough implied by Model 2C to be equivalent to 2.04 countries on average, in which TMTs of these firms had gained their international knowledge. Below this point, i.e. an exposure to less than an average of 2 countries, would perhaps only lead to incompetent decisions that would be reflected in subsequent long-run performance of the bidding firm. As seen in our sample in the case of depth, only a limited fraction (about 10%) of our sample bidder TMTs could meet this threshold in respect of breadth of their international orientation.

With respect to our prediction in Hypothesis 3 of an inverted U-shaped relation between the national diversity amongst the acquirer team members and its long term post-acquisition outcome, our results were also corroborated, although somewhat weakly. With the exception of Model 2D, the coefficients corresponding to the quadratic terms of the acquirer TMT national diversity index, were negatively significant at 5% level. Therefore, as expected the positive influence of having foreigners in the TMT of a bidding firm is likely to diminish as diversity increases, presumably due to communication issues. Thus, apparently inefficacy in decision-making takes its toll on the performance of the firm post-acquisition. For example, in the case of Model 1D the Blau diversity index equivalent to 0.25 represents the peak of the hypothesized inverted U-shape relationship aforementioned. In our sample, more than the median of the TMTs of the bidding firms fall short of this nationality mix.

The full models (i.e. Models 1E, 2E, and 3E) by-and-large supported our above findings. One noteworthy difference was observed with respect to Model 2E estimating post-acquisition ROA. While the coefficient corresponding to the quadratic terms of breadth of TMT international experience in Model 2C was statistically significant, it is no longer the case here. However, the coefficient for the quadratic term of the TMT national diversity index was insignificant in Model 2D, it turned out to be highly significant in the full model (Model 2E), as posited under Hypothesis 3. Thus, our findings in respect of curvilinear relationships of the above three proxies for TMT international orientation with one-year post-acquisition outcomes tend to strengthen the contentions and evidences in the extant studies (e.g. Haleblan & Finkelstein, 1999; Schmid & Dauth, 2014; etc.)

With respect to the control variables included in our model specifications, most of these did not show statistical significance. The only two consistent exceptions were TMT size and the stock payment method indicator, variables. Our result pertaining to stock exchange for foreign hosts documenting a detrimental impact on the profitability of the bidders upholds the prior empirical evidence (e.g. Agrawal & Jaffe, 2000). Also, the harmful impact of having larger boards noted in earlier research (e.g. Yermack, 1996), is highlighted in our results. Our finding potentially strengthens our contention that having more foreign nationals on the bidder board detrimentally affects the firm's post-acquisition performance in the longer term.

3.8 Additional analyses for robustness

A series of additional analyses were conducted so as to ensure the robustness of our results to have further support for our Hypotheses 1 to 3. The results of the analyses described in this section are given in the Appendix to this chapter. In most cases our model specifications explaining one-year post-acquisition BHARs as well as the post-effective date BHARs, could not be reported since the convergence of these models could not be achieved. This is a limitation of our analysis.

3.8.1 Prior firm-level acquisition experience

Extant IB research had advocated for the ‘right quality’ of prior acquisition experience at the firm-level, to influence learning. This facilitates better decisions as well as outcomes for subsequent acquisitions (e.g., Haleblan & Finkelstein, 1999; Hayward, 2002). Both studies mentioned above had argued and documented a non-linear i.e. U-shaped effect of this previous experiential learning on the performance of later acquisitions. To account and control for this possibility, we constructed an additional variable counting all acquisitions completed by the sample firms over the respective 5-year periods preceding the cross-border acquisitions sampled by us. However, the prior acquisition counts data when supplemented with our original sample reduced the sample size, when the original models are rerun with this added control.

Using a linear and a quadratic term for the firm-level acquisition count variable, adopting a mean-centering procedure, we reran all the aforesaid models. Our findings corroborate these studies. We observed in all our models, examining post-acquisition operating performance with return on assets with this additional control variable, a significantly negative linear coefficient while that for the quadratic term was significantly positive. Our earlier findings with respect to depth and breadth of the international exposure of the bidder TMTs together with national diversity amongst TMT members, are also maintained. These results are reported in Tables 3.5 and 3.6 in the Appendix, as mentioned.

3.8.2 Target country-specific knowledge

Familiarity with the country of the prospective host can add value to the human capital component of an executive (e.g. Barney, 1988; Hillman & Dalziel, 2003) by dint of local knowledge of the regulatory and market environment, etc. and also fosters network

connections. This knowledge could be acquired through either domicile or earlier employment. Therefore, it could be assumed that this experience at acquirer TMT-level could aid superior insight into the uncertainties when dealing with acquisitions involving targets from the same country (Ellis *et al.*, 2011b; Halebian & Finkelstein, 1999). However, this knowledge could also lead to complacency in subsequent judgements and might cause ‘adverse selection’ of same-country targets. The multilevel models with the amount of host country experience expressed in average number of years among TMT members of the acquiring firms as a predictor seems to corroborate the adverse effect of having prior target country experience by bidder TMTs. The corresponding linear coefficients explaining post-acquisition one-year operating performance showed negative statistical significance. This unfavorable impact could also be ascribable to the fact that the bulk of our sample TMTs lacked any knowledge of the country of the prospective host. However, we did not observe any non-linear effects of host-country experience on post-acquisition long-run performance in our multilevel setting. The corresponding results are provided in Table 3.7.

3.8.3 Acquisition target status

The listing status of target firms had also been shown to influence post-acquisition returns (see for example Moeller & Schlingemann, 2005; Chang, 1998, etc.). More specifically, it had been documented by Chang (1998) that private hosts acquired with stock swaps generate positive returns for the acquirers. Further, Malmendier & Tate (2008) indicated that acquisition of privately held targets could potentially reveal signs of ‘hubris’ of the executives, which could adversely affect the profitability of these takeovers. Therefore, we added two binary variables taking the value of one for private targets and zero otherwise and one for public targets and zero otherwise, adding them as further controls to our original multilevel regression models.

However, neither the addition of either of the dummy variables showed statistically significant coefficients except for the models estimating ROEs, nor their inclusion affected our primary results described in the previous section. We report these findings in Tables 3.8 and 3.9 in the Appendix, as mentioned before.

3.8.4 Other TMT characteristics: age and tenure

As mentioned in our earlier sections, the upper echelons theory (cf. Carpenter et al., 2004) postulates that strategic corporate decisions by top executives as a team, reflecting their cognitions as well as biases, are inherently based upon their personal traits. Apart from managerial characteristics which have been a primary foundation of this chapter, we looked at some others which have been emphasized in prior studies to affect acquisition decisions and consequently, their outcomes. For instance, Herrmann & Datta, (2006) suggested tenure of top managers to influence firm performance, whereas Yim (2013) suggested that age of individual executives mattered. Therefore, we employed these proxies as our additional controls and re-estimated our original multilevel model specifications. Proxies measuring within-TMT averages and standard deviations of tenures and age of acquirer TMTs were constructed. We used three alternative specifications to define the tenure of a bidding firm TMT executive(s) as the time each such individual spent: (a) in his or her role (i.e. as time in role or TiR), (b) on the board of a particular company (i.e. as time on board or ToB), or (c) in the company overall (i.e. time in company or TiC). These indicators were added to our models as controls, one-by-one. The corresponding results by and large sustained our earlier inferences, highlighted in Section 3.7. Hence, we concluded that these additional controls indicated that our primary results were not affected by omitted variable(s) bias. However, the significance levels for coefficients corresponding to the national diversity in TMT (Hypothesis 3) are somewhat weaker for the models estimating acquirer post-acquisition ROA.

In respect of these controls, we observed that post-acquisition operating performance in terms of a one-year ROE was positively influenced by the average age of bidder TMT members. Moreover, we found post-acquisition ROA seemed to be positively affected by the average TMT tenure. Also for the post-acquisition BHAR models which are only available for (a) TMT TiR, we found positive influence of this control on these BHARs. However, variation in neither tenure nor age of bidder TMT appeared to have any impact on the determinants of post-acquisition performance. We do not report these findings for the sake of brevity.

3.8.5 Alternative to BHARs: CTARs

We also supplemented our analysis of financial performance using the calendar-time portfolio abnormal return (CTAR) alternative approach also known as the Jensen-alpha approach. CTARs had been preferred by both Fama (1998) and Mitchell and Stafford (2000) to BHARs.

This is because the former has been acknowledged to have better control with respect to the issue of cross-correlated performance of acquiring firms, whereas computation of the latter relies on the assumption of independence of the abnormal returns of the sample firms.

Since we estimate one-year holding period returns, we created event-acquirer portfolios, including all firms announcing cross-border acquisitions in the previous 12 months. The time series of monthly excess returns were regressed using a multivariate regression setting, separately based on both the Fama-French (1993) and the Carhart (1997) factors following Kothari & Warner (2006) and Mitchell & Stafford (2000). We based our computations on ‘Constructing and Testing Alternative Versions of the Fama-French and Carhart models in the UK’, by Gregory, Tharyan, & Christidis (2013). The CTARs cannot be used in regression-based tests, as other measures of abnormal performance (Gregory & Wang, 2013). Hence, to test our hypotheses predicting curvilinear association between the TMT determinants and one-year post-acquisition performance, we compared the one-year abnormal performance estimates (the alphas) of portfolios of acquiring firms, partitioned in the manner as described in the following paragraph.

Initially we sub-divided our sample based on binary variable(s) which took the value of one for presence of each of depth and breadth of TMT international experience as well as foreigners in the TMTs; and zero for absence of each of these TMT proxies. Thus, distinguishing the presence from the absence of each of these three proxies, we further re-partitioned the resulting ‘presence’ sub-sample(s) into ‘high’ and ‘low’ quantifications for each of these TMT determinants. The high and the low categorisations of the ‘presence’ of depth, breadth and foreigners in TMT are based on above and below median values of the corresponding ‘presence’ sub-sample of TMT determinants. Then pairwise comparisons between the alphas of the resulting categories are made using the approach of Gregory, Guermat & Al-Shawraweh (2010). We used an indicator variable (say for example, the indicator, D taking the value of one for low depth and zero otherwise, appending the first group to the second) for each of the categorisation mentioned below:

- (1) Low vs. absence of depth of TMT international experience;
- (2) High vs. low depth of TMT international experience;
- (3) Low vs. absence of breadth of TMT international experience;
- (4) High vs. low breadth of TMT international experience;

- (5) Low vs. zero Blau index of foreigners in the team;
- (6) High vs. low Blau index of foreigners in the team.

By using a testing procedure based on the above three classification of partitioned portfolios along each TMT dimension (e.g. no intl. experience, low depth of intl. experience, high depth of intl. experience), we expected to observe significant difference in abnormal returns (shown by the alpha) reflected in these pairwise comparisons. However, no indication of such significant difference was observed in any of the above six pairs.

When the same testing procedure is repeated with one-year CTARs recalculated based on effective dates of the cross-border acquisitions, we have similar findings in principle. But, these results are along the lines of most of the studies using CTAR approach (e.g. Mitchell & Stafford, 2000; Dutta & Jog, 2009; etc.), taking into account the cross-sectional dependence of stock returns. We only report the test results based on the one-year post-announcement CTARs (presented in Table 3.10); whereas those with the one-year post-effective date CTARs are not reported for the sake of brevity.

3.8.6 Excluding financial firms

We reran the models reported in Section 3.7, dropping the financial firms (based on Fama-French 17 industry classification) from the original sample based on listed UK acquiring firms, and are left with 1509 firm-event observations. Although the main findings with respect to one-year post-acquisition ROA and ROE are upheld, the BHAR results could not be verified since the models failed to converge.

3.9 Discussion and conclusion

In the previous chapter, we had looked into the short-run wealth implications of TMT ‘international orientation’ in the context of cross-border acquisitions by bidding firms from the UK. Given some of the inconsistencies in our findings there as well as to get a more comprehensive picture of the facets of this TMT orientation, we expand our investigation in this chapter, whilst aiming to look at the performance of these firms in the longer term. Basically, we wanted to re-examine the fundamental question on TMT international orientation which we had explored in Chapter 2: can the international experience and diversity of the TMTs

of these firms improve these corporate strategies, thereby affecting their post-acquisition outcomes in a longer term?

Precisely, we look again at the pre-conditions for acquirer TMT ‘international orientation’ (in terms of depth and breadth of prior international experience as well as different nationalities in the managerial team), which could bring about improved performance outcomes for such firms. Chapter 2 looked at the market reaction to presence of internationally oriented acquirers but the findings left our central question on efficacy of TMT international orientation expressed in the first paragraph, somewhat unclear. Therefore, shifting our focus to a longer term perspective, we believed this would provide a better insight into this fundamental query and indeed, our empirical findings indicated this. In this chapter, we attempt to pinpoint the optimal form of TMT orientation with respect to each of the determinants. These predictors are envisioned and formulated based on our contentions reconciled from corporate finance, IB and upper echelons research, to estimate performance for one year after cross-country acquisition announcements in terms of three proxies: BHARs, ROA and ROE respectively.

Our postulates regarding international exposure pertaining to bidding firm TMTs were: (1) the preliminary levels were likely to cause over-optimism and excessive high opinion of one’s capabilities, being reflected in poor acquisition decisions, consequently long-run post-acquisition performance; (2) at higher levels of such experience, TMTs could manage the foreign deal-complexities more rationally and competently. Our empirical analyses of both the post-acquisition financial market and operating returns confirmed our conjectures. For example, for the model estimating post-acquisition operating performance, it was documented that on average 7.73 years of international experience of acquirer managers could benefit their firm after one year of the cross-border acquisition announcement. However, the majority of TMTs in our sample could not meet this documented level of competence amongst the members to garner positive outcomes for their firms. In respect of the number of countries of international experience, just prior knowledge of 2 countries on average seemed adequate to be advantageous as far as post-acquisition announcement performance was concerned. Again, our sample showed that there were not many of the bidder TMTs with this breadth of international exposure.

Our conjecture with respect to mix of nationalities amongst the executive team was however, contrary to our predictions on depth and breadth of TMT international experience. We argued

here as to the initial impact of having foreigners in the team, being advantageous in superior decision-making leading to improved long-run profitability. This effect tends to wane after a threshold; thenceforth increased diversity resulting in a negative ‘groupthink’, would rather affect profitability adversely. This was also upheld in our empirical findings. The cutoff level of the Blau diversity index as an indicator of nationality mix in the managerial team turned out to be just 0.25 for the model estimating post-acquisition stock performance. Since our sample had even less than a median of the TMTs which possessed this level of national diversity, the dominant effect on post-acquisition returns was probably unfavorable.

We have examined ‘international orientation’ in respect of two aspects: international experience and national diversity and found these to have opposing effects on post-acquisition outcomes. Can these two aspects complement each other? Also, how can an optimal balance between the negative and positive influences of TMT orientation be achieved so that strategic decisions taken by an internationally oriented TMT, can benefit its firm? These are some of the questions which need to be investigated further, and which the limited scope of our study has not allowed us to investigate. Also, how it is possible for ‘international orientation’ to be tailored to suit the risk profile considering the investment strategies pursued by a firm, could be another avenue for future research.

Notwithstanding the possibilities that our study has given rise to, it has also contributed to the extant literature by combining not only different fields of studies, viz., corporate finance, IB and upper echelons. Moreover, it has reconciled and integrated widely divergent views. For instance, both corporate finance and IB studies championed for decision-making outcome by a single executive like CEOs; whereas upper echelons professed TMTs as strategy formulators. Given that the extant studies contended both positive influences (e.g., Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014) as well as damaging impacts (e.g., Billett & Qian, 2008; Hiller & Hambrick, 2005) of such executive orientation, we attempted some sort of amalgamation here. In other words, our postulations and empirical results aimed to provide a more explicable as well as rationalistic view of these two contradictory interpretations. Further, we presented a more comprehensive and nuanced picture of ‘international orientation’ of acquirer TMTs: their depth and breadth of international knowledge and their national cultural backgrounds. These different indicators of orientation could be further expanded in future research to construct a balanced team of managers who may be better positioned to take

competent decisions. Also, we contributed towards an under-researched determinant, viz., TMTs as decision-makers, impacting on post-acquisition performance of the bidder firms.

This chapter has its limitations similar to Chapter 2. The analogous constraints of studying a single home country as well as the issues encountered whilst coding and operationalization of the TMT variables had already been highlighted and discussed in more details in the first chapter too. Hence, we do not repeat those here. Further, the methodological issues pointed out with the longer run return measures may plague our chapter, although we attempted mitigating them by complementing our examination of BHARs with CTARs. However, the BHARs as well as the CTARs have their relative share of merits as well as demerits (Mitchell & Stafford, 2000; Loughran & Ritter, 2000; etc.). So, our findings with respect to one-year BHARs and CTARs in this chapter need to be treated and interpreted in the light of the shortcomings of either approaches. To circumvent this issue, we had employed the accounting indicators: ROE and ROA. Finally, our sample size was compromised to some degree due to the non-availability of data on long-run accounting operators and also for computation of BHARs.

In summary, this chapter brings to light the different aspects of 'international orientation' that have been viewed only in isolation by prior research, albeit rarely. These features of bidder TMTs have been related to determine post-acquisition returns in the longer term. This chapter also provides a more comprehensive view of how the previous backgrounds of TMT members influence their behavior impacting on strategic decision-making by the overall team; and how team decisions are revealed in the consequential outcomes in terms of generation of wealth, making an inherent assumption of profit maximization motive of TMTs. However, our study is just a stepping stone to further in-depth research on how a competent team of managers can efficiently decide on global expansion modes which in turn could positively affect the performance of acquiring firms. In particular, this proposed extension could be a promising avenue for future research in view of the steady increase in mixed ethnic cultural backgrounds. It would be worthwhile revisiting the hypothesized associations in this chapter to explore whether mixed ethnicity amongst executives mitigates the complexities and uncertainties involved in different strategies and what could be the consequences of their decisions.

Table 3.1: Descriptive statistics

| | Variable | Mean | Median | S.D. | Correlations | | | | | | | | | | | | | | |
|----|----------------------------|-------|--------|-------|--------------|---------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 1 | BHAR | 1.65 | -0.94 | 38.73 | | | | | | | | | | | | | | | |
| 2 | ROA | 5.19 | 6.41 | 13.12 | 0.14** | | | | | | | | | | | | | | |
| 3 | ROE | 10.41 | 12.58 | 57.46 | 0.02 | 0.39** | | | | | | | | | | | | | |
| 4 | Amount of int'l expeirence | 5.16 | 4.20 | 4.82 | -0.01 | 0.01 | -0.01 | | | | | | | | | | | | |
| 5 | Range of int'l experience | 0.86 | 0.67 | 0.80 | -0.01 | -0.04 | 0.01 | 0.76** | | | | | | | | | | | |
| 6 | National diversity | 0.22 | 0.00 | 0.25 | -0.02 | 0.06* | 0.03 | 0.45** | 0.48** | | | | | | | | | | |
| 7 | Cash | 0.61 | 1.00 | 0.49 | 0.08** | 0.06* | 0.05* | -0.01 | 0.01 | 0.01 | | | | | | | | | |
| 8 | Stock | 0.03 | 0.00 | 0.18 | 0.00 | -0.15** | -0.06* | 0.01 | 0.06* | -0.03 | -0.23** | | | | | | | | |
| 9 | Full acquisition | 0.79 | 1.00 | 0.41 | -0.02 | 0.04 | 0.03 | -0.08** | -0.18** | -0.06* | -0.05* | -0.02 | | | | | | | |
| 10 | Transaction value | 2.00 | 1.59 | 1.98 | 0.04 | 0.03 | 0.03 | 0.12** | 0.18** | 0.05* | 0.35** | 0.04+ | 0.01 | | | | | | |
| 11 | Diversifying acquisition | 0.34 | 0.00 | 0.47 | -0.05* | 0.00 | -0.03 | -0.08** | -0.07** | -0.07** | -0.05* | -0.07** | 0.06* | -0.17** | | | | | |
| 12 | Firm size | 6.60 | 6.48 | 2.35 | 0.04 | 0.21** | 0.14** | 0.47** | 0.48** | 0.35** | 0.07** | -0.15** | -0.05* | 0.33** | -0.11** | | | | |
| 13 | TMT size | 4.01 | 4.00 | 1.70 | -0.03 | 0.06* | 0.06* | 0.05* | 0.07** | 0.25** | -0.03 | -0.11** | 0.02 | 0.04+ | 0.00 | 0.36** | | | |
| 14 | Cultural differences | 1.45 | 0.69 | 1.57 | 0.02 | 0.00 | 0.03 | 0.16** | 0.23** | 0.15** | -0.04+ | 0.02 | -0.25** | -0.04+ | -0.11** | 0.14** | 0.04+ | | |
| 15 | Country risk | 0.15 | 0.08 | 0.17 | 0.03 | 0.01 | 0.02 | 0.17** | 0.28** | 0.15** | -0.02 | 0.05* | -0.32** | -0.06* | -0.14** | 0.11** | 0.01 | 0.58** | |
| 16 | GDP per capita | 27.83 | 31.52 | 14.26 | -0.04 | 0.00 | 0.01 | -0.10** | -0.21** | -0.14** | 0.01 | -0.04+ | 0.28** | 0.05* | 0.13** | -0.11** | -0.13** | -0.53** | -0.84** |

Note to Table 3.1: BHAR is the buy-and-hold abnormal return for the firms announcing a cross-border acquisition computed over a 12-month event window (i.e. from month 0 to month +12 following the announcement) using market adjustment model. ROA and ROE are the ratios of return on assets and return on equity, respectively. Amount of international experience is the average number of years of acquiring firms' TMT members' international career experience. Range of international experience is the average number of countries where acquiring firms' TMT members' gained their international career experience and is measured at the end of the financial year preceding the focal cross-border transaction. National Diversity is the Blau index of national diversity of the acquiring firm TMT. All experience and diversity measures are measured at the end of the financial year preceding the focal cross-border transaction. Cash and Stock are indicator variables for transactions paid purely in cash and stock, respectively. Full acquisition is an indicator variable denoting transactions where upon completion of the acquisition the acquirer gains full control of the target, i.e. at least 95% stake. Transaction value is expressed in GBP millions in logarithmic form. Diversifying acquisition is the indicator variable equal to one when an acquisition involved any industry other than the acquirer core macro industry, and zero otherwise. Firm size is the logarithm of total asset value of the acquiring firm (expressed in £ millions). TMT size is the number of executive directors on the board of directors of the acquiring firm. Cultural differences variable is the distance between the target country and the country of the acquiring firm (i.e. the UK) using Kogut and Singh's (1988) index on the basis of four cultural dimensions by Hofstede (2001). Country risk and GDP per capita are the *Euromoney* country risk index and one-year lagged GDP per capita (in USD thousands) of the host country. All the variables (except indicator binary variables) are winsorized at 1% level. The correlation table reports pairwise correlation coefficients with ⁺, ^{*}, and ^{**} denoting the corresponding significance levels at 10%, 5%, and 1%, respectively.

Table 3.2: Multilevel regressions models explaining the effects of the acquirer's TMT international orientation on 12-month post-announcement buy-and-hold returns.

| Variable | Model 1A | | Model 1B | | Model 1C | | Model 1D | | Model 1E | |
|---|---------------------------|--------------------|---------------------------|--------------------|---------------------------|--------------------|---------------------------|--------|---------------------------|--------------------|
| | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat |
| Amount of int'l experience | | | -0.53 | -1.47 | | | | | -0.94 | -1.58 |
| Amount of int'l experience ² | | | 0.12 | 2.40* | | | | | 0.15 | 2.53* |
| Range of int'l experience | | | | | -1.14 | -0.47 | | | 3.25 | 0.84 |
| Range of int'l experience ² | | | | | 2.56 | 1.66 ⁺ | | | 0.37 | 0.19 |
| National diversity | | | | | | | 3.64 | 0.60 | 6.95 | 1.06 |
| National diversity ² | | | | | | | -66.73 | -2.21* | -82.88 | -2.69** |
| Cash | 3.01 | 1.43 | 2.90 | 1.37 | 2.99 | 1.42 | 3.19 | 1.51 | 3.15 | 1.50 |
| Stock | -3.33 | -0.59 | -3.10 | -0.55 | -3.28 | -0.58 | -3.17 | -0.56 | -3.53 | -0.62 |
| Full acquisition | -2.39 | -0.98 | -2.31 | -0.95 | -2.40 | -0.99 | -2.34 | -0.97 | -2.05 | -0.85 |
| Transaction value | 0.10 | 0.19 | 0.15 | 0.27 | 0.12 | 0.23 | 0.11 | 0.21 | 0.13 | 0.24 |
| Diversifying acquisition | -0.83 | -0.39 | -0.73 | -0.35 | -0.81 | -0.38 | -0.76 | -0.36 | -0.70 | -0.33 |
| Firm size | 0.70 | 1.09 | 0.79 | 1.18 | 0.62 | 0.93 | 0.72 | 1.11 | 0.62 | 0.90 |
| TMT size | -1.54 | -1.94 ⁺ | -1.32 | -1.65 ⁺ | -1.41 | -1.77 ⁺ | -1.69 | -2.09* | -1.45 | -1.77 ⁺ |
| Cultural differences | 0.05 | 0.08 | 0.09 | 0.13 | 0.04 | 0.06 | 0.10 | 0.13 | 0.14 | 0.20 |
| Country risk | 10.21 | 0.77 | 11.35 | 0.86 | 8.80 | 0.66 | 10.73 | 0.81 | 10.23 | 0.77 |
| GDP per capita | 0.04 | 0.23 | 0.04 | 0.27 | 0.04 | 0.22 | 0.04 | 0.23 | 0.04 | 0.26 |
| Intercept and year fixed effects | Yes | | Yes | | Yes | | Yes | | Yes | |
| Variance of random effects: | | | | | | | | | | |
| - Target country level | 4.30*10 ⁻⁵ | | 4.28*10 ⁻⁵ | | 4.28*10 ⁻⁵ | | 4.25*10 ⁻⁵ | | 4.20*10 ⁻⁵ | |
| - Acquirer industry level | 10.52 | | 6.75 | | 11.42 | | 12.60 | | 8.07 | |
| - Acquiring firm level | 394.15 | | 398.47 | | 401.38 | | 412.76 | | 431.80 | |
| - Residual | 1128.74 | | 1123.84 | | 1123.51 | | 1117.75 | | 1104.69 | |
| LR test vs. linear regression | $\chi^2(3) = 81.85^{**}$ | | $\chi^2(3) = 81.97^{**}$ | | $\chi^2(3) = 83.19^{**}$ | | $\chi^2(3) = 84.85^{**}$ | | $\chi^2(3) = 87.03^{**}$ | |
| Model test | $\chi^2(19) = 63.61^{**}$ | | $\chi^2(21) = 70.01^{**}$ | | $\chi^2(21) = 66.72^{**}$ | | $\chi^2(21) = 68.47^{**}$ | | $\chi^2(25) = 79.37^{**}$ | |
| No. of acquiring firms | 428 | | 428 | | 428 | | 428 | | 428 | |
| No. of observations | 1697 | | 1697 | | 1697 | | 1697 | | 1697 | |

Note to Table 3.2: The dependent variable is the buy-and-hold abnormal return for the firms announcing a cross-border acquisition computed over a 12-month event window (i.e. from month 0 to month +12 following the announcement) using market adjustment model. The measures of the amount and range of international experience and the national diversity index are mean-centred. Acquiring-firm-specific control variables are lagged one year. All the other variables are defined the same way as in Table 3.1. All the regressions are estimated as multilevel regression models taking into account the target country where the focal acquisition took place, the acquiring firm's industry, and the acquiring firm's identity. ⁺, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 3.3: Multilevel regressions models explaining the effects of the acquirer's TMT international orientation on post-announcement return on assets.

| Variable | Model 2A | | Model 2B | | Model 2C | | Model 2D | | Model 2E | |
|---|----------------------------|---------|----------------------------|--------------------|----------------------------|---------|----------------------------|---------|----------------------------|---------|
| | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat |
| Amount of int'l experience | | | -0.54 | -4.03** | | | | | -0.36 | -1.76* |
| Amount of int'l experience ² | | | 0.11 | 6.18** | | | | | 0.11 | 5.36** |
| Range of int'l experience | | | | | -2.71 | -2.99** | | | -1.86 | -1.38 |
| Range of int'l experience ² | | | | | 1.15 | 2.28* | | | 0.34 | 0.56 |
| National diversity | | | | | | | 0.09 | 0.04 | 2.31 | 1.09 |
| National diversity ² | | | | | | | -9.94 | -1.08 | -22.69 | -2.44* |
| Lagged ROA | 0.14 | 5.94** | 0.13 | 5.60** | 0.14 | 5.85** | 0.14 | 5.91** | 0.12 | 5.41** |
| Cash | 0.62 | 1.06 | 0.43 | 0.74 | 0.59 | 1.01 | 0.66 | 1.12 | 0.54 | 0.93 |
| Stock | -10.89 | -6.19** | -10.48 | -6.03** | -10.48 | -5.96** | -10.87 | -6.18** | -10.20 | -5.87** |
| Full acquisition | 0.19 | 0.28 | 0.23 | 0.34 | 0.14 | 0.21 | 0.21 | 0.30 | 0.31 | 0.46 |
| Transaction value | -0.13 | -0.90 | -0.11 | -0.74 | -0.12 | -0.80 | -0.14 | -0.93 | -0.11 | -0.77 |
| Diversifying acquisition | -0.49 | -0.81 | -0.47 | -0.79 | -0.46 | -0.75 | -0.49 | -0.81 | -0.44 | -0.74 |
| Firm size | 0.20 | 0.65 | 0.27 | 0.86 | 0.36 | 1.16 | 0.21 | 0.67 | 0.30 | 0.97 |
| TMT size | -0.66 | -2.47* | -0.46 | -1.73 [†] | -0.65 | -2.45* | -0.68 | -2.49* | -0.55 | -2.03* |
| Cultural differences | 0.10 | 0.49 | 0.13 | 0.63 | 0.11 | 0.52 | 0.11 | 0.53 | 0.15 | 0.74 |
| Country risk | -5.52 | -1.45 | -4.73 | -1.27 | -5.11 | -1.34 | -5.61 | -1.48 | -4.36 | -1.17 |
| GDP per capita | -0.03 | -0.62 | -0.02 | -0.53 | -0.02 | -0.52 | -0.03 | -0.67 | -0.03 | -0.57 |
| Intercept and year fixed effects | Yes | | Yes | | Yes | | Yes | | Yes | |
| Variance of random effects: | | | | | | | | | | |
| - Target country level | 0.23 | | 0.20 | | 0.23 | | 0.22 | | 0.14 | |
| - Acquirer industry level | 7.75 | | 6.68 | | 6.79 | | 7.79 | | 6.45 | |
| - Acquiring firm level | 196.04 | | 203.73 | | 196.11 | | 197.59 | | 206.25 | |
| - Residual | 73.19 | | 70.50 | | 72.72 | | 72.97 | | 69.90 | |
| LR test vs. linear regression | $\chi^2(3) = 590.01^{**}$ | | $\chi^2(3) = 616.28^{**}$ | | $\chi^2(3) = 591.90^{**}$ | | $\chi^2(3) = 587.34^{**}$ | | $\chi^2(3) = 608.44^{**}$ | |
| Model test | $\chi^2(20) = 211.45^{**}$ | | $\chi^2(22) = 252.15^{**}$ | | $\chi^2(22) = 221.75^{**}$ | | $\chi^2(22) = 212.63^{**}$ | | $\chi^2(26) = 261.00^{**}$ | |
| No. of acquiring firms | 413 | | 413 | | 413 | | 413 | | 413 | |
| No. of observations | 1666 | | 1666 | | 1666 | | 1666 | | 1666 | |

Note to Table 3.3: The dependent variable is ROA measured in the year following the acquisition announcement, i.e. t + 1. The measures of the amount and range of international experience and the national diversity index are mean-centred. Lagged ROA is measured in the year preceding the acquisition announcement, i.e. t - 1. Acquiring-firm-specific control variables are lagged one year. All the other variables are defined the same way as in Table 3.1. All the regressions are estimated as multilevel regression models taking into account the target country where the focal acquisition took place, the acquiring firm's industry, and the acquiring firm's identity. [†], *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 3.4: Multilevel regressions models explaining the effects of the acquirer's TMT international orientation on post-announcement return on equity.

| Variable | Model 3A | | Model 3B | | Model 3C | | Model 3D | | Model 3E | |
|---|----------------------------|---------|----------------------------|---------|----------------------------|--------------------|----------------------------|--------------------|----------------------------|-------------------|
| | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat |
| Amount of int'l experience | | | -0.89 | -1.40 | | | | | 0.43 | 0.43 |
| Amount of int'l experience ² | | | 0.35 | 4.22** | | | | | 0.31 | 3.14** |
| Range of int'l experience | | | | | -7.98 | -1.89 ⁺ | | | -13.51 | -2.10* |
| Range of int'l experience ² | | | | | 5.68 | 2.24* | | | 5.18 | 1.68 ⁺ |
| National diversity | | | | | | | 13.30 | 1.32 | 19.10 | 1.79 ⁺ |
| National diversity ² | | | | | | | -84.91 | -1.76 ⁺ | -139.43 | -2.84** |
| Lagged ROE | 0.02 | 0.87 | 0.02 | 1.07 | 0.02 | 0.82 | 0.02 | 1.06 | 0.03 | 1.32 |
| Cash | 2.68 | 0.84 | 2.14 | 0.67 | 2.54 | 0.80 | 3.08 | 0.96 | 2.76 | 0.87 |
| Stock | -41.87 | -4.70** | -40.95 | -4.62** | -40.34 | -4.52** | -41.62 | -4.68** | -38.64 | -4.35** |
| Full acquisition | 1.00 | 0.27 | 1.30 | 0.36 | 0.68 | 0.19 | 1.21 | 0.33 | 1.31 | 0.36 |
| Transaction value | -0.45 | -0.57 | -0.33 | -0.42 | -0.36 | -0.46 | -0.48 | -0.60 | -0.28 | -0.35 |
| Diversifying acquisition | 2.10 | 0.64 | 2.40 | 0.73 | 2.27 | 0.69 | 2.12 | 0.65 | 2.69 | 0.83 |
| Firm size | 0.84 | 0.69 | 0.58 | 0.46 | 1.29 | 1.03 | 0.77 | 0.63 | 0.68 | 0.54 |
| TMT size | 0.29 | 0.22 | 1.10 | 0.83 | 0.45 | 0.34 | -0.15 | -0.11 | 0.50 | 0.37 |
| Cultural differences | 0.36 | 0.30 | 0.42 | 0.35 | 0.37 | 0.30 | 0.41 | 0.34 | 0.50 | 0.41 |
| Country risk | -12.42 | -0.60 | -10.07 | -0.48 | -12.15 | -0.58 | -12.16 | -0.58 | -8.18 | -0.40 |
| GDP per capita | 0.07 | 0.27 | 0.08 | 0.30 | 0.08 | 0.30 | 0.07 | 0.26 | 0.07 | 0.28 |
| Intercept and year fixed effects | Yes | | Yes | | Yes | | Yes | | Yes | |
| Variance of random effects: | | | | | | | | | | |
| - Target country level | 13.94 | | 14.37 | | 14.31 | | 13.02 | | 12.75 | |
| - Acquirer industry level | 69.68 | | 57.16 | | 62.78 | | 69.28 | | 57.92 | |
| - Acquiring firm level | 2220.63 | | 2265.72 | | 2182.49 | | 2216.37 | | 2246.94 | |
| - Residual | 2331.41 | | 2291.20 | | 2330.92 | | 2327.12 | | 2275.54 | |
| LR test vs. linear regression | $\chi^2(3) = 373.94^{**}$ | | $\chi^2(3) = 343.17^{**}$ | | $\chi^2(3) = 327.26^{**}$ | | $\chi^2(3) = 339.60^{**}$ | | $\chi^2(3) = 338.22^{**}$ | |
| Model test | $\chi^2(20) = 167.51^{**}$ | | $\chi^2(22) = 189.15^{**}$ | | $\chi^2(22) = 173.46^{**}$ | | $\chi^2(22) = 171.30^{**}$ | | $\chi^2(26) = 202.96^{**}$ | |
| No. of acquiring firms | 427 | | 427 | | 427 | | 427 | | 427 | |
| No. of observations | 1681 | | 1681 | | 1681 | | 1681 | | 1681 | |

Note to Table 3.4: The dependent variable is ROE measured in the year following the acquisition announcement, i.e. t + 1. The measures of the amount and range of international experience and the national diversity index are mean-centred. Lagged ROE is measured in the year preceding the acquisition announcement, i.e. t - 1. Acquiring-firm-specific control variables are lagged one year. All the other variables are defined the same way as in Table 3.1. All the regressions are estimated as multilevel regression models taking into account the target country where the focal acquisition took place, the acquiring firm's industry, and the acquiring firm's identity. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Appendix: Results of robustness tests

Table 3.5: Multilevel regressions models explaining the effects of the acquirer's TMT international orientation on post-announcement return on assets with prior firm experience as additional control.

| Variable | Model 4B | | Model 4C | | Model 4D | |
|--|----------------------------|---------|----------------------------|--------------------|----------------------------|--------------------|
| | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat |
| Amount of int'l experience | -0.47 | -3.63** | | | | |
| Amount of int'l experience ² | 0.10 | 5.81** | | | | |
| Range of int'l experience | | | -2.08 | -2.36* | | |
| Range of int'l experience ² | | | 1.43 | 2.79** | | |
| National diversity | | | | | -0.67 | -0.34 |
| National diversity ² | | | | | -8.75 | -0.95 |
| Lagged ROA | 0.14 | 6.06** | 0.14 | 6.35** | 0.15 | 6.43** |
| Cash | 0.31 | 0.74 | 0.46 | 0.81 | 0.47 | 0.83 |
| Stock | -13.11 | -7.57** | -13.29 | -7.59** | -13.63 | -7.79** |
| Full acquisition | -0.04 | -0.07 | 0.13 | 0.20 | -0.06 | -0.09 |
| Transaction value | -0.07 | -0.49 | -0.09 | -0.60 | -0.09 | -0.66 |
| Diversifying acquisition | -0.51 | -0.90 | -0.49 | -0.84 | -0.51 | -0.88 |
| Firm size | 0.50 | 1.56 | 0.51 | 1.61 | 0.38 | 1.21 |
| TMT size | -0.34 | -1.31 | -0.49 | -1.91 ⁺ | -0.52 | -1.96 ⁺ |
| Cultural differences | 0.09 | 0.45 | 0.08 | 0.39 | 0.08 | 0.44 |
| Country risk | -3.33 | -0.94 | -3.83 | -1.06 | -4.09 | -1.13 |
| GDP per capita | -0.02 | -0.38 | -0.01 | -0.28 | -0.02 | -0.40 |
| Prior firm acquisition experience | -0.16 | -3.34** | -0.16 | -3.10** | -0.14 | -2.88** |
| Prior firm acquisition experience ² | 6.13*10 ⁻⁴ | 3.64** | 5.82*10 ⁻⁴ | 3.38** | 5.36*10 ⁻⁴ | 3.14** |
| Intercept and year fixed effects | Yes | | Yes | | Yes | |
| Variance of random effects: | | | | | | |
| - Target country level | 8.12*10 ⁻⁷ | | 3.08*10 ⁻⁶ | | 7.99*10 ⁻⁷ | |
| - Acquirer industry level | 7.22 | | 8.2 | | 7.79 | |
| - Acquiring firm level | 188.30 | | 184.84 | | 197.59 | |
| - Residual | 58.10 | | 59.96 | | 72.97 | |
| LR test vs. linear regression | $\chi^2(3) = 605.47^{**}$ | | $\chi^2(3) = 583.68^{**}$ | | $\chi^2(3) = 580.50^{**}$ | |
| Model test | $\chi^2(24) = 285.67^{**}$ | | $\chi^2(24) = 258.94^{**}$ | | $\chi^2(24) = 249.99^{**}$ | |
| No. of acquiring firms | 399 | | 399 | | 399 | |
| No. of observations | 1513 | | 1513 | | 1513 | |

Note to Table 3.5: Replicates Table 3.3 above, except 5-year firm prior-experience added as additional control. ⁺, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 3.6: Multilevel regressions models explaining the effects of the acquirer's TMT international orientation on post-announcement return on equity with prior firm experience as additional control.

| Variable | Model 5B | | Model 5C | | Model 5D | |
|--|----------------------------|---------|----------------------------|---------|----------------------------|--------------------|
| | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat |
| Amount of int'l experience | -0.98 | -1.58 | | | | |
| Amount of int'l experience ² | 0.25 | 3.07** | | | | |
| Range of int'l experience | | | -9.39 | -2.25* | | |
| Range of int'l experience ² | | | 6.27 | 2.51* | | |
| National diversity | | | | | 14.78 | 1.56 |
| National diversity ² | | | | | -76.20 | -1.67 ⁺ |
| Lagged ROE | 0.02 | 0.86 | 0.01 | 0.65 | 0.02 | 0.88 |
| Cash | -1.22 | -0.43 | -0.91 | -0.32 | -0.48 | -0.17 |
| Stock | -46.25 | -5.48** | -45.89 | -5.42** | -47.30 | -5.60** |
| Full acquisition | 1.45 | 0.43 | 1.06 | 0.32 | 1.53 | 0.46 |
| Transaction value | 0.24 | 0.33 | 0.21 | 0.30 | 0.15 | 0.22 |
| Diversifying acquisition | 0.96 | 0.33 | 1.07 | 0.37 | 0.97 | 0.33 |
| Firm size | 1.67 | 1.22 | 1.99 | 1.47 | 1.26 | 0.94 |
| TMT size | 0.12 | 0.10 | 0.27 | -0.21 | -0.88 | -0.69 |
| Cultural differences | 0.80 | 0.74 | 0.75 | 0.69 | 0.78 | 0.73 |
| Country risk | -9.54 | -0.51 | 8.58 | 0.46 | 8.23 | 0.44 |
| GDP per capita | 0.27 | 1.17 | 0.30 | 1.26 | 0.28 | 1.21 |
| Prior firm acquisition experience | -0.67 | -2.69* | -0.65 | -2.59* | -0.58 | -2.31* |
| Prior firm acquisition experience ² | 0.002 | 2.76* | 0.002 | 2.67* | 0.002 | 2.37* |
| Intercept and year fixed effects | Yes | | Yes | | Yes | |
| Variance of random effects: | | | | | | |
| - Target country level | 9.38 | | 10.85 | | 9.27 | |
| - Acquirer industry level | 75.81 | | 88.30 | | 90.77 | |
| - Acquiring firm level | 3005.90 | | 2961.62 | | 3002.79 | |
| - Residual | 1554.88 | | 1562.20 | | 1561.74 | |
| LR test vs. linear regression | $\chi^2(3) = 489.52^{**}$ | | $\chi^2(3) = 484.32^{**}$ | | $\chi^2(3) = 490.97^{**}$ | |
| Model test | $\chi^2(24) = 174.75^{**}$ | | $\chi^2(24) = 172.06^{**}$ | | $\chi^2(24) = 168.30^{**}$ | |
| No. of acquiring firms | 413 | | 413 | | 413 | |
| No. of observations | 1525 | | 1525 | | 1525 | |

Note to Table 3.6: Replicates Table 3.4 above, except 5-year firm prior-experience added as additional control. ⁺, ^{*}, and ^{**} denote significance at 10%, 5%, and 1%, respectively.

Table 3.7: Multilevel regressions models explaining influence of the acquirer's TMT target country experience on one-year post-announcement BHARs, ROA and ROE respectively.

| Variable | Model 6-BHAR | | Model 7-ROA | | Model 8-ROE | |
|--|---------------------------|--------------------|----------------------------|--------------------|----------------------------|--------------------|
| | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat |
| Amount of target country experience | -0.006 | -0.73 | -0.534 | -2.38* | -2.11 | -1.70 ⁺ |
| Amount of target country experience ² | 0.0003 | 0.35 | 0.027 | 1.06 | 0.222 | 1.60 |
| Lagged ROA | | | 0.139 | 5.99** | | |
| Lagged ROE | | | | | 0.019 | 0.85 |
| Cash | 0.030 | 1.44 | 0.651 | 1.10 | 2.53 | 0.79 |
| Stock | -0.031 | -0.55 | -10.64 | -6.05** | -41.96 | -4.71** |
| Full acquisition | -0.024 | -0.98 | 0.160 | 0.23 | 1.07 | 0.29 |
| Transaction value | 0.001 | 0.27 | -0.107 | -0.73 | -0.365 | -0.46 |
| Diversifying acquisition | -0.008 | -0.38 | -0.495 | -0.81 | 2.20 | 0.67 |
| Firm size | 0.007 | 1.13 | 0.197 | 0.65 | 0.818 | 0.68 |
| TMT size | -0.611 | -1.91 ⁺ | -1.41 | -2.30 ⁺ | 0.458 | 0.34 |
| Cultural differences | -0.001 | -0.14 | 0.019 | 0.09 | 0.243 | 0.20 |
| Country risk | 0.11 | 0.83 | -5.31 | -1.43 | -12.24 | -0.59 |
| GDP per capita | 0.0005 | 0.34 | -0.020 | -0.46 | 0.090 | 0.36 |
| Intercept and year fixed effects | Yes | | Yes | | Yes | |
| Variance of random effects: | | | | | | |
| - Target country level | 4.30*10 ⁻⁹ | | 2.55*10 ⁻⁶ | | 8.45 | |
| - Acquirer industry level | 0.001 | | 7.45 | | 69.01 | |
| - Acquiring firm level | 0.039 | | 196.79 | | 2216.54 | |
| - Residual | 0.113 | | 72.76 | | 2331.00 | |
| LR test vs. linear regression | $\chi^2(3) = 81.39^{**}$ | | $\chi^2(3) = 590.93^{**}$ | | $\chi^2(3) = 329.88^{**}$ | |
| Model test | $\chi^2(21) = 64.59^{**}$ | | $\chi^2(22) = 223.27^{**}$ | | $\chi^2(22) = 170.67^{**}$ | |
| No. of acquiring firms | 428 | | 413 | | 427 | |
| No. of observations | 1697 | | 1666 | | 1681 | |

Note to Table 3.7: The dependent variable in each model is the buy-and-hold abnormal return for the firms announcing a cross-border acquisition computed over a 12-month event window, ROA and ROE respectively, the latter two are measured in the year following the acquisition announcement, i.e. t + 1. The measure of TMT proxy: average years of target country experience is mean-centred. Lagged ROA and ROE are measured in the year preceding the acquisition announcement, i.e. t - 1. Acquiring-firm-specific control variables are lagged one year. All the other variables are defined the same way as in Table 3.1. All the regressions are estimated as multilevel regression models taking into account the target country where the focal acquisition took place, the acquiring firm's industry, and the acquiring firm's identity. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 3.8: Multilevel regressions models explaining the effects of the acquirer's TMT international orientation on post-announcement return on assets with target's listing status as additional control.

| Variable | Model 9B | | Model 9C | | Model 9D | |
|---|----------------------------|--------------------|----------------------------|---------|----------------------------|---------|
| | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat |
| Amount of int'l experience | -0.543 | -4.03** | | | | |
| Amount of int'l experience ² | 0.105 | 6.12** | | | | |
| Range of int'l experience | | | -2.70 | -2.98** | | |
| Range of int'l experience ² | | | 1.17 | 2.31* | | |
| National diversity | | | | | 0.089 | 0.04 |
| National diversity ² | | | | | -9.79 | -1.07 |
| Lagged ROA | 0.13 | 5.64** | 0.14 | 5.90** | 0.14 | 5.96** |
| Cash | 0.421 | 0.72 | 0.58 | 0.99 | 0.66 | 1.10 |
| Stock | -10.41 | -5.99** | -10.39 | -5.90** | -10.78 | -6.13** |
| Full acquisition | 0.078 | 0.11 | -0.06 | -0.09 | 0.01 | 0.01 |
| Transaction value | -0.09 | -0.61 | -0.09 | -0.59 | -0.11 | -0.72 |
| Diversifying acquisition | -0.448 | -0.74 | -0.428 | -0.70 | -0.46 | -0.76 |
| Firm size | 0.269 | 0.86 | 0.36 | 1.16 | 0.21 | 0.68 |
| TMT size | -0.451 | -1.70 ⁺ | -0.64 | -2.40* | -0.66 | -2.45* |
| Cultural differences | 0.112 | 0.53 | 0.086 | 0.40 | 0.09 | 0.41 |
| Country risk | -4.85 | -1.29 | -5.30 | -1.39 | -5.80 | -1.52 |
| GDP per capita | -0.025 | -0.55 | -0.026 | -0.55 | -0.032 | -0.70 |
| Private target | -0.355 | -0.63 | -0.383 | -0.67 | -0.37 | -0.65 |
| Listed target | -0.793 | -0.89 | -1.101 | -1.22 | -1.09 | -1.21 |
| Intercept and year fixed effects | Yes | | Yes | | Yes | |
| Variance of random effects: | | | | | | |
| - Target country level | 0.438 | | 0.48 | | 0.467 | |
| - Acquirer industry level | 2.559 | | 2.581 | | 2.763 | |
| - Acquiring firm level | 14.268 | | 14.003 | | 14.05 | |
| - Residual | 8.39 | | 8.52 | | 8.54 | |
| LR test vs. linear regression | $\chi^2(3) = 616.94^{**}$ | | $\chi^2(3) = 593.39^{**}$ | | $\chi^2(3) = 588.09^{**}$ | |
| Model test | $\chi^2(24) = 253.30^{**}$ | | $\chi^2(24) = 223.58^{**}$ | | $\chi^2(24) = 214.42^{**}$ | |
| No. of acquiring firms | 413 | | 413 | | 413 | |
| No. of observations | 1666 | | 1666 | | 1666 | |

Note to Table 3.8: Replicates Table 3.3, except that additional control added here is target listing status. ⁺, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 3.9: Multilevel regressions models explaining the effects of the acquirer's TMT international orientation on post-announcement return on equity with target's listing status as additional control.

| Variable | Model 10B | | Model 10C | | Model 10D | |
|---|----------------------------|--------------------|----------------------------|--------------------|----------------------------|--------------------|
| | Coeff. | z-stat | Coeff. | z-stat | Coeff. | z-stat |
| Amount of int'l experience | -0.87 | -1.37 | | | | |
| Amount of int'l experience ² | 0.35 | 4.13** | | | | |
| Range of int'l experience | | | -7.78 | -1.85 ⁺ | | |
| Range of int'l experience ² | | | 5.68 | 2.24 ⁺ | | |
| National diversity | | | | | 13.20 | 1.31 |
| National diversity ² | | | | | -83.89 | -1.74 ⁺ |
| Lagged ROE | 0.03 | 1.20 | 0.02 | 0.96 | 0.03 | 1.19 |
| Cash | 1.82 | 0.57 | 2.21 | 0.69 | 2.75 | 0.86 |
| Stock | -40.24 | -4.54** | -39.57 | -4.44** | -40.81 | -4.59** |
| Full acquisition | -0.39 | -0.10 | -1.17 | -0.31 | -0.66 | -0.17 |
| Transaction value | -0.21 | -0.26 | -0.21 | -0.26 | -0.32 | -0.39 |
| Diversifying acquisition | 2.67 | 0.82 | 2.56 | 0.78 | 2.42 | 0.74 |
| Firm size | 0.52 | 0.41 | 1.20 | 0.96 | 0.71 | 0.58 |
| TMT size | 1.16 | 0.87 | 0.54 | 0.41 | -0.07 | -0.05 |
| Cultural differences | 0.15 | 0.13 | 0.07 | 0.06 | 0.11 | 0.09 |
| Country risk | -10.40 | -0.50 | -12.74 | -0.61 | -12.70 | -0.61 |
| GDP per capita | 0.08 | 0.30 | 0.07 | 0.29 | 0.06 | 0.25 |
| Private target | -5.84 | -1.90 ⁺ | -6.04 | -1.95 ⁺ | -6.00 | -1.94 ⁺ |
| Listed target | -8.42 | -1.71 ⁺ | -9.42 | -1.91 ⁺ | -9.49 | -1.92 ⁺ |
| Intercept and year fixed effects | Yes | | Yes | | Yes | |
| Variance of random effects: | | | | | | |
| - Target country level | 3.75 | | 3.78 | | 3.60 | |
| - Acquirer industry level | 7.37 | | 7.78 | | 8.19 | |
| - Acquiring firm level | 47.70 | | 46.87 | | 47.20 | |
| - Residual | 47.76 | | 48.15 | | 48.12 | |
| LR test vs. linear regression | $\chi^2(3) = 345.92^{**}$ | | $\chi^2(3) = 331.04^{**}$ | | $\chi^2(3) = 342.20^{**}$ | |
| Model test | $\chi^2(24) = 194.98^{**}$ | | $\chi^2(24) = 179.98^{**}$ | | $\chi^2(24) = 177.84^{**}$ | |
| No. of acquiring firms | 427 | | 427 | | 427 | |
| No. of observations | 1681 | | 1681 | | 1681 | |

Note to Table 3.9: Replicates Table 3.4, except that additional control added here is target listing status. ⁺, ^{*}, and ^{**} denote significance at 10%, 5%, and 1%, respectively.

Table 3.10: using CTAR-based models of pairwise comparisons of 12-month post-announcement acquisition alphas of acquirer portfolios of absence vs. low; and low vs. high categorisations of each of the TMT determinants of depth, breadth and Blau index of national diversity.

| TMT proxy(ies) categories | Fama-French (1993) alpha | Difference | Carhart (1997) alpha | Difference |
|----------------------------------|-------------------------------------|--------------------|---------------------------------|--------------------|
| No amount of int'l experience | -0.002 (-0.55) | 0.0005 (0.12) | -0.002 (-0.74) | 0.003 (0.50) |
| Low amount of int'l experience | -0.001 (-0.42) | 0.002 (0.71) | 0.0001 (0.06) | 0.001 (0.38) |
| High amount of int'l experience | 0.0012 (0.64) | | 0.0014 (0.74) | |
| No range of int'l experience | -0.0007 (-0.24) | -0.0002 (-0.06) | -0.00072 (-0.23) | 0.00001 (0.01) |
| Low range of int'l experience | -0.0009 (-0.50) | 0.0012 (0.42) | -0.0006 (-0.37) | 0.0014 (0.47) |
| High range of int'l experience | 0.0003 (0.13) | | 0.0007 (0.30) | |
| Absence of foreigners | -0.0002 (-0.12) | -0.0004 (-0.12) | 0.00016 (0.08) | -0.0003 (-0.10) |
| Low national diversity | -0.0006 (-0.26) | 0.0015 (0.42) | -0.0001 (-0.06) | 0.0008 (0.22) |
| High national diversity | 0.0009 (0.32) | | 0.0007 (0.25) | |

Note to Table 3.10: The table shows differences in the long-run alpha between each pair of partitioned portfolios (as mentioned above) of acquiring firms based on three categories (i.e. absence, low and high) of each of the TMT proxies. The high and low classifications of the respective TMT proxies are based on above-median and below median presence respectively. The difference between each pair of portfolio alpha (Gregory *et al.* 2010) is tested using a binary variable. For example, the binary variable takes the value of one for low and zero for absence for the portfolio pair absence vs. low TMT variable. Similarly for the portfolio pair high vs. low TMT variables, the binary variable takes the value of one for high and zero for low. The figures reported in parentheses below each alpha estimate as well as the coefficient of difference in alphas, is the respective t-statistic. No coefficient is significant.

Chapter 4: TMT international orientation and effective choice of payment mode

4.1 Introduction

Extant literature considers payment methods⁷ in M&As as an important determinant affecting the returns to the acquiring firm shareholders (see Andrade *et al.*, 2001; and Martynova & Renneboog, 2008; for reviews) with a rather limited vision on how the mode of payments is decided upon in M&A transactions. Studies have generally examined different motivations behind the use of each payment method. The focus was on how each payment option impacted on the concerns of information asymmetry, predominantly from the viewpoint of returns of acquiring firms in domestic context. However, none of these studies have considered the strategic role of the directors of acquiring firms, including their TMTs as decision-makers. We strive to fill this gap by examining how these corporate managers at the helm of decision-making with their globally-oriented mind set, act to choose a payment method over other options.

In other words, the fundamental question which we attempt to explore in this study is that if we have the so-called ‘internationally-oriented’ executives, can we expect them to choose payment options tailored to mitigate these risks and uncertainties? This is because cross-country acquisitions present firms with unique challenges in comparison to their domestic counterparts due to additional elements of uncertainty; therefore, high levels of risk are customary. Also, the ambiguous information environment involved with these choices is more likely to impart more latitude of action to the top executives by virtue of their power and position in their firms. Hence, expansion decisions under higher uncertainty are not only more difficult to make, but are also bound to involve greater discretion of the TMTs of acquiring firms. With such a research setting we aim to scrutinize how such payment preferences by internationally oriented bidder TMTs may effectively alleviate the risk of information asymmetry in these extreme situations amidst the plethora of uncertainties in the global market for corporate control.

⁷ All the terms ‘payment methods’, ‘mode of payment’, ‘medium of exchange’, etc. used throughout this chapter interchangeably have the same connotation.

Prior IB research has acknowledged that features like, the international career experience of executives, mix of nationalities represented at the board level in general contribute to the so-called TMT 'international orientation', which is a crucial factor in strategic decision-making, including acquisitions across borders (Hermann & Datta, 2005; Nielsen & Nielsen, 2011; etc.). Such views on TMTs are, however, scarce in corporate finance literature, which primarily studies CEO roles in strategic decisions in offering a rather restricted approach of behavioural biases of managers (Roll, 1986, Malmendier & Tate, 2008; etc.). While CEOs are perhaps the most visible decision-makers in companies, it is unlikely that they determine major strategic decisions such as international acquisitions entirely on their own. Therefore, it follows that internationally-oriented managers are likely to be capable of making better choices with respect to foreign hosts (Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014) by virtue of their superior knowledge about diverse cultural and institutional environments, business practices, in addition to market-specific expertise and connections (Hermann & Datta, 2006). Such insight could play a significant role in augmenting overall cognitive diversity in their teams, thereby increasing the range and innovation of strategic alternatives (e.g., Nielsen & Nielsen, 2011). Therefore, internationally-oriented TMTs can be projected to be better-equipped to deal with information asymmetries arising in cross-border M&As.

However, this established notion is contradicted not only by the paucity of empirical support, but also by conflicting theories in both corporate finance and some 'upper echelon' studies on executive cognitions and resulting biases, together with the documented findings. Particularly, these researches indicated that international wisdom as aforementioned, may disproportionately inflate top executives' core self-evaluations. Thus, hubris or distorted notions of superior capability to make better-informed choices, attributed to past successes (Roll, 1986; Hiller & Hambrick, 2005; Billet & Qian, 2008; Malmendier & Tate, 2008) might arise. This could lead to potentially poor judgement about the risk profile of a foreign deal, inducing TMT overconfidence, particularly when extreme uncertainty is coupled with enormous latitude of action (Finkelstein *et al.*, 2008). Hence, we cannot ordinarily count on international experience and diversity in bidding firm TMTs to enable them to make competent choices. So a key question arises: when and what kind of 'international orientation' can be optimal for TMTs of internationalizing firms to make payment choices that facilitate mitigation of extreme information asymmetry in the global market?

Akerlof's (1970) 'Market for Lemons' setting is likely to be more pronounced in the international context, where ascertaining the true worth of a foreign target can be quite challenging for a bidding firm. This problem, while valuing a potential host firm is essentially more acute not only for those bidders having no or little familiarity with the global market, but also for the multinational firms. This is because considerable uncertainties may manifest themselves in the international market for corporate control (Reuer, Shenkar & Ragozzino, 2004). Hence, prior studies advocated the importance of experience and learning in acquisitions (Haleblian & Finkelstein, 1999; Haleblian *et al.*, 2009; Aktas *et al.*, 2013). However, corporate finance studies are yet to recognise the TMT role, whilst IB papers have recently acknowledged the fact that much of this experience and learning occurs at the TMT level of a firm (Nadolska & Barkema, 2014). We propose to extend this view by hypothesizing when and at what levels TMT international exposure and diversity can prove to be advantageous in making payment choices in order to alleviate information asymmetry at extreme levels.

Specifically we conjecture that higher the riskiness of a cross-country acquisition, the greater is the possibility of choosing pure cash or a combination of cash, stock, etc. relative to pure stock swaps. This is because in cross-country acquisitions with more intense information asymmetry, either cash or mixed payments are feasibly the more preferred medium in comparison to pure stock exchange (Reuer *et al.*, 2004; Sudarsanam, 2010). Relying on this fundamental assumption, we synthesise the intuitions from different areas namely, corporate finance, IB and 'upper echelon' research to develop our hypotheses on behavioural aspects of acquirer TMTs. Our objective here is to understand how such behaviour shaped by their observable characteristics, may influence the preference for payment mode in respect of a foreign host. Our reasoning is influenced by the arguments in studies by Haleblian & Finkelstein (1999) and Aktas, *et al.* (2013), etc. We combined various insights from these divergent streams to propose a curvilinear (U-shaped) relationship between the aspects of TMT international orientation and payment choice under severe conditions of environmental uncertainties predominant in cross-country deals. Our rationale is that initial levels of international orientations in bidder TMTs could bring about unwarranted optimism and confidence, whilst dealing with an extremely risky foreign target. Given the high discretion available in arriving at a choice in such a case with its inherent unpredictability could prompt improper choices of payment currencies. However, as higher levels of such orientations take root with time, TMTs tend to become more mature in making appropriate choices that would serve to diminish risks and uncertainties in a more uncertain cross-border setting. In other

words, we surmise that a higher level of TMT ‘international orientation’ is likely to strike a balance between confidence and competence, leading to an efficient payment choice, i.e. a higher likelihood of cash and/or mixed mode of payment relative to stock.

Our theoretical conjectures were upheld when empirically tested with public UK bidding firms opting for internationalization. A sample of 1708 cross-country deals announced by 429 UK acquiring firms during a period from 1999 until 2008 was used for our analysis. Our results demonstrated a significant non-linear association of overall international experience in terms of amount and range as well as nationality mix in TMTs with the probability of opting for cash only or mix of cash, stock, etc. payments relative to stock exchanges. These findings generally indicate that below a certain threshold, international orientation is likely to be inaptly transferred; specifically when a deal entails intense information asymmetry, thereby resulting into an inappropriate choice of payment method, i.e. a lower probability of choosing cash and/or mixed payment.

In addition to the contributions to the existing literature highlighted in Chapter 1, this chapter promotes a comprehensive view of TMT ‘international orientation’. Particularly, we attempt to resolve the puzzle – how apparent excessive optimism may translate into optimality with respect to payment choice in foreign acquisitions, when the level of risk and uncertainties in the global market is severe. Further, this chapter extends prior research in respect of the following:

- (1) Extant IB research tended to take a positive view of the observable indicators of ‘international orientation’ as facilitators of international diversification (e.g. Herrmann & Datta, 2005) or expansion decisions across borders (Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014). We complement these positive interpretations by: (a) accounting for the perceived negative aspects of TMT international orientation, (b) proposing more nuanced indicators of TMT ‘international orientation’ employing both amount (depth) and range (breadth) of international experience, in addition to TMT national diversity; and (c) relating them to the likelihood of opting for cash or mixed forms of payment in relation to using stocks.
- (2) While most prior studies documenting ‘hubris’ or overconfidence effects, focus on CEOs only (Roll, 1986; Hiller & Hambrick, 2005; Malmendier & Tate, 2005, 2008, etc.); we argue that such effects can manifest in the overall TMT. Specifically, we present a holistic range of TMT indicators of (over)confidence to relate payment preferences amidst complexities involved in internationalization decisions. Prior researches have not considered such

preferences of mode of payment based on TMT-level decision-making attributable to their ‘international orientations’.

(3) Finally, in a marked departure from the existing studies on payment modes, we consider the plausible role of ‘international orientation’ of acquirer TMTs on mitigation of environmental concerns of risk and uncertainties, whilst affecting preferences of payment modes by such TMTs.

The remainder of the chapter is as follows. Beginning with the hypotheses on payment modes, we briefly review the related extant literature. The subsequent sections develops the research hypotheses based on the motivating theories discussed in the first section, followed by the research design adopted and description of how the sample had been constructed. Thereafter, we analyze the empirical findings from tests of our proposed hypotheses. The concluding section discusses the implications and the limitations of this chapter whilst making some suggestions for future research.

4.2 Motivation and theoretical background

A number of studies show that the choice of exchange medium could be influenced by certain considerations as hypothesized in existing literature. We summarise them in the following premises:

The problem of information asymmetry (Akerlof, 1970) is widespread between the acquiring and the target firms in respect of their private values, which are known only to them. Such asymmetric information in M&As has thus, predominantly been modelled to affect the bidders’ options to pay for their targets (e.g., Hansen, 1987; Fishman, 1989; Eckbo, Giammarino & Heinkel, 1990; etc.) by either cash or equity or a combination of both. This leads to the two below-mentioned theories:

(a) Risk-sharing hypothesis: Uncertainty regarding a target company can create difficulty in its proper valuation. To mitigate this, a bidder may offer to the target its own stock as payment consideration in order to share the risk (Hansen, 1987) of being adversely affected when the target’s value turns out to be lower than estimation. In a cash offer on the other hand, the bidder

retains control with no dilution in shareholding, but at the expense of mis-valuation of its target and therefore, becomes exposed to the risk of overpayment.

(b) Signalling & mis-valuation hypotheses: The payment decision by such a firm is construed as a signal to the participants in the market with respect to its own value; hence interrelated to each other. So, a cash offer by an acquirer to a target firm signals to the market that the former is undervalued, hence interpreted as 'good news'. Moreover, it also signals the target valuation that its prospects to the bidder are good; thus, alleviates information asymmetry in respect of the target. For instance, an offer of cash would signify a high valuation of the proposed target and therefore, is likely to thwart competition from other potential bidders (Fishman, 1989). The contrary is likely to be signalled in the case of an offer of stock.

Market mis-valuation of the stock of a firm proposed by Myers & Majluf (1984) using a theoretical framework and developed later by Hansen (1987), conjectured that a bidding firm would prefer to pay using an equity swap for its acquisition, if overvalued. This is referred as overvaluation hypothesis. Contrarily, if the firm perceives itself to be undervalued, it would use cash instead.

While (a) and (b) are collectively grouped under 'information-content' hypothesis by Chatterjee & Kuenzi (2001), they also propose an Investment opportunity hypothesis (conceptualised by Martin, 1996). They proposed that acquisitions financed with exchange of acquirers' equity could be viewed as profitable for these firms having positive net present value investment prospects. Put differently, growth opportunities of a firm would drive the medium of exchange in corporate takeovers which was tested by Martin (1996). Assuming an implicit similarity between the rationales behind choice of two primary sources of financing, i.e., debts and equity; and payment method employed for acquisitions, he found empirical support for this conjecture. Thus, Martin (1996) evidenced that stock payment signified greater investment opportunities in respect of the pre-acquisition performance and stock run-ups experienced by the acquiring firms in his sample.

(c) Free cash flow hypothesis: Jensen (1986) put forward an 'agency' theory where excess cash could either benefit or cause detriment to the bidder firm shareholders, depending on the managerial incentives, inter alia. For example, his theory predicts that cash acquisitions financed with debt might reduce the agency costs of free cash and thus, garner higher gains to the acquiring firm. Alternatively, if these acquisitions represent a means of using free cash in

lieu of paying it out to the shareholders as dividends, etc., it would rather exacerbate the agency conflicts. Therefore, such corporate strategies induced by self-interested executives (e.g. empire building) would tend to be value-destructive.

4.3 Empirical evidence in prior literature

The role of ‘medium of exchange’ or ‘method of payment’ affecting returns to shareholders has been a widely researched topic in M&As (see for example, Travlos, 1987). The empirical evidences and analyses to this effect are all based on either the information asymmetry framework of Myers & Majluf (1984) or the cash flow model by Jensen (1986). The seminal paper by Travlos (1987) brought into light the relationship between payment mode and abnormal returns of bidders upon announcement of acquisitions. He found over a period from 1972 until 1981 that the abnormal returns for an announcement window of 2-days (-1, 0) for the US acquiring firms using own-equity-swaps were significantly negative, although for those firms acquiring with cash, returns were positive but insignificant. While there has been confounding empirical evidence on acquiring firm returns, studies looking into the value creation impact of payment mediums in M&As, have documented negative announcement returns to stock-paying acquirers. This effect was found to be more pronounced in cases of public targets (Moeller, Schlingemann & Stulz, 2007).

In essence similar findings were reported in the works of Travlos & Papaioannou (1991), and Wansley, Lane & Yang (1987, but with different event announcement windows and time periods. Both these studies deal with US acquiring companies. For instance, the latter showed statistically significant positive cumulative abnormal returns (CARs) for those bidder companies which offered cash payment to their targets. A work by Eckbo *et al.* (1990) modelled an optimal mix of cash and equity as payment consideration, which could be determined by the respective value information of acquirers and targets. Eckbo *et al.* (1990) further demonstrated that in equilibrium, structure of such offer made would reveal to a target the true post-acquisition value of its acquiring firm; such firm-value being monotonically increasing and convex in the fraction of cash payment. However, their theoretical predictions could not be upheld in their empirical analysis with Canadian firms; although they found significantly positive announcement-month abnormal returns to acquirers which were highest for a mix of cash and stock paid deals. The paper on US bidders by Brown & Ryngaert (1991)

showed contradictory evidence to that of Eckbo *et al.* (1990). Examining a sample of US firms acquiring privately-held targets, Chang (1998) reported completely divergent results where acquirers offering common stock as the exchange method, earned significantly positive abnormal returns; notwithstanding that cash acquirers failed, i.e. they had zero abnormal returns. He ascribed this profitability for the former group of acquirers to a positive correlation between the new block-holder created by virtue of equity exchange as well as the amount of such issue with their returns, revealing likely effective monitoring by large shareholders. Nonetheless, the results from Chang's analysis with respect to acquisition of public targets with common stock, were along the same lines as Travlos (1987). The study of UK bidding firms by Draper & Paudyal (1999) also echoed Travlos's (1987) findings that those firms doing a stock swap for their targets were worse-off than their counterparts exchanging cash. While the latter failed to generate any significant abnormal returns, that for the former group turned out to be significantly negative. All the papers discussed in this paragraph therefore, generally supported the key findings by Travlos (1987), representing empirical evidence of the information asymmetry hypothesis reflected through choice of payment medium.

Some of the more recent studies investigating the implications of the different methods of payments on returns to bidding firms are namely, Chatterjee & Kuenzi (2001); Fuller *et al.*, (2002); Shleifer & Vishny (2003); Officer, Poulsen & Stegemoller (2009); Chemmanur, Paeglis & Simonyan (2009); Gregory & Bi (2011); etc. Essentially, all these studies documented significantly higher gains from acquisitions with common stock; this finding by both the studies by Fuller *et al.* (2002) and Officer *et al.* (2009), was primarily with respect to privately-held and/or 'difficult-to-value' targets. Therefore, studies by both Fuller *et al.* (2002) and Officer *et al.* (2009) principally upheld the predictions of information asymmetry hypothesis. Chatterjee & Kuenzi (2001) however, did not find enough support for their investment opportunity hypothesis. The papers reviewed until now, looked at how cash or equity as exchange medium affected the announcement returns to acquirers. Thus, all of these indirectly inferred on how information asymmetry pertaining to either the acquirer or the target, might drive such decision making on acquiring firm's mode of payment.

The theoretical model proposed by Shleifer & Vishny (2003) implied that stock market valuations are one of the main drivers for M&As; positing adverse returns for stock acquirers, but favourable returns for cash acquirers in the longer term. They contended that stock-financed acquisitions were positively associated with high stock valuation (at an aggregate or industry

level), while the contrary was applicable for cash-financed ones. Further, they associated managerial entrenchment in the form of earnings manipulation, insider trading etc. with firms using stock as exchange methods for their targets. The predictions of signalling hypothesis however, were contradicted in the study by Goergen & Renneboog (2004) for European M&As, where stock bids seemed to be more favourably accepted by the market. The study by Chemmanur *et al.* (2009) empirically examined how private information related to both US acquirers and their publicly-held targets interacted to influence the choice of cash or stock payment to targets by acquiring firms. They depicted a significantly higher propensity for overvalued acquirers to pay through equity exchange therefore, earning lower abnormal announcement returns. Finally, the findings by Gregory & Bi (2011) with a sample of bidders from the UK supported the predictions of Shleifer & Vishny (2003) that overvalued firms were more likely to use stock exchange for their targets, which also tended to be overvalued, but to a lesser extent than the acquirers. Broadly categorised, all these studies also represented tests of the asymmetric information or ‘information-content’ hypothesis.

These aforementioned studies generally do not analyse the impact of other factors which are likely to drive the choice of exchange medium in M&As. The paper on financing decision by Faccio & Masulis (2005) of bidding firms across Europe however, focused on determinants other than those hypothesized above. Basically, they looked into how the payment choice might impact on the control structure of bidders whilst affecting its financial condition, as an aftermath of such a decision; i.e. how the relative importance of these two factors determined choice of financing by European acquirers in respect of their targets. Their empirical evidence showed that both these elements in conjunction with deal features as well as specific acquirer and target characteristics interplayed affecting the finance decision by acquiring firms. For instance, their results show that acquiring firms were more likely to opt for cash exchange for their targets when control of a dominant holder was at stake, especially in cases of concentrated shareholdings of target firms. This was in line with the negative relationship of acquirers’ managerial ownership with their choice of using equity as mode of payment evidenced by other studies with US companies (e.g. Martin, 1996; etc.). Martynova & Renneboog (2009) however, did not solely look into payment modes in their sample of European bidding firms. Rather, this paper studied how the preference for varied sources of financing available to them, was impacted by the exchange mediums for their targets in line with their diverse motives of information asymmetry alleviation, retention of control, etc. Their results show that whilst cost of capital at both firm and country levels dominated financing preferences of bidders during

takeovers, mode of payments only affected such choices indirectly. More specifically, their analysis reveals that the financing and payment decisions were not influenced by a similar set of determinants. Faccio & Masulis (2005) on the other hand, dealt with a subset of financing decisions, viz. debt constraints and looked at the trade-off between the same and control preference of acquiring firms.

To summarise, the empirical studies reviewed above are predominantly US-focused and tend to look at how the returns to the bidding firms' are affected due to varied modes of payments in M&As, with just a few studies (e.g., Faccio & Masulis, 2005; Martynova & Renneboog, 2009) relating financing decisions with payment methods. Moreover, these studies considered the 'information asymmetry' theory primarily from the standpoint of bidder firms in a domestic context, whilst we examine payment mode preferences in a cross-country setting.

4.4 Risk and uncertainty in international deals

In international acquisitions, the range of sources of uncertainties may inter alia, be either at the host country-level (e.g. economic, social and political factors) or at the target firm-level (e.g., new product/initial phase of business with less reliable data, higher proportion of intangible assets; see Officer *et al.* (2009) for example), or simply include a combination of both levels. Further, the bidder firm could suffer also from an inherent 'liability of foreignness' (Zaheer; 1995) ascribable to inexperience with the culture and institutional setup of its host. All such situations make cross-border corporate control market similar to 'market for lemons' (Akerlof, 1970) where associated problems of 'moral hazard' and 'adverse selection' are severe. Therefore, alleviation of information asymmetry is particularly important, when a substantial investment choice is likely in the form of a foreign acquisition and/or when prospects of credible evaluation of target resources look impaired. In this context, host country risk and cultural differences amongst nations (e.g. Barkema *et al.*, 1996; Chari & Chang, 2009; Piaskowska & Trojanowski, 2014) represent two of the most frequently referred to aspects that could impede the due diligence process carried out by an acquirer in valuing its prospective foreign host.

According to Miller (1992) a common source of uncertainty conventionally recognized, is the risk of the country where the prospective host firm is located. The factors encompassing host

country risk could include its economic and social standards, capital market and regulatory framework and governmental norms. All of these interact to generate a climate conducive to business operations; e.g. the purchasing power of consumers in a country would determine profitability of its product market which in turn would pave the way for foreign firms looking for greener pastures. Moreover, the presence of skilled low-cost labor, a well-developed infrastructure and a congenial business climate would make it an attractive prospect for foreign acquirers. On the other hand, a hostile political environment, poor infrastructure and adverse investor market would increase the risk of a potential host country, consequently making it an unfavorable destination for global expansion.

In addition to target country risk, another customarily accepted environmental factor is the inherent disparities in fundamental cultural values (Hofstede, 2001) that exist among different nations. International business literature (e.g., Barkema *et al.*, 1996; Chari & Chang, 2009; Zaheer, 1995) has identified 'cultural differences' to be a significant contributor to an uncertain business climate in potential target nations. For instance, with different business and ethical culture prevailing in a country, foreigners would face complex interactions with local population that might lead to recurrent misunderstanding and conflict, impeding normal business operations. Hence, bidders with foreign targets that are culturally wide apart are more likely to face serious post-merger integration issues.

As outlined above, these specific uncertainties and their likely prevalence in the global setting, adds to the complexities in international deals, making them highly risky and therefore, less attractive to potential bidders. Hence, earlier studies in international business have suggested as a remedial measure, less commitment-involving alternatives in the form of joint ventures; or resorting to other contractual or institutional remedies like performance-based contingent payments in the form of earn-outs; etc. (Barkema *et al.*, 1996; Reuer *et al.*, 2004). An acquisition in a foreign host country may facilitate increased familiarity with local culture and institutions and markets. Therefore, in the present era of globalization, a cross-country acquisition can be beneficial in the long-run. But, asymmetric information could heighten the acquiring firm's risks of an excessive outlay in transaction costs associated with due diligence and negotiation of the proposed deal. Furthermore, there could be potential overpayment once the deal is finalised and last but not least, the integration could also pose a challenge. In such situations, the bidding firm would be more likely to prefer cash or a mixed medium of exchange so as to maximise its returns from the deal. On the one hand, it would attempt to garner the true

value from the transaction involving acquisition of the foreign targets. On the other hand, it would minimise the risk of failure in the face of potentially harmful effects of a myriad of factors, which includes, high levels of both country risk and cultural distance.

4.5 Does international orientation of executives alleviate information asymmetry?

As discussed in the Chapter 2, extant studies in both corporate finance⁸ and IB have taken a rather narrow viewpoint in considering the integral position of bidding firm boards, including their TMTs when looking at foreign acquisitions. These streams of literature unanimously underscore the significance of the decisive factors of acquisition namely, deal and firm characteristics, etc. However barring ‘upper echelons’ theory, focus on the collective role of TMT as key contributors to the deal-related decisions is rather scarce. Specifically, this latter theory highlights the behavioural aspects of TMTs as already reviewed in Chapter 2.

We had also highlighted in Chapter 2 how the ‘upper echelons’ hypothesis posits that characteristic traits are influenced by idiosyncratic personalities as well as perceptions of individual executives are likely to be shaped up by diverse demographic factors such as education and experience, *inter alia* (Hambrick & Mason, 1984; Finkelstein *et al.*, 2008). Hence, international experience of one or more TMT members in a firm as well as mix of nationalities therein, can act as a prime facilitator of superior decision-making by the entire team (Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014). Thus, all such observable characteristics of individual executives interact to develop the team ‘international orientation’ which is conjectured to provide the managerial team with the requisite skills and self-assurance to tackle the range of complexities involved in international acquisition deals. Therefore, in scenarios fraught with very high uncertainties due to greater cultural distance or more country risk, bidder TMTs’ collective cognition built up through their thus-acquired values and ‘orientations’, contributes to the process of TMT decision-making (Finkelstein *et al.*, 2008).

It is intuitive that whilst dealing with unfamiliar and complex situations such as cross-border acquisitions (Doukas & Petmezas, 2007), inherent idiosyncrasies could bias accurate assessment of the prospective target. These possibilities have been discussed in detail in

⁸ Both these literatures have focussed on chief executive officers (CEOs) as one of the most powerful members of the TMTs (See for example, Jensen, 1986; Brouthers & Hennart, 2007).

Chapter 2 and could lead to mere prior ‘international orientation’ being inadequate and unreliable. As mentioned before, the literature on corporate finance holds a restricted view, accounting for all these apparent irregularities in managerial behaviour arising from ‘agency’ problems (Jensen, 1986; 1988). However, it could be equally possible that these TMTs believe that they are acting in the best interests of shareholders (Malmendier & Tate, 2008; Doukas & Petmezas, 2007). As envisaged in the earlier Chapter 2, this scenario seems more common in cross-border deals, especially with more culturally distant hosts or ones from highly risky countries where decision-making specifically entails a wide range of autonomy to a bidder TMT. Thereby such wisdom would be misapplied and risk involvement might be downplayed while deciding upon expanding business abroad in countries with higher risk and cultural disparity.

Amongst the multifarious elements inherent to decision-making in such cross-country M&As, the mode of payment to be chosen constitutes one of such key determinants. Therefore, it is imperative to delineate the importance of the TMT of acquiring firm contributing to the same: when TMT ‘international orientation’ can be advantageous for the acquiring firms going in for cross-border targets. At what level of acquired expertise would the bidder TMTs desist from an overoptimistic deal-evaluation or from misjudging the expected synergies or from choosing an inappropriate payment mode for the cross-country host?

4.6 Research hypotheses

The above section explains the criticality of the decision-making role of the TMT of a firm embarking on international acquisitions. The following paragraphs in this section will build upon the arguments made both in favour and against ‘international orientation’ in the preceding section. In this section, we postulate how and when these alleged negative effects can be overcome and instead synthesized into beneficial effects. In other words, is it possible to optimise as well as balance the two opposing effects to have an overall positive impact for a bidding firm?

As reviewed earlier, it is evident from the existing literature that prospective acquiring firms attempt to focus on their mode of payment when conditions of ‘adverse selection’ exist. For instance Officer *et al.* (2009), showed in their paper that there is a significant impact of the

method of payment selected by a bidder firm on its returns when the ‘information environment’ in which its host operates is relatively obscure. Also as noted before, environmental concerns in conjunction with a multitude of factors at both industry and firm levels interplay, making strategic investment decisions like international acquisitions highly complex and unpredictable. In particular, we focus here on the two quantifiable forms of environmental uncertainties viz., country risk and cultural distance, which are underpinned by all the different strands of literature previously discussed, while controlling for the firm level variables in our empirical settings. From the perspective of these two forces prevailing in the global environment, we revisit the contentions over benefits and disadvantages of international orientation.

We argued in the preceding sections that opting for equity to pay for unfamiliar foreign targets in these scenarios could be employed to minimise the downside risk of a bidding firm, which seems a better choice in domestic scenarios. However, since these uncertainties are more likely to be exacerbated in an international context (Barkema *et al.*, 1996) with riskier countries and culturally distant hosts, it is more likely that an acquirer would be more inclined to use cash or mixed payments as exchange medium instead of other options, so that its risk can be reduced. Although empirical evidence on the profitability of cross-country returns are mixed, but the fact that payment method adopted is a crucial contributor to the success of such international transaction, is indisputable (see for example, Georgan & Renneboog, 2004). It has been discussed before that these strategic decisions are made by the TMT en bloc, or the ‘dominant coalition’ (Cyert & March, 1963), rather than by any single manager in a bidder firm (Hambrick & Mason, 1984; Nadolska & Barkema, 2014; etc.), as mostly envisaged in both previous corporate finance and IB studies. As discussed in the previous section, at high levels of country risk and cultural distance, making the right judgement on the foreign deal-at-hand can be both daunting and challenging. As mentioned before, typically under these scenarios involving high discretion, considerable latitude of action is available to the TMTs of acquirers, whereby disposition and other executive traits come into play (Finkelstein *et al.*, 2008). Potentially, ‘international orientation’ of the entire TMT can be a comparative advantage to facilitate better decision-making in such circumstances. But, from the reflections on the pros and cons of ‘international orientation’ of these TMTs of acquiring firms, it follows that unless optimal, such ‘orientation’ may not prove helpful in making the right choices when deciding on acquisitions abroad.

As contended in Chapter 3 that the inherent heterogeneity of cross-border acquisitions generally, can impede drawing consistent inferences from prior exposures on account of any single factor such as education, work or domicile in any foreign nation. Therefore, modest international experience may limit the scope of learning and consequently utilizing this in subsequent acquisitions. If the same is limited in time, i.e., unless, such experience is acquired through a number of years, it might be improperly assimilated and hence, may tend to be misapplied as is evident from the detrimental impacts of overconfidence leading to faulty evaluations of ‘international orientation’.

While deciding upon the various aspects of acquiring a foreign host amidst extreme incidence of the above-mentioned uncertainties in global environment, competence and efficacy to make the requisite choices need to be achieved. In order to do so, more of such experience over a longer time-frame needs to be accrued by the overall TMT of a bidder, given the multitude of uncertainties in the global market of corporate control. Also as contended in some studies (e.g., Reuer *et al.*, 2004; Sudarsanam, 2010, etc.) either cash or mixed payments are feasibly the more preferred medium in comparison to pure stock exchange since, cross-country acquisitions are associated with more intense information asymmetry. Therefore, higher the riskiness of a cross-country acquisition, the greater is the possibility of choosing pure cash or a combination of cash, stock, etc. relative to pure stock swaps. In other words, we expect as overall international exposure of the entire TMT matures over time after a threshold; the said TMT will be in a better position to make this choice of mode of payment for its foreign host to mitigate information asymmetry in acute situations of country risk and cultural distance. In the opposite situation where neither country risk nor cultural is so seriously concerning, we would not expect such exposure to play such a critical role. Hence, we conjecture for these bidders with TMTs possessing an optimal depth of international experience (in terms of average number of years), there would be a higher probability of choosing cash or mixed payment over pure stock to pay for their targets. This is ascribable to the fact that it might not be feasible to use only stock payments for hosts in riskier or culturally distant countries. Hence, depth of such wisdom only beyond a sub-optimal level, tends to mitigate information asymmetry in the presence of greater country risk and cultural distance. We therefore, expect the depth as measured in number of years of TMT international experience to have a curvilinear (U-shaped) relationship (as hypothesized by Haleblan & Finkelstein, 1999) with the probability of only cash or combination payment relative to stock when higher levels of two of these environmental considerations coexist. Thus, we hypothesize:

Hypothesis 1a: Under higher levels of country risk, the amount of TMT international experience in average number of years will have a curvilinear (U-shaped) relationship with the probability of paying cash in cross-border acquisitions.

Hypothesis 1b: Under higher levels of cultural distance, the amount of TMT international experience in average number of years will have a curvilinear (U-shaped) relationship with the probability of paying cash in cross-border acquisitions.

As argued in Chapter 3, it is not only the depth of international experience acquired through over time, but also breadth of the same knowledge could also serve as an essential aspect of the TMT ‘orientation’ of a firm intending to expand beyond its own country borders. This breadth is gained from exposure to a number of countries with different socio-economic and institutional cultures and associated risks. Specifically, the quantifiable environmental aspects of country risk and cultural distance are likely to be toned down with TMT exposure to a large number of countries, as a wider range of such experience would enable them to have a more enriching knowledge of business regulations. More of this insight therefore, can be assumed to be crucial in choosing the cash or mixed payment mode relative to stock under extreme conditions of both these forms of uncertainties. Therefore, in all probability the TMT of a bidding firm tends to become better equipped in managing foreign deals as their range of international exposure increases on account of disparate backgrounds in a number of countries. Moreover, as a firm embarks on more foreign acquisitions, its TMT has the potential to garner a richer expertise becoming acquainted with varied business practices and cultures. Such knowledge would be beneficial in making expansion decisions in countries with similar institutional and regulatory cultures (Barkema *et al.*, 1996). It would also increase the breadth of international experience for an increased range of countries. Such exposure to diverse countries serves to complement the overall international wisdom of a TMT, adding to its richness, thus, its overall competence.

As pointed out in Chapter 3, the transfer effect theory (Cormier & Hagman, 1987) suggests that learnings from past experience can be effectively applied to later similar events in certain circumstances. However, as put forward by Ellis *et al.* (2011b), the potential effects of experience on subsequent undertakings (as implied by this theory) may not be beneficial every time. It also indicates that the initial phase of TMT international exposure might not achieve the desired beneficial effect of successfully managing cross-country acquisition decisions when

selection of a host from either a highly risky or culturally distant country needs to be made. This is ascribable to excessive optimism and self-assurance which are the likely impact of inadequate 'orientation'. However, as the breadth of managerial team's experience over range of countries continues to grow, such TMTs would tend to build on their expertise to apply their discretionary power more aptly. Therefore, in the light of the discussion on the feasibility of preference of cash or a mixed mode of payment to mitigate riskiness of cross-border deals, an optimal breadth of international exposure would enable the TMT to take stock of the uncertainties of acquiring a foreign host in a riskier as well as a culturally disparate country because of the limited information. Hence, on the lines of Haleblian & Finkelstein (1999), we hypothesize:

***Hypothesis 2a:** Under higher levels of country risk, the range of TMT international experience in an average number of countries will have a curvilinear (U-shaped) relationship with the likelihood of opting for cash to pay in cross-border acquisitions.*

***Hypothesis 2b:** Under higher levels of cultural distance the range of TMT international experience in an average number of countries will have a curvilinear (U-shaped) relationship with the likelihood of opting for cash to pay in cross-border acquisitions.*

Apart from depth and breadth of international experience, we consider another important aspect of 'international orientation' i.e. a firm's TMT composition with diverse nationalities, as we did in the last Chapter 3. Based on the extant literature (see for example, Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014) together with the research on the psychology of culture (e.g. Tadmor, Tetlock & Peng, 2009), we believe that the presence of more foreign nationals in a firm's TMT enhances its cultural diversity. Thus, such a diverse team of executives is likely to have a superior cognition of cross-country dissimilarities that tends to mold their uncertainty perceptions when either country risk or cultural distance of a target complicates proper judgements. Therefore, this entire team could be adequately competent to opt for the payment choice of pure cash or mixed modes, which would most likely alleviate appropriately both these environmental concerns between the acquiring firm and its foreign host. Further, foreigner managers could to bring the table expertise of their home country cultures regulations and network access (Nielsen & Nielsen, 2011). Also, the TMT with foreign managers might be benefited from a broader and improved comprehensiveness of information-at-hand and greater 'international orientation' (Piaskowska & Trojanowski, 2014), thereby leading to a superior choice of payment mode for a foreign target. On the other hand, the said

favorable impacts of having foreign nationals in the TMT of a firm may also be obscured due to a difference of risk and uncertainty perceptions attributable to different cultural cognizance. This may lead to conflicts resulting in slower and costlier decision-making (e.g., Nielsen & Nielsen, 2011). Nevertheless, a greater nationally diverse team of executives is likely to possess a more holistic view during prevalence of greater environmental uncertainties, both in terms of host country risk and cultural differences with the acquiring firm. With an improved understanding and perception of such risk and uncertainties for such teams, we conjecture that such internationally diverse teams are more likely to make less risky payment choices in the form of cash or mixed modes of payment so as to reduce information asymmetry. However, this facet of international orientation might not be that relevant in the contrary scenarios of lower environmental uncertainties. Hence, we propose the following:

***Hypothesis 3a:** Under higher levels of country risk, the national diversity of TMTs will have a curvilinear (U-shaped) relationship with the possibility of using cash payment for an international host.*

***Hypothesis 3b:** Under higher levels of cultural distance, the national diversity of TMTs will have a curvilinear (U-shaped) relationship with the possibility of using cash payment for an international host.*

4.7 Sample and methodology

We tested the hypotheses discussed in the last section using the original sample of UK acquiring firms, detailed in the Chapter 2. The unavailability of information on payment mode, cultural distance and country risk reduced the number of observations that could be used for analysis so that the final sample had 1,708 acquisitions completed by 429 firms in 93 host countries.

The operationalization of variables and detailed methodology are outlined below. All variables, except indicator variables, were winsorized at 1st and 99th percentile levels in order to avoid the results being affected by outliers.

4.7.1 Dependent variable

Based on three different methods of payment i.e. cash, stock, and combinations of both along with debt, etc., we coded two binary variables as: the *Cash* with the value of one for pure cash payments and zero otherwise and the *Stock* variable having value of one for pure stock payments and zero otherwise. Then, we regrouped them to create a new ordered variable *payment modes* (Y_i discussed in the following sub-section), taking the values one, two and three respectively, where Y_i has the value of one if *Cash* was one; Y_i is two if both the binary variables *Cash* or *Stock*, were zero; and finally Y_i is three, if *Stock* was one.

4.7.2 Independent variables

The key explanatory variables are the same as those used for the Chapter 3 on longer term performance of the bidder firms. Therefore, detailed explanation of the following proxies for the ‘international orientation’ of the TMT of an acquirer firm already provided in that chapter is not repeated here:

- a) *Depth/Amount of TMT international experience* was quantified as the average number of years of international experience of the TMT members until one year prior to the announcement of the focal acquisition.
- b) *Breadth/Range of TMT international experience* was measured as the average number of countries up to one year prior to the focal acquisition.
- c) *TMT national diversity* using the Blau index of national diversity measured one year prior to the acquisition announcement.

Analogous to the previous chapter (Chapter 3) using the same determinants of ‘international orientation’, we continued using the mean-centered TMT variables (Aiken and West, 1991).

4.7.3 Control variables

The control variables included in our analysis are in line with the studies on payment modes reviewed earlier and are relevant as far as an information asymmetry problem is concerned. They can be classified into three categories: target country-specific, deal-specific, bidder-specific and lastly target-specific variables, as explained below:

Target country-specific controls

Empirically we account for two quantifiable environmental concerns (as described in the Section 4.6) which are target country-specific variables, namely, *Country risk* and *Cultural distance*. These variables have also been employed in the other chapters, but they are specifically important in this chapter from the point of view of our research design. These factors can be assumed to intensify the associated ‘moral hazard’ and ‘adverse selection’ that plague the international market for corporate control. However, we hypothesize that appropriately higher levels of ‘international orientation’ of acquiring firms’ TMTs tend to mitigate the severity of these risks, leading to a better choice of payment modes for their foreign hosts.

The time-varying index of *Country risk* (Euromoney, 2009) and *Cultural distance* (Kogut & Singh, 1988; Hofstede, 2001), as detailed in Chapter 2 were used for the analysis. For either *Country risk* or *Cultural distance*, we looked at median values of the respective variables across the whole sample to we create two dummy variables. Those above median were classified as *High_Risk* and *High_CulturalDistance*, while the below median values as *Low_Risk* and *Low_CulturalDistance*. The former measures signified the riskier host countries for our purposes.

Deal-specific controls

Although some of our deal-related variables were the same as used for the other chapters, we explain their relevance here employing the ‘payment mode’ angle. Previous studies have predicted the consideration paid for a transaction, i.e. the deal size as an important aspect of M&As. Not only does it reflect managerial intent (see for example, Jensen, 1986; Shleifer & Vishny, 1989) behind the deal, but also may act as a determinant for choice of payment method or financing. For instance, paying for an expensive foreign target tends to make the transaction riskier (although, it may be equally likely that the large size of the target makes cash payment infeasible). Deal size in our study is represented in *transaction value* (in logged GBP millions). Similarly, we controlled as follows, for certain other features of each of these international deals which have the potential to expose them to the risk of adverse selection (Akerlof, 1970; Hansen, 1987; Reuer *et al.*, 2004;):

Whether a bidder acquired full control of its target (at least 95% stake) or not, using *full acquisition dummy*;

Acquirer-specific controls

The acquirer-specific variables used in our analysis are firm characteristics such as, size, Tobin's Q, leverage and bidder stock run-up prior to the focal acquisition, all of which have been shown to influence payment mode choice in prior research (e.g., Servaes, 1991; Faccio & Masulis, 2005; Officer *et al.*, 2009, etc.). All these variables were lagged, i.e. were taken as at the end of the financial year preceding the focal cross-border transaction.

Firm size was measured as the natural logarithm of total asset value expressed in GBP millions.

Tobin's Q was taken as the ratio of a firm's market value to its replacement value of assets.

Leverage was computed as the percentage total debt of an acquiring firm over its common equity

Bidder Stock run-up was computed as the buy-and-hold abnormal return of the stock price of each acquirer over the year preceding the announcement month.

Whether a firm acquired outside its macro industry (based on Fama-French industry classification), using the *Diversifying acquisition* indicator. This equaled to one when an acquisition involved any industry other than the acquirer core macro industry, and zero otherwise.

Target firm-specific control

Studies on payment modes (see for example, Chang, 1998; Officer *et al.*, 2009) predict the valuation problem to be more acute with unlisted targets, which presumably are 'difficult-to-value'; hence, bidders tend to opt for a medium which can alleviate the associated information asymmetry. So, we included the following variable:

listing status of the target firm, i.e. an indicator variable as to whether the foreign target was privately-held or not taking the value of one when unlisted and zero otherwise.

Finally, year dummy variables were included to control for fixed time effects. Our sample period was had been associated with two major crises: the post-2000 dot-com bubble burst and the financial crisis beginning in late 2007.

We employed therefore, an ordered logistic regression framework as our main empirical tests in order to estimate the impact of international orientation on the probability of choosing one or the other mode relative to the third. Ordered logistic models require that the data meet the "proportional odds assumption", where the relationships between all pairs of outcome categories are the same (Brooks, 2008). The following specification was used:

$$Y_i^* = X_i\beta + \varepsilon_i \quad (4.1)$$

where, Y_i^* is the unobservable dependent variable based on Y_i , which represent the observed categories of different modes of payment, i.e. *Cash*, mixed and *Stock* (as detailed in sub-section 4.7.1); and X_i is a vector of explanatory and control variables (as discussed above), which are assumed to predict preferred payment mode(s). Furthermore, β is the vector of regression coefficients, and ε_i represents a normally distributed disturbance term. Equation 4.2 shown below is the representative regression equation to model the group of acquisitions with higher levels of country risk (i.e. with the specification, *High_Risk* = 1) in order to test Hypothesis 1a:

$$\begin{aligned} \text{Payment_mode}_{it} = & \alpha_1 + \beta_1 \text{Amount_Intl_Exp}_i + \beta_2 \text{Amount_Intl_Exp}_i^2 + \beta_3 \text{LN_TransactionVal}_i \\ & + \beta_4 \text{LN_AcquirerSize}_i + \beta_5 \text{Leverage}_i + \beta_6 \text{BHAR}_i + \beta_7 \text{TobinsQ}_i + \beta_8 \text{DiversifyingAcquisition}_i + \\ & \beta_9 \text{FullAcquisition}_i + \beta_{10} \text{PrivateTarget}_i + \beta_{11-19} \text{YearDummy}_i + \varepsilon_{1it} \end{aligned} \quad (4.2)$$

For the next two regression models, the main predictor in Equation 4.2 (i.e. *Amount_Intl experience*_i) is substituted with the two other measures of TMT international orientation we use here. In Equation 4.3, *Range_Intl experience*_i is used instead, to test Hypothesis 2a and in Equation 4.4 we use *BlauDiv*_i representing the number of national diversity in the TMT of an acquiring firm *i* in the year preceding year of the announcement of a cross-country acquisition, in accordance with Hypothesis 3a. The control variables in the regressions below are the ones discussed earlier.

$$\begin{aligned} \text{Payment_mode}_{it} = & \alpha_1 + \beta_1 \text{Range_Intl_Exp}_i + \beta_2 \text{Range_Intl_Exp}_i^2 + \beta_3 \text{LN_TransactionVal}_i + \\ & \beta_4 \text{LN_AcquirerSize}_i + \beta_5 \text{Leverage}_i + \beta_6 \text{BHAR}_i + \beta_7 \text{TobinsQ}_i + \beta_8 \text{DiversifyingAcquisition}_i + \\ & \beta_9 \text{FullAcquisition}_i + \beta_{10} \text{PrivateTarget}_i + \beta_{11-19} \text{YearDummy}_i + \varepsilon_{1it} \end{aligned} \quad (4.3)$$

$$\begin{aligned} \text{Payment_mode}_{it} = & \alpha_1 + \beta_1 \text{BlauDiv}_i + \beta_2 \text{BlauDiv}_i^2 + \beta_3 \text{LN_TransactionVal}_i + \\ & \beta_4 \text{LN_AcquirerSize}_i + \beta_5 \text{Leverage}_i + \beta_6 \text{BHAR}_i + \beta_7 \text{TobinsQ}_i + \beta_8 \text{DiversifyingAcquisition}_i + \\ & \beta_9 \text{FullAcquisition}_i + \beta_{10} \text{PrivateTarget}_i + \beta_{11-19} \text{YearDummy}_i + \varepsilon_{1it}, \end{aligned} \quad (4.4)$$

Similarly, three sets of regression equations (Equations 4.5, 4.6 and 4.7) identical to Equations 4.2 – 4.4 are used to model the cross-border acquisitions with the specification, *High_CulturalDistance* = 1 so as to test Hypotheses 1b, 2b and 3b respectively as provided below:

$$\begin{aligned}
\text{Payment_mode}_{it} = & \alpha_1 + \beta_1 \text{Amount_Intl_Exp}_i + \beta_2 \text{Amount_Intl_Exp}_i^2 + \beta_3 \text{LN_TransactionVal}_i \\
& + \beta_4 \text{LN_AcquirerSize}_i + \beta_5 \text{Leverage}_i + \beta_6 \text{BHAR}_i + \beta_7 \text{TobinsQ}_i + \beta_8 \text{DiversifyingAcquisition}_i + \\
& \beta_9 \text{FullAcquisition}_i + \beta_{10} \text{PrivateTarget}_i + \beta_{11-19} \text{YearDummy}_i + \varepsilon_{1it}
\end{aligned} \tag{4.5}$$

$$\begin{aligned}
\text{Payment_mode}_{it} = & \alpha_1 + \beta_1 \text{Range_Intl_Exp}_i + \beta_2 \text{Range_Intl_Exp}_i^2 + \beta_3 \text{LN_TransactionVal}_i + \\
& \beta_4 \text{LN_AcquirerSize}_i + \beta_5 \text{Leverage}_i + \beta_6 \text{BHAR}_i + \beta_7 \text{TobinsQ}_i + \beta_8 \text{DiversifyingAcquisition}_i + \\
& \beta_9 \text{FullAcquisition}_i + \beta_{10} \text{PrivateTarget}_i + \beta_{11-19} \text{YearDummy}_i + \varepsilon_{1it}
\end{aligned} \tag{4.6}$$

$$\begin{aligned}
\text{Payment_mode}_{it} = & \alpha_1 + \beta_1 \text{BlauDiv}_i + \beta_2 \text{BlauDiv}_i^2 + \beta_3 \text{LN_TransactionVal}_i + \\
& \beta_4 \text{LN_AcquirerSize}_i + \beta_5 \text{Leverage}_i + \beta_6 \text{BHAR}_i + \beta_7 \text{TobinsQ}_i + \beta_8 \text{DiversifyingAcquisition}_i + \\
& \beta_9 \text{FullAcquisition}_i + \beta_{10} \text{PrivateTarget}_i + \beta_{11-19} \text{YearDummy}_i + \varepsilon_{1it}
\end{aligned} \tag{4.7}$$

We also estimate analogous models for the sub-groups of acquisitions where both of these environmental uncertainties were less (by considering the sub-groups of *Low_Risk* and *Low_CulturalDistance* respectively, which are not reported for the sake of brevity.

Table 4.1 reports our sample statistics including pairwise correlations of the variables used in our analyses.

[Insert Table 4.1 about here]

4.8 Results

Tables 4.2 and 4.3 show the estimation results from multivariate ordered logistic regression models based on our operationalization of the two environmental variables, *country risk* and *cultural distance* respectively, employed for our analyses as specified in the last section. Table 4.2 reports how the possibilities of choosing cash or a mixed combination relative to that of stock varies with different measures of ‘international orientation’, in presence of both higher and lower levels of country risk. Whereas, Table 4.3 presents similar findings based on more and less cultural distance. Each two of the Models 1A and 1B; 2A and 2B; 3A and 3B shown in Table 4.2 and similarly Models 4A and 4B; 5A and 5B; 6A and 6B in Table 4.3, respectively has one measure of the mean-centered ‘orientation’ variable in linear and squared specifications (as discussed in our hypotheses). In both tables, we present the findings from each model by sub-dividing the total number of observations into two sub-samples. The model

specification 'A' representing the high, whereas 'B' the low specification of the environmental measures (detailed in last section) based on our binary indicators of *High_Risk* and *High_CulturalDistance*. Each orientation variable, as detailed below corroborates our conjectures when higher levels of the environmental uncertainties exist. We also report in the Appendix, Table 4.A which shows our baseline models showing impact of only the control variables using the aforementioned specifications.

[Insert Tables 4.2 and 4.3 about here]

We postulated under Hypotheses 1a and 1b respectively, that when conditions of greater country risk and cultural distance exist, the depth in average number of years of international experience of acquirer TMTs has a U-shaped relationship with the likelihood of the firm opting for cash or combination payment relative to stock swaps for its foreign host. It is seen that amid greater environmental risks as quantified by both the binary variables *High_Risk* and *High_CulturalDistance* respectively, a greater amount of average number of years of international experience of the TMT alleviates these environmental obstacles. Thus, bidder TMTs are more likely to choose cash or a combination payments in relation to stock payment i.e., *ceteris paribus*, log-odds of the relative choice of pure cash will rise by 0.01 in Model 1A. This is shown by positive coefficient estimates corresponding to the quadratic terms, while that of the linear terms pertaining to the depth variables were negative, as seen in Models 1A and 4A. Therefore: (I) under conditions of high country risk, estimates of both the coefficients of the quadratic as well as the linear terms of international depth was were statistically significant at 5% and 1% levels in Model 1A; (II) also, when cultural distance was more, the said estimates for the quadratic term as well as the linear term in Model 4A showed significance at 1% level. However as anticipated, these findings were not maintained either in the situation of low country risk in Model 1B or that of low cultural distance in Model 4B. These results thus upheld our predictions regarding Hypotheses 1a and 1b.

These findings indicate that, when making decisions under high information asymmetry with greater country risk or cultural distance as explained earlier, lower numbers of years of international experience of TMTs of bidding firms leads to a higher probability of choosing only stock payment. Either they cannot make a superior judgement in paying for their foreign targets with a low depth of international exposure or presumably tend to be overconfident of their acquired skills. This could be the ascribable to the fact that these unpredictable and risky

deals require an appropriate judgement, taking into account all the pros and cons. But, as depth of their global exposure grows, the same TMTs seem to make a better decision on the most appropriate payment mode that could benefit the firm. Thus, only the most experienced TMTs in terms of increased number of years of international experience are likely to choose the right payment mode that would mitigate the adverse impacts of high uncertainty in foreign transactions. Therefore, if environmental concerns are not that acute, the depth of international exposure of TMTs does not seem effectively to affect payment choices of these acquiring firms (Models 1B and 4B).

For instance, the trough of the U-shape implied by Model 1A corresponds to an average of 15 years of TMT international experience, while the corresponding threshold for Model 4A is 15.27 years on average. These estimates indicated that only past this threshold, benefits from international experience, will accrue to an executive team, making them manage payment decisions effectively to mitigate higher levels of country risks. In our sample of bidder TMTs, this threshold is visible only at the 95th percentile, whilst the median represented only 4.5 years of experience on average.

The evidence from Models 2A and its counterpart 5A did not strongly support either Hypotheses 2a or 2b. In both cases under high environmental uncertainties, a U-shaped relationship was also postulated between the range of TMT international experience and the possibility of choosing the pure cash or mixed payment modes to alleviate uncertainty. Although the estimated coefficients corresponding to the linear terms of the breadth of TMT international exposure were significant at 5% and 1% levels in both the abovementioned Models 2A and 5A, the quadratic terms were not significantly different from zero. The negative coefficients of the linear terms suggest that if the range of TMT international experience is inadequate, it might lead to its misapplication, plausibly due to either incorrect generalizations thereof or over-optimism. It could be also likely that more breadth of international experience induce an over-optimism, which inhibits taking stock of the intricacies involved in the deal-at-hand. While the coefficient estimates of the quadratic terms in these model specifications are positive, but fall short of conventional significance level in both models, which makes us unable to draw meaningful conclusions on their signs. Hence, neither Hypotheses 2a nor 2b are supported. Looking at the corresponding findings for lower levels of *country risk* and *cultural distance*, as seen in Models 2B and 5B respectively, in neither case are the linear and quadratic coefficients significant, therefore cannot be interpreted meaningfully. But these findings

conform to our expectation that breadth of international exposure, akin to depth would possibly not be as pertinent as in the cases of higher levels of these environmental risks.

Lastly, Models 3A and 6A to some extent corroborated both Hypotheses 3a and 3b postulating a similar curvilinear relationship between diverse nationalities in TMTs and the probability of making a superior decision with respect to payment mode in the presence of larger environmental uncertainties. The coefficient estimates corresponding to both the linear and quadratic terms of the TMT national diversity index were significant at a generous 10% level in Model 3A. These findings point to the fact that a greater mix of different nationalities in the TMTs of bidding firms appears to contribute to higher odds of preferring to pay cash or a mixed combination to stock, when they decide on international acquisitions in countries with higher risk profiles. This effect tends to be prominent in nationally heterogeneous teams, perhaps ascribable to more competencies in decision-making in such firms. As also documented in the preceding Model 1A, we notice that a greater level of this measure of international orientation, beyond a cut-off (as shown by the quadratic coefficient) also facilitate more effective risk mitigation.

However, our finding seems to be somewhat different in the case of high *cultural distances*. While our prediction of a U-shaped relationship signifying a larger mix of nationalities effect is not sustained in Model 6A, the coefficient of the quadratic term of TMT diversity index in Model 6B is positively significant at the 5% level. This result in the latter Model 6B is quite contrary to our expectation. In the case of Model 6A only the linear coefficient estimate turns out negatively significant at 5 % level. Therefore, in the case of more culturally distant foreign hosts (as depicted in Model 6A), it cannot be meaningfully inferred that after a certain cut-off point, a greater mix of nationalities amongst the bidder TMTs prompts a superior choice in increased probability of paying pure cash or combination of cash, stock, etc. in relation to pure stock, to mitigate uncertainty. It appears from our results that either the presence of a diverse mix of nationalities in TMTs on acquiring firm boards does not tend to make such TMTs more proficient to tackle the environmental challenge of *cultural distances*; or it does not seem to be a greater obstacle to overcome. So, diverse nationality mix within the TMT of an acquirer might not be effective in mitigating the risk of deal with a culturally disparate target.

The trough of the U-shape implied by Model 3A under high country risk corresponds to the value of the Blau diversity index approximately equal to 0.50. Curiously, only a small minority

(roughly less than 10%) in the sample of TMTs possesses this diversity. Therefore, the benefits due to national diversity seem to be lost in by more than 90% of the bidder TMTs in our sample.

The above results indicate that optimal international orientation of the TMTs of acquiring firms, as documented by curvilinear (U-shaped) association of these proxies (except in the case of the proxy for breadth of international experience) with the likelihood of choosing cash or mixed payment mode, is more useful in alleviating the risks under situations of high environmental uncertainties like country risk and cultural distance. Thus, in principle our findings are in accordance with the empirical predictions of the studies (e.g., Halebian & Finkelstein, 1999; Fich & Shivdasani, 2006 Schmid & Dauth, 2014; etc.) supporting adequate levels of international exposure of the top executives.

Quite a number of the control variables included in our model specifications proved to be statistically insignificant. The exceptions were logged deal size and bidder's Tobin's Q which were significant in all model specifications. Other controls which were generally significant in both Tables 4.2 and 4.3 were prior acquisition stock run-up (one year lagged abnormal return) of bidder firms and the full acquisition indicator. Whilst, private target status dummy in Table 4.2 and both leverage and the binary diversifying acquisition controls in Table 4.3 showed significance mostly. Barring the transaction value control, all other significant controls are negatively associated with the likelihood of cash and mixed payments. Higher values of Tobin's Q and stock run-up could signify an overvalued bidder and higher leverage inhibits its ability to pay cash (e.g. Shleifer & Vishny, 2003; Gregory & Bi, 2011; etc.). Hence, it is not surprising that such a bidder will have a greater preference to pay with its stock. These findings are consistent with the prior studies (e.g., Faccio & Masulis, 2005; Martynova & Renneboog, 2009). The same reasoning is applicable in the case of private target status and acquisitions of higher stakes, which imply that internationalization decisions involving both these criteria are more difficult to evaluate (e.g., Officer *et al.*, 2009). Hence, acquirers would be more inclined to use stock swaps for them. However, a positive relationship with the deal value variable across all our model specifications, indicates that larger deals have a higher chances of being paid for in cash or mixed modes compared to stock, implying rather overoptimistic and misjudged payment-related decision-making by teams of top executives when they opt for international acquisitions, *ceteris paribus*. The same logic applies for cases where there is a significant positive association of diversifying acquisitions with the dependent variable (Table 4.3: Models 5A and 6A). In so far as the extant studies in payment modes are concerned, our

findings with respect to these frequently used controls therein are substantiated, although none of these studies look at payment decisions in M&As primarily from the perspective of bidder TMTs.

4.9 Additional analyses and robustness checks

A range of additional analyses were conducted to substantiate our Hypotheses as well as to rule out alternative explanations for our results. The results for robustness tests have been reported in the Appendix.

4.9.1 Other TMT characteristics: size, age, and tenure

Since our measures of TMT ‘international orientation’ are influenced by ‘upper echelons’ studies (cf. Carpenter *et al.*, 2004), we added some TMT-level controls to our above reported models. This was to account for the gamut of opinions that may arise during the process of decision-making amongst the bidding firm TMTs. These characteristics of top managers, namely, tenure (Herrmann & Datta, 2006); and age (Yim, 2013) as well as size of the executive-team (Carpenter *et al.*, 2004), have been theorized to affect executive decision-making at the team level for reasons other than their ‘international orientations’. Therefore, we used the variables capturing within-TMT averages and standard deviations (S.D.) of TMT tenures (specified as time a top executive devoted (a) to his or her role, (b) on the board of a particular firm, or (c) in the firm during his employment) and of TMT age (as in Chapter 3).

Keeping TMT_Size common throughout, we added each of these remaining indicators one-by-one to our above-discussed model specifications on high and low *country risk* and *cultural distance*. The results defended the findings from our Models 1A and 1B to 6A and 6B in most cases except showing weaker significance levels, evidencing that our basic findings were generally robust with these later inclusions. The coefficient of TMT_Size appeared to be negative in all these later models. But, we found that both average TMT age as well as TMT tenure on average and their variability (S.D.) seemed to have contradictory signs of estimated coefficients on the probability of paying in cash or choosing a mixed combination relative to using own stock by acquirers under situations of greater country risk and cultural distance. These results using TMT tenure and age do not affect our core findings in the original Models 1A and 1B to 6A and 6B. Hence, this finding indicates that higher TMT age and tenure do not

appear to significantly influence choice of payment modes in relatively riskier cross-country acquisitions. However, our finding in respect of size of bidder TMTs is consistent (when the relevant coefficients turned out to be statistically significant) with prior evidence portraying inefficient decision-making by larger boards in general (e.g. Yermack, 1996). For the sake of brevity we only present the tables of findings which show both controls of TMT size with average of TMT age and standard deviation of TMT age (Tables 4.4 and 4.5 report the findings with these controls for country risk, while Tables 4.6 and 4.7 present the results for cultural distance respectively).

4.9.2 Relative deal size

Previous studies on payment modes (e.g., Faccio & Masulis, 2005) conjecture and document that the relative size of a transaction tends to affect the choice of medium of payment used. Such relative deal sizes are often depicted in studies as the amount paid for a deal relative to the size of the target firm or that of the acquiring firm. For our purposes, we constructed *Relative_DealSize* (as in Faccio & Masulis, 2005) dividing the transaction value paid for each acquisition in our sample by the corresponding lagged market capitalization as at the end of the previous year of a focal deal, for any acquiring firm. Using it as an added control, we further constructed a binary variable based on the median value of *Relative_DealSize*. This binary indicator was specified as *bigger_Relative_DealSize* equal to one for the above median values and zero for the below median values.

With this indicator replacing our base models' control for transaction value, we reran analogous specifications of our core Models 1A and 1B to 6A and 6B. Tables 4.8 and 4.9 in the Appendix present these results. The estimated coefficient of the new indicator turned out positive and highly significant at 1% level across all specifications, irrespective of higher or lower country risk and cultural distance, respectively. Our main findings on favorable impact of greater levels of 'international orientations' after a certain cut-off point (for each TMT proxy) in support of our hypotheses, were also corroborated. *Ceteris paribus*, for bigger relative deal size, acquiring TMTs show greater chance for using pure cash or mixed modes compared to own stock. As we argued in the case of larger deal values, we rationalize this result also as TMT preferences of payment medium, giving an impression as more of a source of overconfidence than of competence.

4.9.3 Prior firm-level acquisition experience

Prior IB studies (e.g., Haleblan & Finkelstein, 1999; Haleblan *et al.*, 2006) revealed firm-level acquisition experience as a prominent influencer of the subsequent acquisition decisions. In order to analyze how TMT international orientation may behave in the presence of such firm-level learning, we control for the latter. Hence, we constructed an additional variable(s) counting all acquisitions completed by the sample acquiring firms over the respective 5 and 3-year periods preceding the cross-border acquisitions analyzed above. Using a linear and a quadratic term for the firm-level acquisition count variable with a mean-centering procedure, we followed similar model specifications as reported above. Whilst Tables 4.10 and 4.11 in the Appendix report the original models (Models 1A and 1B to 6A and 6B) with the added control of 3-year previous firm acquisition experience, Tables 4.12 and 4.13 with that of 5-year. All our primary results pertaining to TMT international experience and diversity were upheld. But, both the linear and quadratic effects of this new control varied across model settings of both more and less country risk and cultural distance, respectively. Even in the limited cases they were statistically significant, they failed to show consistent effects. In no model the linear and quadratic coefficient estimates were both significant. Hence, the impact of this prior acquisition learning at firm-level could not be meaningfully interpreted.

4.9.4 Target country-specific knowledge

Previous literature (e.g., Barney, 1988; Hillman & Dalziel, 2003) also highlight host country experience as a potential facilitator of executive learning while effecting cross-border acquisitions. Such country-specific knowledge, abilities, and personal connections acquired by means of domicile or employment is likely to be a useful wisdom element aiding development of insight into markets and governance structures, disclosure and regulatory practices, culture, economy, institutions, etc. So, it can be postulated that targets located in the same host country can be a favorable destination for subsequent acquisitions (Ellis *et al.*, 2011b; Haleblan & Finkelstein, 1999). However, this may potentially lead to familiarity bias (cf. Huberman, 2001) as well as adverse selection (cf. Akerlof, 1970), whereby, acquiring firms may be more inclined to choose similar hosts due to familiar settings rather than optimal ones elsewhere. The amount of host country experience was expressed in average number of years among TMT members. We adopted mean-centered linear and quadratic specifications for the variables incorporating high environmental uncertainties, similar to our specifications of ‘international orientation’

variables. The models presented in Table 4.14 in the Appendix failed to corroborate the beneficial impact of target country knowledge amongst bidder TMTs, since neither the linear nor the quadratic coefficient estimates was significant in situations of either high country risk or large cultural distance.

4.9.5 Clustering at bidder-level and target country-level

The original specifications in Models 1A and 1B to 6A and 6B, were rerun with clustering separately at the bidding firm level and then at the target country-level to check the robustness of our original findings. The results with the latter clustering appeared to strongly substantiate these findings. However, the results in case of the latter clustering however suggested that insufficient levels of breadth of international experience of TMT, irrespective of high or low country risk and cultural distance, might not be too effective in choosing the pure cash or mixed payment modes. Tables 4.15 and 4.16 in the Appendix report the original multivariate ordered logistic models with standard errors clustered at the acquiring firm level, whereas Tables 4.17 and 4.18 those with clustering at the target country level. Therefore, our primary results were generally maintained with these clustered model specifications too.

4.9.6 Excluding financial firms

When the financial firms based on Fama-French 17 industry classification are excluded from the initial sample, the results in principle are similar to the original models reported in Section 4.8. So, we do not report these results for the sake of brevity. Thus without the financial firms, it is not only that our Research Hypotheses 1a, 1b and 3a, 3b are corroborated; but also, stronger significance levels of the relevant main predictors (depth of international exposure and Blau index) are found.

4.10 Discussion and conclusion

Payment modes in acquisitions have been a widely researched topic, but the focus had been on returns generated using a particular method of payment. Method of payment, being a crucial determinant of post-acquisition performance, needs to be made exercising abundant caution. We take a different approach in this study looking at two interrelated questions: (1) when and how does TMT ‘international orientation’ influence payment choice in cross-country

acquisitions and (2) what amount of such orientation is optimal for these acquirer TMTs in order to mitigate information asymmetry? We specifically undertake analysis of cross-border acquisition related decision-making by TMTs of acquiring firms as they are one of the most challenging ways of internationalization, therefore, involve complex strategic decisions. Our inherent contention is that pure stock swaps might not be an efficient alleviator of risk in cross-country acquisitions as compared to pure cash or a mixed mode of exchange.

Combining the insight from prior corporate finance and IB literatures with ‘upper echelons’ behavioural theory, we developed our hypotheses as to when TMT international orientation can be used to the advantage of bidding firms. In particular, we utilised these predictions to argue that bidding firm TMTs play a key role in making the payment choice for a foreign host. We build upon the contentions of Finkelstein *et al.* (2008) that personal characteristics of executives tend to be reflected in the riskier strategic choices as well as outcomes. Therefore, we hypothesize that a facet like ‘international orientations’ of bidder TMTs could facilitate a better choice of payment method to mitigate the adverse impact of high levels of information asymmetry predominant in the global market. We adopted in our analyses two frequently used measures of environmental uncertainties, viz. *country risk* and *cultural distance* and incorporated them in our models to look into how their harmful effects can be alleviated with the right balance of ‘international orientation’ in acquiring firm TMTs.

Given the prior documented negative impact of managerial hubris and overconfidence with regard to strategic decisions, we postulated that initial level ‘TMT international orientations’ might not achieve an efficient choice of a greater likelihood of paying cash or a combination of cash, stock, etc. This is due to the fact that competency is likely to take some time to develop fully and that can happen only after a threshold. On the other hand, this initial level of orientations can bring about excessive optimism and self-assurance, resulting into an erroneous choice of payment mode which fails to mitigate the prevailing uncertainties. We further posited that at, advanced levels of ‘TMT international orientations’, efficacy of superior choice surfaces, since then confidence tends to be aligned better with competence.

Our predictions were strongly supported in our empirical analyses. In terms of its amount of international experience in average number of years as well as national diversity of bidder TMTs, our results showed that past a certain cut-off point, inefficient choice pertaining to higher probability of stock payments will translate into a more suitable choice in respect of

either cash or a mixture of cash, stock, etc. Such payment preference then helps alleviation of information asymmetry under greater country risk and cultural distance. The range of such exposure with respect to number of countries showed weaker evidence for these predictions.

A closer look at the economic implications of our findings show that the amount of international experience benefits only the most experienced teams, and that there are not many of them among the UK acquirers in our sample. For example, it takes an average of 15 years of international experience among TMT members for them to be capable of making an efficient choice in respect of more chance of cash or mixed payments, in the presence of high country risks. The beneficial effects of TMT national diversity would ensue after a threshold of nearly half (0.50) in terms of the Blau index of nationalities. Hence, possibly in our sample the predominant effect of TMT international orientation on payment choice is insufficiently depicted.

This chapter broadens the horizons of future research on TMTs and their ‘international orientation’. While it is a first step documenting balance of confidence to attain competence, it can be taken forward further by looking at what levels of such combined orientation would be optimal to make right payment choices in respect of cross-borders acquisition decisions of firms from a number of home countries. While we have adopted two quantifiable specifications of environmental uncertainties, it may be worthwhile in future research to develop measures for others. In other words, future research could explore the optimal combination of executives necessary to this effect. It might be useful to understand how each facet of international orientation could be developed and used to complement one another and thereby to make effective choices in strategic decisions. Further, it would also be useful to extend how such TMT orientations could influence preferences for the varied sources of financing which in turn affects payment decisions in cross-country expansion decisions, thereby improving our understanding.

We focus in this study a reconciliation of the theories and findings from totally divergent streams of literatures to present a holistic approach to TMT learning and international orientation in the context of challenging strategies such as internationalization. Specifically, our study investigates the role of such orientation in mitigating extremely high levels of environmental risks. We argued that this quality in appropriate amounts, if possessed by acquirer TMTs, will provide these firms an edge in using their abundant discretion to make

superior decisions mostly in situations with severe country risk and cultural distance. Further, we linked the behavioural aspects of TMT orientation with one of the most fundamental aspects of decision-making in such expansion decisions, namely, the choice of payment method. These are our main contributions. While, previous studies have considered mode of payments as one of the principal determinants of acquisition performance, we take a different approach in relating this choice of bidding firms with their TMT (mis-)judgement.

Our study rests on the key assumption of a profit-maximizing setup, wherein an acquiring firm's top executives take all actions based on their prior international exposures and diverse national cultures with a motive to maximize shareholder wealth of the firm. Thus, they are likely to avoid undesirable risks while making judgements on international acquisitions. Agency-related conflicts have not been considered in our study.

Moreover, we have probed into only two quantifiable measures of information asymmetry, which also happens to be those most commonly studied. It would be more interesting to study the multifaceted uncertainty concerns that plague the international market for corporate control, many of which pose challenges of operationalization – how international orientation of TMT of bidding firms helps in effective mitigation of the same? Also, we considered only the acquiring firms' perspectives of information asymmetry when deciding on a foreign host, rather than examining it also based on a target's viewpoint. A target firm may also encounter limited information problem in assessing a bidder's offer (e.g., Chemmanur *et al.*, 2009).

Thirdly, as already highlighted in the previous two Chapters 2 and 3, this evidence is about acquiring firms from just a single country – the UK. Hence, our results of overoptimistic managerial behavior arising due to international orientation could particularly be an outcome of our UK research setting. Also, although we argue on the plausible benefits of diverse nationality on acquirer boards, our sample generally suffers from its absence. A comparative study with bidding firms from various countries may tackle this limitation. Further, it would be worthwhile to explore how country-specific governance structures interact with TMT international orientations to mitigate information asymmetry in making payment choices.

Finally, operationalization of the explanatory variables used here, may require further improvement. These limitations have already been elaborated in the Chapter 2, hence not repeated here.

To sum up, this chapter is an extension of the payment mode literature to link such choice with TMT-level learning and orientation, which has not been investigated before. While, it adds to the existing studies on TMT-level factors, it also explores a new area of whether such orientations help to diminish risks and uncertainties in the international market. Hence, it not only strives to improve our knowledge on how the demographics of acquirer TMTs shape their behaviors, but in turn guides their payment preferences, assuming a profit-maximizing motive for their firms. However, the study on executive backgrounds and consequent behaviors with respect to payment mode choices, could be delved into further in the light of the steady worldwide rise in the number of mixed ethnic backgrounds.

Table 4.1 Descriptive statistics

| | Variable | Mean | Median | S.D. | Correlations | | | | | | | | | | | | | |
|----|----------------------------|-------|--------|--------|--------------------|---------|---------|---------|--------------------|--------------------|--------------------|---------|---------|---------|---------|--------|---------|--|
| | | | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | |
| 1 | Payment modes | 2.57 | 3 | 0.56 | | | | | | | | | | | | | | |
| 2 | Amount of int'l experience | 5.16 | 4.2 | 4.82 | -0.01 | | | | | | | | | | | | | |
| 3 | Range of int'l experience | 0.86 | 0.67 | 0.8 | -0.01 | 0.76** | | | | | | | | | | | | |
| 4 | National diversity | 0.22 | 0 | 0.25 | -0.01 | 0.45** | 0.48** | | | | | | | | | | | |
| 5 | Full acquisition | 0.79 | 1 | 0.41 | -0.03 | -0.08** | -0.18** | -0.06* | | | | | | | | | | |
| 6 | Transaction value | 2 | 1.59 | 1.98 | 0.29** | 0.12** | 0.18** | 0.05* | 0.01 | | | | | | | | | |
| 7 | Diversifying acquisition | 0.34 | 0 | 0.47 | -0.02 | -0.08** | -0.07** | -0.07** | 0.06* | -0.17** | | | | | | | | |
| 8 | Firm size | 6.6 | 6.48 | 2.35 | 0.12** | 0.45** | 0.46** | 0.34** | -0.04 ⁺ | 0.30** | -0.10** | | | | | | | |
| 9 | Cultural differences | 1.45 | 0.69 | 1.57 | -0.04 ⁺ | 0.16** | 0.23** | 0.15** | -0.25** | -0.04 ⁺ | -0.11** | 0.13** | | | | | | |
| 10 | Country risk | 0.15 | 0.08 | 0.17 | -0.03 | 0.17** | 0.28** | 0.15** | -0.32** | -0.06* | -0.14** | 0.10** | 0.58** | | | | | |
| 11 | Private target | 0.52 | 1 | 0.50 | -0.10** | -0.19** | -0.18** | -0.11** | 0.06* | -0.20** | 0.12** | -0.27** | -0.10** | -0.09** | | | | |
| 12 | Bidder Run-up | 0.15 | 0.05 | 0.55 | -0.05* | -0.07** | -0.06* | -0.09** | -0.02 | -0.04 ⁺ | 0.00 | -0.18** | -0.02 | 0.02 | 0.01 | | | |
| 13 | Leverage | 79.01 | 41.89 | 182.79 | 0.04 ⁺ | 0.06* | 0.08** | 0.12** | -0.02 | 0.13** | -0.04 ⁺ | 0.30** | 0.02 | 0.03 | -0.14** | 0.01 | | |
| 14 | Tobin's Q | 1.78 | 1.33 | 1.69 | -0.11** | -0.01 | -0.01 | 0.02 | 0.03 | 0.01 | 0.01 | -0.22** | -0.05* | -0.07* | 0.02 | 0.12** | -0.09** | |

Note to Table 4.1: Payment modes is the dependent variable in our model, based on the ordered variable taking values of 1 for pure cash payments, 2 for a mix of cash, stock, etc. and 3 for pure stock exchanges, respectively in an international acquisition by an UK acquiring firm. Amount of international experience is the average number of years of acquiring firms' TMT members' international career experience. Range of international experience is the average number of countries where acquiring firms' TMT members' gained their international career experience. National Diversity is the Blau index of national diversity of the acquiring firm TMT. All experience and diversity measures are measured at the end of the financial year preceding the focal cross-border transaction. Full acquisition is an indicator variable denoting transactions where upon completion of the acquisition the acquirer gains full control of the target, i.e. at least 95% stake. Transaction value is expressed in GBP millions in natural logarithmic form. Diversifying acquisition is the indicator variable equal to one when an acquisition involved any industry other than the acquirer core macro industry, and zero otherwise. Firm size is the logarithm of total asset value of the acquiring firm (expressed in £ millions) and is lagged one year. Cultural differences variable is the distance between the target country and the country of the acquiring firm (i.e. the UK) using Kogut and Singh's (1988) index on the basis of four cultural dimensions by Hofstede (2001). Country risk is the *Euro money* country risk index. Private target is an indicator variable equal to one where if foreign host is unlisted and zero otherwise. Bidder run-up is the buy-and-hold abnormal return of the stock price of each acquirer over the year preceding the announcement month. Leverage is the percentage total debt of an acquiring firm over its common equity. Tobin's Q is the ratio of a firm's market value to its replacement value of assets. These last two measures are also as at the end of the financial year preceding the focal cross-country deal. All the variables (except indicator binary variables) are winsorized at 1% level. The correlation table reports pairwise correlation coefficients with ⁺, ^{*}, and ^{**} denoting the corresponding significance levels at 10%, 5%, and 1%, respectively.

Table 4.2: Ordered logistic regressions models explaining the effects of the acquirer's TMT international orientation on the probability of choosing pure cash or mixed payments over pure stock payments in presence of higher and lower levels of country risks.

| | Model 1A | Model 1B | Model 2A | Model 2B | Model 3A | Model 3B |
|---|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| Amount of int'l experience | -0.0632** (-2.74) | -0.0258 (-1.24) | | | | |
| (Amount of int'l experience) ² | 0.00642* (2.57) | -0.00124 (-0.32) | | | | |
| Range of int'l experience | | | -0.360* (-2.46) | -0.225 (-1.53) | | |
| (Range of int'l experience) ² | | | 0.0552 (0.69) | 0.00870 (0.06) | | |
| National diversity | | | | | -0.731+ (-1.92) | -0.623 (-1.64) |
| (National diversity) ² | | | | | 2.651+ (1.69) | 3.784 (1.48) |
| Firm size | 0.0129 (0.32) | 0.0323 (0.65) | 0.0267 (0.63) | 0.0381 (0.76) | -0.0134 (-0.38) | 0.0276 (0.60) |
| Transaction value | 0.466** (8.11) | 0.432** (6.80) | 0.470** (8.18) | 0.437** (6.85) | 0.459** (8.01) | 0.421** (6.66) |
| Lagged abnormal return | -0.115 (-0.79) | -0.346* (-2.28) | -0.107 (-0.73) | -0.338* (-2.20) | -0.123 (-0.84) | -0.376* (-2.45) |
| Firm leverage | 0.000316 (0.91) | -0.000894 (-1.51) | 0.000211 (0.62) | -0.000855 (-1.40) | 0.000396 (1.19) | -0.000887 (-1.41) |
| Tobin's Q | -0.172** (-2.95) | -0.0974+ (-1.73) | -0.161** (-2.72) | -0.0936 (-1.64) | -0.173** (-2.98) | -0.102+ (-1.83) |
| Target status | -0.231 (-1.51) | -0.319+ (-1.95) | -0.268+ (-1.74) | -0.318+ (-1.95) | -0.238 (-1.55) | -0.304+ (-1.87) |
| Diversifying acquisition | 0.216 (1.41) | -0.00951 (-0.06) | 0.222 (1.45) | 0.0137 (0.09) | 0.232 (1.52) | -0.00572 (-0.04) |
| Full acquisition | -0.316* (-1.99) | -0.372 (-1.46) | -0.404* (-2.49) | -0.364 (-1.46) | -0.322* (-2.04) | -0.302 (-1.24) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.085** (-6.60) | -3.622** (-7.05) | -3.191** (-6.75) | -3.500** (-6.63) | -3.240** (-7.20) | -3.383** (-6.79) |
| _cut2 | 0.0963 (0.25) | -0.420 (-0.94) | -0.0127 (-0.03) | -0.300 (-0.67) | -0.0742 (-0.21) | -0.180 (-0.41) |
| Observations | 882 | 826 | 882 | 826 | 882 | 826 |

Note to Table 4.2: The table presents the ordered logit regression coefficients for the above-mentioned effect. The measures of the amount and range of international experience and the national diversity index are mean-centred. All the other variables are defined the same way as in Table 4.1. While the Models 1A, 2A and 3A portray higher country risks, the Models 1B, 2B and 3B show lower country risks. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.3: Ordered logistic regressions models explaining the effects of the acquirer's TMT international orientation on the probability of choosing pure cash or mixed payments over pure stock payments due to high and low cultural distances.

| | Model 4A | Model 4B | Model 5A | Model 5B | Model 6A | Model 6B |
|---|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| Amount of int'l exp | -0.078** (-3.34) | -0.0197 (-0.96) | | | | |
| (Amount of int'l experience) ² | 0.00789** (2.96) | -0.00135 (-0.42) | | | | |
| Range of int'l experience | | | -0.454** (-2.92) | -0.200 (-1.40) | | |
| (Range of int'l experience) ² | | | 0.0149 (0.17) | 0.119 (1.06) | | |
| National diversity | | | | | -0.863* (-2.15) | -0.478 (-1.31) |
| (National diversity) ² | | | | | 1.645 (1.01) | 4.745* (2.03) |
| Firm size | 0.0102 (0.23) | 0.0404 (0.91) | 0.0400 (0.85) | 0.0403 (0.87) | -0.0144 (-0.37) | 0.0327 (0.78) |
| Transaction value | 0.471** (7.46) | 0.424** (7.36) | 0.481** (7.62) | 0.431** (7.43) | 0.465** (7.39) | 0.416** (7.27) |
| Lagged abnormal return | -0.323* (-2.29) | -0.166 (-1.07) | -0.313* (-2.18) | -0.153 (-0.98) | -0.343* (-2.41) | -0.172 (-1.11) |
| Leverage | 0.000592 (1.23) | -0.000861* (-2.08) | 0.000437 (0.91) | -0.000820+ (-1.95) | 0.000655 (1.36) | -0.000812+ (-1.87) |
| Tobins Q | -0.170** (-3.34) | -0.109+ (-1.79) | -0.158** (-3.04) | -0.104+ (-1.68) | -0.154** (-3.05) | -0.126* (-2.06) |
| Target status | -0.160 (-1.00) | -0.255 (-1.61) | -0.223 (-1.38) | -0.238 (-1.54) | -0.181 (-1.14) | -0.219 (-1.42) |
| Diversifying acquisition | 0.249 (1.56) | -0.0115 (-0.08) | 0.273+ (1.70) | 0.000593 (0.00) | 0.280+ (1.77) | 0.00433 (0.03) |
| Full acquisition | -0.0856 (-0.51) | -0.822** (-3.03) | -0.185 (-1.11) | -0.799** (-2.91) | -0.0963 (-0.59) | -0.757** (-2.85) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.155** (-6.22) | -3.686** (-7.22) | -3.241** (-6.38) | -3.516** (-6.88) | -3.361** (-6.92) | -3.410** (-7.14) |
| _cut2 | 0.321 (0.77) | -0.742+ (-1.69) | 0.251 (0.60) | -0.573 (-1.32) | 0.0932 (0.24) | -0.461 (-1.12) |
| Observations | 792 | 916 | 792 | 916 | 792 | 916 |

Note to Table 4.3: The table presents the ordered logit regression coefficients for the above-mentioned effect. The measures of the amount and range of international experience and the national diversity index are mean-centred. All the other variables are defined the same way as in Table 4.1. While the Models 4A, 5A and 6A portray higher cultural distance, the Models 4B, 5B and 6B show lower cultural distance. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Appendix: Results of Robustness tests

Table 4.A: Baseline models with only controls under the specifications of country risk and cultural distance.

| | Model 7A | Model 7B | Model 8A | Model 8B |
|--------------------------|---------------------|----------------------|---------------------|-----------------------|
| Firm size | -0.0299 (-0.91) | 0.00731 (0.17) | -0.0387 (-1.07) | 0.0202 (0.51) |
| Transaction value | 0.462** (8.03) | 0.429** (6.79) | 0.465** (7.35) | 0.424** (7.40) |
| Lagged abnormal return | -0.122 (-0.83) | -0.356* (-2.33) | -0.340* (-2.41) | -0.164 (-1.05) |
| Leverage | 0.000377 (1.14) | -0.000879 (-1.40) | 0.000648 (1.34) | -0.000806+ (-1.90) |
| Tobins Q | -0.175** (-3.02) | -0.104+ (-1.85) | -0.160** (-3.12) | -0.116+ (-1.93) |
| Target status | -0.243 (-1.59) | -0.304+ (-1.87) | -0.216 (-1.37) | -0.221 (-1.42) |
| Diversifying acquisition | 0.228 (1.50) | 0.000256 (0.00) | 0.279+ (1.77) | -0.00573 (-0.04) |
| Full acquisition | -0.305+ (-1.94) | -0.330 (-1.35) | -0.0939 (-0.58) | -0.778** (-2.97) |
| Year fixed effects | Included | Included | Included | Included |
| _cut1 | -3.494** (-8.32) | -3.729** (-7.68) | -3.627** (-7.92) | -3.739** (-8.05) |
| _cut2 | -0.339 (-1.04) | -0.536 (-1.31) | -0.190 (-0.54) | -0.801* (-2.06) |
| Observations | 882 | 826 | 792 | 916 |

Note to Table 4.A: The table presents the ordered logit regression coefficients for the controls only without the TMT predictors under the specifications of country risk and cultural distance. All these control variables are defined the same way as in Table 4.1. While the Models 7A and 7B denote high and low country risk conditions; Models 8A and 8B portray higher and lower cultural distance. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.4: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments in presence of high and low country risks.

| | Model 9A | Model 9B | Model 10A | Model 10B | Model 11A | Model 11B |
|---|----------------------|-----------------------|--------------------|----------------------|---------------------|----------------------|
| Amount of int'l experience | -0.0653** (-2.81) | -0.0210 (-1.01) | | | | |
| (Amount of int'l experience) ² | 0.00491+ (1.90) | -0.0000531 (-0.01) | | | | |
| Range of int'l experience | | | -0.362* (-2.45) | -0.189 (-1.29) | | |
| (Range of int'l experience) ² | | | 0.0384 (0.47) | -0.00594 (-0.04) | | |
| National diversity | | | | | -0.734+ (-1.90) | -0.645+ (-1.69) |
| (National diversity) ² | | | | | 2.661+ (1.69) | 3.821 (1.45) |
| Firm size | 0.0176 (0.41) | 0.00291 (0.05) | 0.0301 (0.67) | 0.0142 (0.24) | -0.0192 (-0.52) | -0.00161 (-0.03) |
| Transaction value | 0.476** (8.21) | 0.430** (6.75) | 0.482** (8.32) | 0.432** (6.81) | 0.472** (8.15) | 0.420** (6.66) |
| Lagged abnormal return | -0.0915 (-0.66) | -0.311* (-2.02) | -0.0833 (-0.60) | -0.305* (-1.96) | -0.0996 (-0.71) | -0.334* (-2.16) |
| Leverage | 0.000284 (0.80) | -0.000294 (-0.49) | 0.000229 (0.66) | -0.000251 (-0.42) | 0.000410 (1.20) | -0.000277 (-0.45) |
| Tobins Q | -0.159** (-2.75) | -0.0898 (-1.59) | -0.150* (-2.55) | -0.0859 (-1.50) | -0.162** (-2.81) | -0.0941+ (-1.68) |
| Target status | -0.237 (-1.55) | -0.281+ (-1.72) | -0.262+ (-1.69) | -0.282+ (-1.74) | -0.231 (-1.50) | -0.275+ (-1.70) |
| Diversifying acquisition | 0.233 (1.52) | -0.0232 (-0.16) | 0.245 (1.59) | -0.00515 (-0.03) | 0.256+ (1.67) | -0.0262 (-0.18) |
| Full acquisition | -0.322* (-2.01) | -0.354 (-1.39) | -0.409* (-2.51) | -0.356 (-1.43) | -0.321* (-2.02) | -0.300 (-1.23) |
| TMT size | -0.0530 (-1.26) | -0.0252 (-0.52) | -0.0662 (-1.62) | -0.0267 (-0.55) | -0.0424 (-1.02) | 0.0000741 (0.00) |
| TMT average age | 0.0365* (2.11) | 0.0102 (0.45) | 0.0360* (2.10) | 0.00781 (0.33) | 0.0369* (2.16) | 0.0117 (0.50) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -1.431 (-1.51) | -3.350** (-3.20) | -1.592+ (-1.70) | -3.375** (-3.23) | -1.536 (-1.64) | -2.980** (-2.78) |
| _cut2 | 1.758+ (1.92) | -0.0823 (-0.08) | 1.599+ (1.76) | -0.106 (-0.10) | 1.640+ (1.80) | 0.297 (0.27) |
| Observations | 882 | 824 | 882 | 824 | 882 | 824 |

Note to Table 4.4: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and average TMT age and TMT size as added controls. All control variables are defined the same way as in Table 4.1. Models marked A show high country risk and those marked B shows low country risk. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.5: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments in presence of high and low country risks.

| | Model 12A | Model 12B | Model 13A | Model 13B | Model 14A | Model 14B |
|---|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|
| Amount of int'l experience | -0.0617** (-2.63) | -0.0118 (-0.56) | | | | |
| (Amount of int'l experience) ² | 0.00591* (2.23) | 0.00119 (0.32) | | | | |
| Range of int'l experience | | | -0.375* (-2.51) | -0.113 (-0.76) | | |
| (Range of int'l experience) ² | | | 0.0667 (0.81) | 0.00364 (0.03) | | |
| National diversity | | | | | -0.641 (-1.63) | -0.613 (-1.60) |
| (National diversity) ² | | | | | 2.470 (1.57) | 3.699 (1.40) |
| Firm size | 0.0276 (0.64) | 0.00036 (0.01) | 0.0459 (1.03) | 0.0095 (0.19) | -0.0034 (-0.09) | -0.0077 (-0.16) |
| Transaction value | 0.475** (8.12) | 0.436** (6.79) | 0.479** (8.22) | 0.437** (6.81) | 0.470** (8.04) | 0.427** (6.69) |
| Lagged abnormal return | -0.172 (-1.19) | -0.339* (-2.19) | -0.161 (-1.12) | -0.336* (-2.16) | -0.177 (-1.21) | -0.362* (-2.34) |
| Leverage | 0.000347 (0.99) | -0.000251 (-0.42) | 0.000261 (0.75) | -0.000239 (-0.39) | 0.000434 (1.28) | -0.000257 (-0.41) |
| Tobins Q | -0.163** (-2.72) | -0.083 (-1.46) | -0.151* (-2.49) | -0.0797 (-1.39) | -0.165** (-2.76) | -0.0856 (-1.52) |
| Target status | -0.165 (-1.06) | -0.259 (-1.59) | -0.199 (-1.26) | -0.265 (-1.63) | -0.166 (-1.06) | -0.262 (-1.61) |
| Diversifying acquisition | 0.229 (1.49) | 0.0158 (0.11) | 0.235 (1.52) | 0.0217 (0.14) | 0.240 (1.56) | 0.00942 (-0.06) |
| Full acquisition | -0.318* (-1.96) | -0.334 (-1.32) | -0.404* (-2.47) | -0.348 (-1.40) | -0.322* (-2.01) | -0.302 (-1.24) |
| TMT size | -0.0434 (-0.99) | -0.0183 (-0.36) | -0.060 (-1.40) | -0.0215 (-0.42) | -0.0402 (-0.92) | 0.00269 (0.05) |
| TMT age standard deviation | 0.0028 (0.10) | -0.00022 (-0.01) | -0.00267 (-0.10) | -0.00106 (-0.04) | -0.00093* (-0.03) | -0.00332 (-0.12) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.118** (-6.01) | -3.804** (-6.28) | -3.265** (-6.25) | -3.782** (-6.19) | -3.305** (-6.52) | -3.519** (-6.07) |
| _cut2 | 0.0863 (0.19) | -0.488 (-0.93) | -0.0617 (-0.14) | -0.466 (-0.89) | -0.114 (-0.27) | -0.194 (-0.38) |
| Observations | 863 | 813 | 863 | 813 | 863 | 813 |

Note to Table 4.5: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and standard deviation of TMT age and TMT size as added controls. All control variables are defined the same way as in Table 4.1. Models marked A show high country risk and those marked B shows low country risk. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.6: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments due to high and low cultural distances.

| | Model 15A | Model 15B | Model 16A | Model 16B | Model 17A | Model 17B |
|---|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| Amount of int'l experience | -0.0813** (-3.39) | -0.0140 (-0.69) | | | | |
| (Amount of int'l experience) ² | 0.00726** (2.68) | -0.00147 (-0.44) | | | | |
| Range of int'l experience | | | -0.470** (-3.00) | -0.148 (-1.03) | | |
| (Range of int'l experience) ² | | | 0.0122 (0.13) | 0.0992 (0.88) | | |
| National diversity | | | | | -0.891* (-2.17) | -0.496 (-1.36) |
| (National diversity) ² | | | | | 1.694 (1.03) | 4.583+ (1.94) |
| Firm size | 0.0105 (0.22) | 0.0150 (0.31) | 0.0415 (0.83) | 0.0127 (0.24) | -0.0259 (-0.63) | 0.00552 (0.12) |
| Transaction value | 0.472** (7.48) | 0.428** (7.34) | 0.484** (7.66) | 0.433** (7.42) | 0.468** (7.43) | 0.422** (7.34) |
| Lagged abnormal return | -0.311* (-2.22) | -0.122 (-0.79) | -0.301* (-2.12) | -0.110 (-0.72) | -0.328* (-2.32) | -0.124 (-0.81) |
| Leverage | 0.000573 (1.19) | -0.000388 (-1.00) | 0.000445 (0.92) | -0.000344 (-0.89) | 0.000633 (1.31) | -0.000332 (-0.83) |
| Tobins Q | -0.168** (-3.32) | -0.0908 (-1.49) | -0.154** (-2.99) | -0.0883 (-1.43) | -0.154** (-3.11) | -0.105+ (-1.71) |
| Target status | -0.171 (-1.04) | -0.214 (-1.37) | -0.231 (-1.40) | -0.199 (-1.30) | -0.195 (-1.20) | -0.186 (-1.21) |
| Diversifying acquisition | 0.250 (1.56) | -0.0262 (-0.18) | 0.281+ (1.74) | -0.0170 (-0.12) | 0.285+ (1.79) | -0.0113 (-0.08) |
| Full acquisition | -0.0927 (-0.55) | -0.771** (-2.85) | -0.195 (-1.17) | -0.744** (-2.72) | -0.102 (-0.62) | -0.716** (-2.71) |
| TMT size | -0.0219 (-0.51) | -0.0681 (-1.44) | -0.0420 (-0.98) | -0.0589 (-1.29) | 0.00143 (0.03) | -0.0435 (-0.94) |
| TMT average age | 0.0157 (0.79) | 0.0297 (1.51) | 0.0210 (1.09) | 0.0274 (1.35) | 0.0187 (0.98) | 0.0308 (1.53) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -2.469* (-2.40) | -2.540* (-2.47) | -2.340* (-2.31) | -2.481* (-2.42) | -2.491* (-2.49) | -2.128* (-2.06) |
| _cut2 | 1.007 (1.02) | 0.457 (0.44) | 1.156 (1.18) | 0.516 (0.50) | 0.965 (1.00) | 0.877 (0.84) |
| Observations | 792 | 914 | 792 | 914 | 792 | 914 |

Note to Table 4.6: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and average TMT age and TMT size as added controls. All control variables are defined the same way as in Table 4.1. Models marked A show high cultural distance and those marked B shows low cultural distance. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.7: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments due to high and low cultural distances.

| | Model 18A | Model 18B | Model 19A | Model 19B | Model 20A | Model 20B |
|---|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| Amount of int'l experience | -0.0787** (-3.29) | -0.00727 (-0.34) | | | | |
| (Amount of int'l experience) ² | 0.00751** (2.73) | -0.000461 (-0.14) | | | | |
| Range of int'l experience | | | -0.463** (-2.95) | -0.115 (-0.80) | | |
| (Range of int'l experience) ² | | | 0.0221 (0.24) | 0.132 (1.18) | | |
| National diversity | | | | | -0.807+ (-1.93) | -0.438 (-1.20) |
| (National diversity) ² | | | | | 1.535 (0.92) | 4.199+ (1.78) |
| Firm size | 0.00569 (0.12) | 0.0336 (0.72) | 0.0404 (0.83) | 0.0321 (0.67) | -0.0280 (-0.69) | 0.0320 (0.74) |
| Transaction value | 0.485** (7.53) | 0.426** (7.31) | 0.494** (7.68) | 0.432** (7.37) | 0.481** (7.46) | 0.421** (7.27) |
| Lagged abnormal return | -0.396** (-2.90) | -0.161 (-1.02) | -0.391** (-2.83) | -0.154 (-0.98) | -0.410** (-2.94) | -0.166 (-1.06) |
| Leverage | 0.000631 (1.29) | -0.000391 (-1.02) | 0.000505 (1.03) | -0.000371 (-0.97) | 0.000680 (1.39) | -0.000369 (-0.95) |
| Tobins Q | -0.167** (-3.20) | -0.0910 (-1.49) | -0.153** (-2.86) | -0.0864 (-1.39) | -0.154** (-2.96) | -0.103+ (-1.66) |
| Target status | -0.100 (-0.62) | -0.187 (-1.19) | -0.158 (-0.97) | -0.180 (-1.16) | -0.125 (-0.78) | -0.175 (-1.12) |
| Diversifying acquisition | 0.261 (1.61) | 0.0166 (0.12) | 0.288+ (1.77) | 0.0206 (0.14) | 0.282+ (1.76) | 0.0280 (0.19) |
| Full acquisition | -0.0858 (-0.51) | -0.766** (-2.79) | -0.183 (-1.09) | -0.729** (-2.65) | -0.0980 (-0.59) | -0.732** (-2.73) |
| TMT size | -0.0143 (-0.32) | -0.0588 (-1.18) | -0.0331 (-0.74) | -0.0540 (-1.11) | 0.00664 (0.15) | -0.0390 (-0.80) |
| S.D. of TMT age | -0.0226 (-0.77) | 0.0170 (0.62) | -0.0268 (-0.92) | 0.0198 (0.73) | -0.0255 (-0.88) | 0.0138 (0.50) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.373** (-6.27) | -3.745** (-6.16) | -3.502** (-6.39) | -3.570** (-5.98) | -3.576** (-6.63) | -3.447** (-6.25) |
| _cut2 | 0.148 (0.32) | -0.724 (-1.35) | 0.0358 (0.08) | -0.547 (-1.05) | -0.0750 (-0.17) | -0.418 (-0.86) |
| Observations | 780 | 896 | 780 | 896 | 780 | 896 |

Note to Table 4.7: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and standard deviation of TMT age and TMT size as added controls. All control variables are defined the same way as in Table 4.1. Models marked A show high cultural distance and those marked B shows low cultural distance. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.8: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments in presence of high and low country risks.

| | Model 21A | Model 21A | Model 22A | Model 22B | Model 23A | Model 23B |
|---|----------------------|-----------------------|---------------------|----------------------|---------------------|----------------------|
| Amount of int'l experience | -0.0612** (-2.74) | -0.0252 (-1.18) | | | | |
| (Amount of int'l experience) ² | 0.00533* (2.17) | -0.00111 (-0.30) | | | | |
| Range of int'l experience | | | -0.342* (-2.43) | -0.216 (-1.40) | | |
| (Range of int'l experience) ² | | | 0.0870 (1.11) | 0.0135 (0.10) | | |
| National diversity | | | | | -0.724+ (-1.94) | -0.708+ (-1.82) |
| (National diversity) ² | | | | | 3.638* (2.18) | 4.731* (1.96) |
| Firm size | 0.150** (3.87) | 0.236** (4.22) | 0.157** (3.85) | 0.243** (4.30) | 0.115** (3.37) | 0.226** (4.36) |
| Bigger relative deal size | 0.887** (5.62) | 1.414** (7.51) | 0.901** (5.71) | 1.428** (7.60) | 0.867** (5.51) | 1.374** (7.45) |
| Lagged abnormal return | -0.0631 (-0.48) | -0.343* (-2.40) | -0.0559 (-0.43) | -0.335* (-2.32) | -0.0714 (-0.55) | -0.374** (-2.61) |
| Leverage | 0.000400 (1.09) | -0.000995+ (-1.72) | 0.000346 (0.95) | -0.000961 (-1.63) | 0.000517 (1.44) | -0.000978 (-1.57) |
| Tobins Q | -0.118* (-2.24) | -0.0236 (-0.41) | -0.108* (-2.03) | -0.0198 (-0.34) | -0.124* (-2.36) | -0.0321 (-0.57) |
| Target status | -0.362* (-2.40) | -0.432** (-2.61) | -0.383* (-2.54) | -0.431** (-2.61) | -0.360* (-2.38) | -0.411* (-2.50) |
| Diversifying acquisition | 0.0831 (0.54) | -0.110 (-0.71) | 0.0917 (0.59) | -0.0875 (-0.57) | 0.106 (0.69) | -0.0987 (-0.65) |
| Full acquisition | -0.309+ (-1.96) | -0.431+ (-1.69) | -0.368* (-2.29) | -0.420+ (-1.68) | -0.311* (-1.98) | -0.351 (-1.43) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -2.467** (-5.75) | -2.442** (-4.55) | -2.529** (-5.84) | -2.312** (-4.17) | -2.580** (-6.17) | -2.176** (-4.25) |
| _cut2 | 0.561 (1.50) | 0.711 (1.43) | 0.496 (1.33) | 0.837+ (1.65) | 0.439 (1.22) | 0.984* (2.03) |
| Observations | 882 | 826 | 882 | 826 | 882 | 826 |

Note to Table 4.8: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and relative deal size as added control. All control variables are defined the same way as in Table 4.1. Models marked A show high country risk and those marked B shows low country risk. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.9: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments due to high and low cultural distances.

| | Model 24A | Model 24B | Model 25A | Model 25B | Model 26A | Model 26B |
|---|----------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| Amount of int'l experience | -0.0811** (-3.48) | -0.0145 (-0.70) | | | | |
| (Amount of int'l experience) ² | 0.00731** (2.76) | -0.0021 (-0.68) | | | | |
| Range of int'l experience | | | -0.473** (-3.12) | -0.157 (-1.08) | | |
| (Range of int'l experience) ² | | | 0.0899 (1.05) | 0.0849 (0.75) | | |
| National diversity | | | | | -0.869* (-2.20) | -0.539 (-1.46) |
| (National diversity) ² | | | | | 3.173+ (1.84) | 5.262* (2.28) |
| Firm size | 0.167** (3.80) | 0.207** (4.41) | 0.191** (4.06) | 0.209** (4.31) | 0.129** (3.31) | 0.200** (4.56) |
| Bigger relative deal size | 1.170** (6.50) | 1.096** (6.75) | 1.180** (6.59) | 1.113** (6.88) | 1.122** (6.32) | 1.073** (6.69) |
| Lagged abnormal return | -0.306* (-2.33) | -0.130 (-0.92) | -0.299* (-2.26) | -0.115 (-0.81) | -0.330* (-2.53) | -0.135** (-0.96) |
| Leverage | 0.000720 (1.52) | -0.000957* (-2.29) | 0.000614 (1.30) | -0.000915* (-2.16) | 0.000827+ (1.73) | -0.000901* (-2.06) |
| Tobins Q | -0.131** (-2.68) | -0.0313 (-0.55) | -0.116* (-2.32) | -0.0271 (-0.47) | -0.118* (-2.44) | -0.0493 (-0.88) |
| Target status | -0.325* (-2.07) | -0.376* (-2.39) | -0.373* (-2.37) | -0.359* (-2.32) | -0.340* (-2.16) | -0.343* (-2.22) |
| Diversifying acquisition | 0.111 (0.68) | -0.126 (-0.87) | 0.132 (0.81) | -0.114 (-0.79) | 0.152 (0.94) | -0.107 (-0.74) |
| Full acquisition | -0.135 (-0.81) | -0.803** (-3.00) | -0.207 (-1.25) | -0.777** (-2.91) | -0.139 (-0.85) | -0.732** (-2.77) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -2.395** (-5.08) | -2.811** (-5.42) | -2.409** (-5.06) | -2.635** (-5.09) | -2.577** (-5.60) | -2.479** (-5.20) |
| _cut2 | 0.959* (2.30) | 0.059 (0.13) | 0.943* (2.24) | 0.230 (0.50) | 0.755+ (1.88) | 0.398* (0.92) |
| Observations | 792 | 916 | 792 | 916 | 792 | 916 |

Note to Table 4.9: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and relative deal size as added control. All control variables are defined the same way as in Table 4.1. Models marked A show high cultural distance and those marked B shows low cultural distance. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.10: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments in presence of high and low country risks.

| | Model 27A | Model 27B | Model 28A | Model 28B | Model 29A | Model 29B |
|---|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|
| Amount of int'l experience | -0.0737** (-2.82) | -0.0415+ (-1.88) | | | | |
| (Amount of int'l experience) ² | 0.00775** (2.81) | 0.00110 (0.27) | | | | |
| Range of int'l experience | | | -0.404* (-2.47) | -0.321* (-2.04) | | |
| (Range of int'l experience) ² | | | 0.102 (1.14) | 0.0222 (0.15) | | |
| National diversity | | | | | -0.690+ (-1.72) | -0.886* (-2.24) |
| (National diversity) ² | | | | | 1.631 (0.92) | 3.619 (1.36) |
| Firm size | 0.0519 (1.06) | -0.00393 (-0.07) | 0.0502 (1.04) | 0.00428 (0.08) | 0.0134 (0.32) | -0.0137 (-0.27) |
| Transaction value | 0.455** (7.69) | 0.442** (6.66) | 0.458** (7.67) | 0.446** (6.72) | 0.447** (7.58) | 0.428** (6.50) |
| Lagged abnormal return | -0.111 (-0.74) | -0.406* (-2.47) | -0.0963 (-0.64) | -0.400* (-2.41) | -0.114 (-0.76) | -0.457** (-2.74) |
| Leverage | 0.000216 (0.62) | -0.000841 (-1.36) | 0.000150 (0.44) | -0.000795 (-1.26) | 0.000299 (0.89) | -0.000838 (-1.27) |
| Tobins Q | -0.184** (-3.60) | -0.154* (-2.34) | -0.174** (-3.30) | -0.151* (-2.27) | -0.185** (-3.50) | -0.157* (-2.47) |
| Target status | -0.327* (-1.98) | -0.407* (-2.34) | -0.374* (-2.22) | -0.411* (-2.37) | -0.331* (-2.00) | -0.410* (-2.37) |
| Diversifying acquisition | 0.249 (1.50) | 0.0360 (0.23) | 0.255 (1.54) | 0.0643 (0.41) | 0.264 (1.61) | 0.0267 (0.17) |
| Full acquisition | -0.439** (-2.59) | -0.425 (-1.53) | -0.526** (-3.00) | -0.432 (-1.59) | -0.435** (-2.61) | -0.384 (-1.46) |
| 3-year prior firm acquisition experience | -0.0224 (-1.47) | 0.0230 (1.43) | -0.0142 (-0.93) | 0.0240 (1.48) | -0.0163 (-1.07) | 0.0271+ (1.68) |
| (3-year prior firm acquisition experience) ² | 0.000391 (0.23) | -0.00253 (-1.48) | 0.0000955 (0.06) | -0.00256 (-1.49) | -0.000130 (-0.07) | -0.00262 (-1.47) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -2.888** (-5.22) | -4.280** (-6.90) | -3.123** (-5.72) | -4.201** (-6.58) | -3.247** (-6.30) | -4.200** (-7.04) |
| _cut2 | 0.296 (0.62) | -0.930+ (-1.67) | 0.0495 (0.11) | -0.850 (-1.50) | -0.0877 (-0.20) | -0.847 (-1.56) |
| Observations | 789 | 776 | 789 | 776 | 789 | 776 |

Note to Table 4.10: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and 3-year prior firm-level acquisition experience as added control. All control variables are defined the same way as in Table 4.1. Models marked A show high country risk and those marked B shows low country risk. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.11: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments due to high and low cultural distances.

| | Model 30A | Model 30B | Model 31A | Model 31B | Model 32A | Model 32B |
|---|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| Amount of int'l experience | -0.0947** (-3.53) | -0.0282 (-1.29) | | | | |
| (Amount of int'l experience) ² | 0.00900** (3.02) | 0.000738 (0.22) | | | | |
| Range of int'l experience | | | -0.514** (-2.97) | -0.252+ (-1.66) | | |
| (Range of int'l experience) ² | | | 0.0571 (0.54) | 0.0997 (0.89) | | |
| National diversity | | | | | -0.915* (-2.15) | -0.668+ (-1.76) |
| (National diversity) ² | | | | | 0.954 (0.50) | 3.810 (1.63) |
| Firm size | 0.0339 (0.63) | 0.0194 (0.38) | 0.0418 (0.77) | 0.0224 (0.43) | -0.00819 (-0.18) | 0.0108 (0.23) |
| Transaction value | 0.498** (7.36) | 0.408** (6.91) | 0.506** (7.49) | 0.414** (6.97) | 0.491** (7.31) | 0.398** (6.80) |
| Lagged abnormal return | -0.315* (-2.10) | -0.220 (-1.40) | -0.301* (-1.96) | -0.211 (-1.34) | -0.336* (-2.20) | -0.241 (-1.53) |
| Leverage | 0.000495 (1.01) | -0.000809* (-1.96) | 0.000417 (0.85) | -0.000787+ (-1.91) | 0.000594 (1.21) | -0.000764+ (-1.79) |
| Tobins Q | -0.149** (-2.95) | -0.195** (-2.73) | -0.135** (-2.59) | -0.191** (-2.66) | -0.133** (-2.62) | -0.205** (-2.87) |
| Target status | -0.253 (-1.45) | -0.321+ (-1.89) | -0.337+ (-1.92) | -0.322+ (-1.91) | -0.291+ (-1.69) | -0.306+ (-1.82) |
| Diversifying acquisition | 0.269 (1.57) | 0.0472 (0.32) | 0.298+ (1.74) | 0.0634 (0.42) | 0.320+ (1.89) | 0.0448 (0.30) |
| Full acquisition | -0.202 (-1.12) | -0.867** (-3.00) | -0.321+ (-1.77) | -0.887** (-3.02) | -0.218 (-1.25) | -0.842** (-2.96) |
| 3-year prior firm acquisition experience | -0.00910 (-0.58) | 0.00847 (0.55) | 0.00126 (0.08) | 0.00966 (0.63) | -0.00248 (-0.16) | 0.0116 (0.75) |
| (3-year prior firm acquisition experience) ² | -0.000636 (-0.36) | -0.00180 (-1.14) | -0.000766 (-0.43) | -0.00188 (-1.19) | -0.000829 (-0.45) | -0.00209 (-1.30) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.192** (-5.20) | -4.089** (-6.83) | -3.453** (-5.66) | -4.016** (-6.69) | -3.614** (-6.27) | -3.985** (-7.07) |
| _cut2 | 0.435 (0.85) | -1.148* (-2.15) | 0.179 (0.36) | -1.073* (-2.02) | -0.0134 (-0.03) | -1.041* (-2.07) |
| Observations | 711 | 854 | 711 | 854 | 711 | 854 |

Note to Table 4.11: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and 3-year prior firm-level acquisition experience as added control. All control variables are defined the same way as in Table 4.1. Models marked A show high cultural distance and those marked B shows low cultural distance. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.12: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments in presence of high and low country risks.

| | Model 33A | Model 33B | Model 34A | Model 34B | Model 35A | Model 35B |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Amount of int'l experience | -0.0721** (-2.75) | -0.0351 (-1.60) | | | | |
| (Amount of int'l experience) ² | 0.00779** (2.82) | 0.000994 (0.24) | | | | |
| Range of int'l experience | | | -0.403* (-2.46) | -0.305+ (-1.94) | | |
| (Range of int'l experience) ² | | | 0.104 (1.15) | 0.0209 (0.14) | | |
| National diversity | | | | | -0.704+ (-1.75) | -0.754+ (-1.94) |
| (National diversity) ² | | | | | 1.862 (1.03) | 3.598 (1.35) |
| Firm size | 0.0490 (0.97) | -0.0265 (-0.45) | 0.0476 (0.95) | -0.0140 (-0.24) | 0.0108 (0.25) | -0.0347 (-0.65) |
| Transaction value | 0.458** (7.73) | 0.453** (6.75) | 0.460** (7.71) | 0.457** (6.82) | 0.449** (7.64) | 0.440** (6.61) |
| Lagged abnormal return | -0.115 (-0.77) | -0.408* (-2.44) | -0.0988 (-0.66) | -0.401* (-2.38) | -0.117 (-0.77) | -0.451** (-2.68) |
| Leverage | 0.000197 (0.56) | -0.000809 (-1.30) | 0.000143 (0.42) | -0.000768 (-1.23) | 0.000273 (0.81) | -0.000805 (-1.23) |
| Tobins Q | -0.185** (-3.56) | -0.200** (-3.04) | -0.175** (-3.28) | -0.199** (-2.99) | -0.185** (-3.46) | -0.202** (-3.14) |
| Target status | -0.326* (-1.97) | -0.425* (-2.44) | -0.376* (-2.23) | -0.430* (-2.46) | -0.334* (-2.01) | -0.425* (-2.45) |
| Diversifying acquisition | 0.241 (1.45) | 0.0131 (0.08) | 0.250 (1.51) | 0.0411 (0.26) | 0.255 (1.54) | 0.00464 (0.03) |
| Full acquisition | -0.436* (-2.57) | -0.482+ (-1.75) | -0.525** (-2.99) | -0.491+ (-1.82) | -0.437** (-2.61) | -0.437+ (-1.67) |
| 5-year prior firm acquisition experience | -0.0140 (-1.36) | 0.0296* (2.46) | -0.00808 (-0.78) | 0.0300* (2.47) | -0.0101 (-0.96) | 0.0316** (2.64) |
| (5-year prior firm acquisition experience) ² | -0.000268 (-0.29) | 0.000811 (0.95) | -0.000170 (-0.18) | 0.000900 (1.05) | -0.000527 (-0.58) | 0.000710 (0.84) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -2.942** (-5.17) | -4.484** (-7.07) | -3.160** (-5.62) | -4.370** (-6.68) | -3.298** (-6.19) | -4.384** (-7.23) |
| _cut2 | 0.242 (0.49) | -1.099* (-1.96) | 0.0120 (0.02) | -0.981+ (-1.72) | -0.138 (-0.31) | -0.995+ (-1.83) |
| Observations | 789 | 776 | 789 | 776 | 789 | 776 |

Note to Table 4.12: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and 5-year prior firm-level acquisition experience as added control. All control variables are defined the same way as in Table 4.1. Models marked A show high country risk and those marked B shows low country risk. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.13: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments due to high and low cultural distances.

| | Model 36A | Model 36B | Model 37A | Model 37B | Model 38A | Model 38B |
|---|----------------------|-----------------------|---------------------|-----------------------|---------------------|----------------------|
| Amount of int'l experience | -0.0928** (-3.48) | -0.0277 (-1.27) | | | | |
| (Amount of int'l experience) ² | 0.00835** (2.77) | 0.000821 (0.24) | | | | |
| Range of int'l experience | | | -0.513** (-2.97) | -0.252+ (-1.66) | | |
| (Range of int'l experience) ² | | | 0.0321 (0.29) | 0.0973 (0.88) | | |
| National diversity | | | | | -0.858* (-2.04) | -0.661+ (-1.76) |
| (National diversity) ² | | | | | 0.723 (0.37) | 3.634 (1.59) |
| Firm size | 0.0231 (0.41) | 0.00731 (0.14) | 0.0293 (0.51) | 0.0119 (0.23) | -0.0231 (-0.47) | -0.000358 (-0.01) |
| Transaction value | 0.499** (7.32) | 0.412** (7.03) | 0.510** (7.44) | 0.417** (7.09) | 0.495** (7.26) | 0.402** (6.92) |
| Lagged abnormal return | -0.319* (-2.11) | -0.205 (-1.29) | -0.304* (-1.97) | -0.195 (-1.23) | -0.338* (-2.20) | -0.225 (-1.41) |
| Leverage | 0.000528 (1.08) | -0.000738+ (-1.77) | 0.000464 (0.95) | -0.000716+ (-1.72) | 0.000646 (1.32) | -0.000692 (-1.61) |
| Tobins Q | -0.167** (-3.51) | -0.208** (-2.98) | -0.160** (-3.28) | -0.205** (-2.91) | -0.149** (-3.15) | -0.218** (-3.09) |
| Target status | -0.278 (-1.59) | -0.330+ (-1.95) | -0.365* (-2.06) | -0.331* (-1.97) | -0.312+ (-1.81) | -0.315+ (-1.88) |
| Diversifying acquisition | 0.275 (1.60) | 0.0292 (0.19) | 0.311+ (1.81) | 0.0456 (0.30) | 0.325+ (1.92) | 0.0246 (0.17) |
| Full acquisition | -0.226 (-1.25) | -0.901** (-3.10) | -0.355+ (-1.94) | -0.923** (-3.12) | -0.238 (-1.36) | -0.879** (-3.07) |
| 5-year prior firm acquisition experience | 0.000660 (0.06) | 0.0173 (1.52) | 0.00844 (0.75) | 0.0180 (1.57) | 0.00542 (0.49) | 0.0190+ (1.66) |
| (5-year prior firm acquisition experience) ² | 0.000777 (0.83) | 0.000281 (0.26) | 0.000974 (1.07) | 0.000309 (0.28) | 0.000562 (0.60) | 0.000158 (0.14) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.255** (-5.16) | -4.184** (-6.94) | -3.531** (-5.60) | -4.100** (-6.74) | -3.708** (-6.27) | -4.085** (-7.13) |
| _cut2 | 0.378 (0.71) | -1.236* (-2.29) | 0.115 (0.22) | -1.149* (-2.14) | -0.102 (-0.21) | -1.132* (-2.20) |
| Observations | 711 | 854 | 711 | 854 | 711 | 854 |

Note to Table 4.13: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and 5-year prior firm-level acquisition experience as added control. All control variables are defined the same way as in Table 4.1. Models marked A show high cultural distance and those marked B shows low cultural distance. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.14: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments in presence of high and low country risk and cultural distance.

| | Model 39A | Model 39B | Model 40A | Model 40B |
|---|---------------------|----------------------|---------------------|-----------------------|
| Average years of target country experience | -0.0510 (-0.57) | -0.0176 (-0.31) | -0.0104 (-0.08) | 0.0262 (0.50) |
| (Average years of target country experience) ² | 0.00813 (0.79) | 0.00137 (0.17) | -0.035 (-1.12) | -0.00154 (-0.23) |
| Firm size | -0.0315 (-0.96) | 0.00908 (0.20) | -0.0328 (-0.90) | 0.017 (0.42) |
| Transaction value | 0.465** (8.02) | 0.433** (6.57) | 0.464** (7.45) | 0.419** (7.18) |
| Lagged abnormal return | -0.124 (-0.84) | -0.354* (-2.31) | -0.298* (-2.01) | -0.163 (-1.04) |
| Leverage | 0.000397 (1.20) | -0.000878 (-1.41) | 0.000706 (1.45) | -0.000796+ (-1.87) |
| Tobins Q | -0.176** (-3.06) | -0.102+ (-1.81) | -0.170** (-3.33) | -0.119* (-1.97) |
| Target status | -0.237 (-1.55) | -0.303+ (-1.87) | -0.189 (-1.20) | -0.219 (-1.41) |
| Diversifying acquisition | 0.238 (1.56) | 0.00529 (0.04) | 0.299+ (1.86) | -0.0128 (-0.09) |
| Full acquisition | -0.299+ (-1.90) | -0.324 (-1.32) | -0.0726 (-0.44) | -0.782** (-2.99) |
| Year fixed effects | Included | Included | Included | Included |
| _cut1 | -3.419** (-7.75) | -3.697** (-7.43) | -3.674** (-7.36) | -3.779** (-7.96) |
| _cut2 | -0.260 (-0.75) | -0.504 (-1.18) | -0.194 (-0.48) | -0.841* (-2.09) |
| Observations | 882 | 826 | 792 | 916 |

Note to Table 4.14: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A and target country knowledge as added control. All control variables are defined the same way as in Table 4.1. Models marked A show high country risk and cultural distance respectively and those marked B shows low country risk and cultural distance respectively. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.15: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments in presence of high and low country risks.

| | Model 41A | Model 41B | Model 42A | Model 42B | Model 43A | Model 43B |
|---|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| Amount of int'l experience | -0.0632* (-2.38) | -0.0258 (-0.95) | | | | |
| (Amount of int'l experience) ² | 0.00642* (2.35) | -0.00124 (-0.27) | | | | |
| Range of int'l experience | | | -0.360* (-2.06) | -0.225 (-1.19) | | |
| (Range of int'l experience) ² | | | 0.0552 (0.55) | 0.0087 (0.05) | | |
| National diversity | | | | | -0.731 (-1.64) | -0.623 (-1.18) |
| (National diversity) ² | | | | | 2.651 (1.39) | 3.784 (1.21) |
| Firm size | 0.0129 (0.28) | 0.0323 (0.54) | 0.0267 (0.59) | 0.0381 (0.62) | -0.0134 (-0.32) | 0.0276 (0.48) |
| Transaction value | 0.466** (7.31) | 0.432** (5.76) | 0.470** (7.24) | 0.437** (5.77) | 0.459** (7.17) | 0.421** (5.50) |
| Lagged abnormal return | -0.115 (-0.79) | -0.346* (-2.07) | -0.107 (-0.73) | -0.338* (-1.99) | -0.123 (-0.82) | -0.376* (-2.23) |
| Leverage | 0.000316 (0.71) | -0.000894 (-1.10) | 0.000211 (0.50) | -0.000855 (-1.02) | 0.000396 (0.95) | -0.000887 (-1.02) |
| Tobins Q | -0.172* (-2.45) | -0.0974 (-1.34) | -0.161* (-2.28) | -0.0936 (-1.24) | -0.173* (-2.52) | -0.102 (-1.42) |
| Target status | -0.231 (-1.47) | -0.319+ (-1.88) | -0.268+ (-1.66) | -0.318+ (-1.87) | -0.238 (-1.49) | -0.304+ (-1.82) |
| Diversifying acquisition | 0.216 (1.38) | -0.00951 (-0.06) | 0.222 (1.41) | 0.0137 (0.09) | 0.232 (1.47) | -0.00572 (-0.04) |
| Full acquisition | -0.316+ (-1.85) | -0.372 (-1.26) | -0.404* (-2.41) | -0.364 (-1.27) | -0.322+ (-1.88) | -0.302 (-1.10) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.085** (-5.74) | -3.622** (-5.83) | -3.191** (-5.88) | -3.500** (-5.43) | -3.240** (-6.26) | -3.383** (-5.69) |
| _cut2 | 0.0963 (0.23) | -0.42 (-0.83) | -0.0127 (-0.03) | -0.30 (-0.58) | -0.0742 (-0.18) | -0.18 (-0.36) |
| Observations | 882 | 826 | 882 | 826 | 882 | 826 |

Note to Table 4.15: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A with clustering at the acquirer firms' level. All control variables are defined the same way as in Table 4.1. Models marked A show high country risk and those marked B shows low country risk. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.16: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments due to high and low cultural distances.

| | Model 44A | Model 44B | Model 45A | Model 45B | Model 46A | Model 46B |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|----------------------|
| Amount of int'l experience | -0.0798** (-2.88) | -0.0197 (-0.75) | | | | |
| (Amount of int'l experience) ² | 0.00789** (2.89) | -0.00135 (-0.34) | | | | |
| Range of int'l experience | | | -0.454* (-2.52) | -0.20 (-1.08) | | |
| (Range of int'l experience) ² | | | 0.0149 (0.16) | 0.119 (0.92) | | |
| National diversity | | | | | -0.863+ (-1.78) | -0.478 (-1.00) |
| (National diversity) ² | | | | | 1.645 (0.84) | 4.745+ (1.71) |
| Firm size | 0.0102 (0.20) | 0.0404 (0.74) | 0.04 (0.86) | 0.0403 (0.70) | -0.0144 (-0.33) | 0.0327 (0.65) |
| Transaction value | 0.471** (6.90) | 0.424** (6.55) | 0.481** (6.90) | 0.431** (6.63) | 0.465** (6.80) | 0.416** (6.42) |
| Lagged abnormal return | -0.323* (-2.24) | -0.166 (-0.96) | -0.313* (-2.08) | -0.153 (-0.89) | -0.343* (-2.28) | -0.172 (-0.98) |
| Leverage | 0.000592 (1.42) | -0.000861 (-1.46) | 0.000437 (0.95) | -0.00082 (-1.37) | 0.000655 (1.56) | -0.000812 (-1.32) |
| Tobins Q | -0.170** (-3.13) | -0.109 (-1.27) | -0.158** (-2.77) | -0.104 (-1.20) | -0.154** (-2.77) | -0.126 (-1.55) |
| Target status | -0.16 (-0.91) | -0.255 (-1.60) | -0.223 (-1.24) | -0.238 (-1.52) | -0.181 (-1.02) | -0.219 (-1.40) |
| Diversifying acquisition | 0.249 (1.48) | -0.0115 (-0.08) | 0.273+ (1.66) | 0.000593 (0.00) | 0.280+ (1.68) | 0.00433 (0.03) |
| Full acquisition | -0.0856 (-0.47) | -0.822** (-3.04) | -0.185 (-1.04) | -0.799** (-2.86) | -0.0963 (-0.54) | -0.757** (-2.89) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.155** (-5.50) | -3.686** (-6.26) | -3.241** (-5.88) | -3.516** (-5.76) | -3.361** (-6.19) | -3.410** (-6.08) |
| _cut2 | 0.321 (0.70) | -0.742 (-1.49) | 0.251 (0.58) | -0.573 (-1.12) | 0.0932 (0.23) | -0.461 (-0.95) |
| Observations | 792 | 916 | 792 | 916 | 792 | 916 |

Note to Table 4.16: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A with clustering at the acquirer firms' level. All control variables are defined the same way as in Table 4.1. Models marked A show high cultural distance and those marked B shows low cultural distance. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.17: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments in presence of high and low country risks.

| | Model 47A | Model 47B | Model 48A | Model 48B | Model 49A | Model 49B |
|---|----------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| Amount of int'l experience | -0.0632** (-2.86) | -0.0258 (-1.51) | | | | |
| (Amount of int'l experience) ² | 0.00642** (2.65) | -0.00124 (-0.34) | | | | |
| Range of int'l experience | | | -0.360* (-2.53) | -0.225** (-2.63) | | |
| (Range of int'l experience) ² | | | 0.0552 (0.66) | 0.0087 (0.06) | | |
| National diversity | | | | | -0.731* (-2.41) | -0.623+ (-1.68) |
| (National diversity) ² | | | | | 2.651+ (1.78) | 3.784* (1.96) |
| Firm size | 0.0129 (0.32) | 0.0323 (0.66) | 0.0267 (0.64) | 0.0381 (0.81) | -0.0134 (-0.36) | 0.0276 (0.52) |
| Transaction value | 0.466** (8.70) | 0.432** (9.09) | 0.470** (8.86) | 0.437** (8.73) | 0.459** (8.63) | 0.421** (8.70) |
| Lagged abnormal return | -0.115 (-0.73) | -0.346** (-3.27) | -0.107 (-0.69) | -0.338** (-3.19) | -0.123 (-0.76) | -0.376** (-3.78) |
| Leverage | 0.000316 (0.82) | -0.000894+ (-1.90) | 0.000211 (0.57) | -0.000855+ (-1.71) | 0.000396 (1.09) | -0.000887+ (-1.82) |
| Tobins Q | -0.172** (-3.72) | -0.0974+ (-1.72) | -0.161** (-3.45) | -0.0936+ (-1.66) | -0.173** (-3.69) | -0.102* (-2.23) |
| Target status | -0.231 (-1.29) | -0.319+ (-1.87) | -0.268 (-1.44) | -0.318+ (-1.95) | -0.238 (-1.29) | -0.304+ (-1.94) |
| Diversifying acquisition | 0.216 (1.37) | -0.00951 (-0.06) | 0.222 (1.45) | 0.0137 (0.09) | 0.232 (1.50) | -0.00572 (-0.04) |
| Full acquisition | -0.316+ (-1.80) | -0.372 (-1.26) | -0.404* (-2.21) | -0.364 (-1.35) | -0.322+ (-1.83) | -0.302 (-1.25) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.085** (-6.68) | -3.622** (-10.63) | -3.191** (-6.77) | -3.500** (-9.46) | -3.240** (-6.78) | -3.383** (-7.82) |
| _cut2 | 0.0963 (0.25) | -0.42 (-1.50) | -0.0127 (-0.03) | -0.3 (-1.02) | -0.0742 (-0.19) | -0.18 (-0.56) |
| Observations | 882 | 826 | 882 | 826 | 882 | 826 |

Note to Table 4.17: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A with clustering at the target country-level. All control variables are defined the same way as in Table 4.1. Models marked A show high country risk and those marked B shows low country risk. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 4.18: Ordered logistic regressions models on the probability of choosing pure cash or mixed payments over pure stock payments due to high and low cultural distances.

| | Model 50A | Model 50B | Model 51A | Model 51B | Model 52A | Model 52B |
|---|----------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| Amount of int'l experience | -0.0798** (-4.38) | -0.0197 (-0.99) | | | | |
| (Amount of int'l experience) ² | 0.00789** (3.16) | -0.00135 (-0.48) | | | | |
| Range of int'l experience | | | -0.454** (-3.07) | -0.200+ (-1.65) | | |
| (Range of int'l experience) ² | | | 0.0149 (0.17) | 0.119 (1.15) | | |
| National diversity | | | | | -0.863* (-2.34) | -0.478 (-1.41) |
| (National diversity) ² | | | | | 1.645 (1.20) | 4.745** (4.33) |
| Firm size | 0.0102 (0.23) | 0.0404 (0.88) | 0.04 (0.81) | 0.0403 (0.87) | -0.0144 (-0.32) | 0.0327 (0.73) |
| Transaction value | 0.471** (7.24) | 0.424** (9.04) | 0.481** (7.59) | 0.431** (8.51) | 0.465** (7.23) | 0.416** (8.61) |
| Lagged abnormal return | -0.323+ (-1.92) | -0.166 (-0.87) | -0.313+ (-1.84) | -0.153 (-0.82) | -0.343* (-2.09) | -0.172 (-0.86) |
| Leverage | 0.000592 (1.02) | -0.000861* (-2.03) | 0.000437 (0.74) | -0.000820+ (-1.84) | 0.000655 (1.14) | -0.000812+ (-1.84) |
| Tobins Q | -0.170** (-3.80) | -0.109 (-1.45) | -0.158** (-3.41) | -0.104 (-1.37) | -0.154** (-3.50) | -0.126+ (-1.74) |
| Target status | -0.16 (-0.73) | -0.255 (-1.22) | -0.223 (-0.99) | -0.238 (-1.15) | -0.181 (-0.82) | -0.219 (-1.07) |
| Diversifying acquisition | 0.249 (1.59) | -0.0115 (-0.07) | 0.273+ (1.73) | 0.000593 (0.00) | 0.280+ (1.83) | 0.00433 (0.03) |
| Full acquisition | -0.0856 (-0.40) | -0.822** (-3.51) | -0.185 (-0.85) | -0.799** (-3.36) | -0.0963 (-0.47) | -0.757** (-2.75) |
| Year fixed effects | Included | Included | Included | Included | Included | Included |
| _cut1 | -3.155** (-5.28) | -3.686** (-9.31) | -3.241** (-5.24) | -3.516** (-8.39) | -3.361** (-5.57) | -3.410** (-7.88) |
| _cut2 | 0.321 (0.64) | -0.742* (-2.11) | 0.251 (0.47) | -0.573 (-1.45) | 0.0932 (0.19) | -0.461 (-1.12) |
| Observations | 792 | 916 | 792 | 916 | 792 | 916 |

Note to Table 4.18: The table presents the ordered logit regression coefficients for the mean-centred TMT predictors, all controls as in Table 4.A with clustering at the target country-level. All control variables are defined the same way as in Table 4.1. Models marked A show high cultural distance and those marked B shows low cultural distance. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Chapter 5: Moderating effects of TMT international orientation on announcement outcomes of serial acquirers

5.1 Introduction

Undoubtedly corporate takeover decisions involve substantial investments, therefore warrant considerable attention, especially when there are frequent acquisitions. The same issue is perhaps more relevant to the firms undertaking recurrent acquisition decisions abroad, being associated with inherent uncertainties and risks. Given its growing importance, the voluminous literature for cross-border mergers and acquisitions (M&As) has looked at different factors affecting shareholder value such as; environmental uncertainties, firm and deal features and personal attributes of managers such as experience, personality, etc. (Haleblian *et al.*, 2009). Yet, the examination of value creation by these serial acquirers⁹ in isolation from the single acquirers, is relatively scarce, particularly as far as their international expansions are concerned. We therefore, try to fill this gap by exclusively concentrating in this chapter on what are the key factors which might have a bearing on the announcement returns to these sequential bidding firms, transcending domestic borders.

Hietala, Kaplan & Robinson (2000) argued that stock price reactions to acquiring firms' takeover announcements, may signal a mass of relevant information including synergies involved, apparent valuation of targets as well as the acquirer firms, etc. Therefore, it could also be difficult to attempt to segregate the market responses in respect of cross-border acquisition announcements. Fuller *et al.*, (2002) studied only firms acquiring a certain number of targets within a fixed time frame in their sample period. This was in order to examine other characteristics influencing the returns, holding their specific features constant. We follow Fuller *et al.*, 2002 in choosing to focus on the stock returns of a sample solely comprising of repeated bidders. We distinguish a firm as 'serial acquirer', if it engaged in more than one cross-country acquisition within our entire sample period and analyse the three-day cumulative abnormal returns around each announcement of cross-border acquisition by the same bidding firm. Prior research (e.g., Stegemoller, 2001; Conn, Cosh, Guest & Hughes, 2004; Kengelbach, Klemmer, Schwetzler & Sperling, 2012; etc.) had mostly investigated the performances of

⁹ All the terms 'multiple bidders', 'repeated acquirers', 'frequent acquirers' 'sequential acquiring firms', etc. have been used in this chapter interchangeably to denote 'serial acquirers'.

serial acquirers together with the one-time acquirers, opining that the latter group lagged behind the former in generating shareholder wealth. In this chapter, instead of looking at a similar comparison, we delve deeper into performance of only the multiple bidding firms, exploring the possible explanations behind such outcomes.

However, the above view seems to be only partly substantiated by extant studies, specifically while analysing each consequent deals by serial acquirers. The previous researches (e.g. Schipper & Thompson, 1983; Loderer & Martin, 1990; etc.) looked into whether merger programmes generated higher returns in later deals. Their findings at best, indicated that in such programmes, successive returns were more likely to diminish. However, the later researches (e.g. Haleblan & Finkelstein 1999; Fuller *et al.*, 2002; Billet & Qian, 2008; Aktas, *et al.*, 2011; 2013; etc.) documented mixed results with divergent interpretations. These explanations put forward, underscoring different theories primarily pertaining to organizational learning (Hayward, 2002), managerial empire-building tendencies (Jensen, 1986), overconfidence or hubris (Roll, 1986), overvaluation (Shleifer & Vishny, 2003), and indigestion (Conn *et al.*, 2004). Building upon these diverse postulates, in this chapter we explore two of the popularly focused upon theories in corporate finance, i.e. organisational learning (e.g. Aktas *et al.*, 2013) and indigestion (e.g. Conn *et al.*, 2004). Essentially we attempt to demystify which of the predicted effects either of learning or that of indigestion, predominantly influences the cross-border announcement abnormal returns to these multiple bidder firms.

In our earlier chapters, we had discussed how some of the individual qualities of top executives on the boards of bidding companies including, international career experiences or host country knowledge, may shape their personalities, thereby get reflected in their decisions and outcomes. We also examined how these executive characteristics as well as a diverse mix of nationalities influenced their supposed ‘international orientation’ and thereby the decision-making process of the entire team. Furthermore, our results in the previous chapters suggested that the presence of such an internationally orientated team by itself may not be a sufficient condition to ensure superior strategic decisions in international acquisitions, leading to improved performances. In particular, we suggested a balance of such orientation amongst the top managers to benefit acquiring firms in respect of these two interrelated aspects. In this chapter, we investigate whether this postulated global-orientation of the TMTs of these serial acquirers, has any moderating effect on either learning or indigestion. In other words, we look into the following

additional questions in regard to consequent market reactions to the announcements of cross-country acquisitions by frequent bidders, from the perspective of their TMT ‘international orientation’: (1) how does the TMT ‘international orientation’ of these firms affect either of these postulated effects? (2) if indigestion issues from frequent cross-border acquisition announcements are dominant, can such orientation alleviate it? (3) if experiential learning is prevalent, does the so-called learning from prior TMT orientation provide a stimulus to augment this learning effect further? Therefore, in this chapter we extend the notion of ‘organizational learning’ (e.g. Barkema & Vermeulen, 1998) to experiential learning, if any, by the TMTs of these serial bidders pursuing international acquisition strategies.

Our univariate analysis of three-day cumulative abnormal returns suggested ‘acquisition indigestion’ issues to be predominant. Our multivariate tests with 1777 cross-border announcements by 278 frequent bidder firms on the one hand, partly supported the univariate results of ‘indigestion effect’. On the other hand, we failed to detect any learning effect for these firms. In this respect, our results represented a departure from Aktas *et al.*, (2011; 2013). Further, our analyses generally espoused a non-linear positive moderating effect of an optimally high number of internationally experienced TMT executives. This effect seemed to mitigate the adverse influences of both the number of past foreign acquisitions and the earlier cumulative transaction values by an acquirer. Our results mostly implied that it is only after a certain cut-off level of TMT orientation that a frequent bidder may benefit from this positive moderating impact, thereby corroborating our findings in the earlier chapters.

This chapter attempts to make the following contributions: Firstly, we aim to study the plausible factors which have been identified by prior literature (e.g. Hayward, 2002; Conn *et al.*, 2004; Billett & Qian, 2008; Aktas *et al.*, 2013, etc.) to interpret their relative strengths affecting the cross-border announcement returns to the frequently acquiring firms. Thus, we also add to the relatively scant empirical evidence of studies focusing only on the overall performances of these firms. Secondly, this chapter also tries to link these factors with the incidence of a globally-oriented TMT to investigate whether the latter moderates the relationship between those factors and the successive returns of these bidders. Moreover, it further examines the nature of these moderating effects, delineating under what circumstances these observed effects may differ. Thirdly, contending about an optimal combination of so-called globally oriented top executive team, we highlighted the practical but essential aspect of TMT orientation that had also been emphasized in our previous chapters, but hitherto under-

researched in all the ‘upper echelons’, international business and the emergent stream of behavioral corporate finance. The second and third points are what we consider our prime contribution to the extant literature on serial acquirers. Fourthly, our research setting of cross-border acquisitions helps us to distinguish the conditions under which different facets of TMT ‘international orientation’ could have different effects on acquisition performances. For instance, the results here mostly supported our notion of the initial negative effect of the number of internationally experienced managers in contrast to that of a positive influence of the number of years of host country familiarity. Therefore, in this respect, our study not only offered a more nuanced picture of TMT proxies in comparison to composite measure of TMT employed in earlier papers (cf Nielsen, 2010). Last but not the least, we extend the conception of ‘organisational learning’ from frequent acquisitions, complementing it with TMT-level orientation and learning.

The remainder of the chapter is as follows. Beginning with the theories explaining serial acquirers’ performances, we briefly review the background extant literature. The subsequent sections develops the research hypotheses built upon the motivating theories discussed in the first section, followed by the research design used and description of sample construction. Finally we discuss the empirical results of our testable hypotheses. The concluding section discusses the implications and limitations of this chapter, while making some suggestions for future research.

5.2 Theoretical motivation

The following prevailing postulates, envisaging value creation from M&A deals typically provide explanations of the empirical findings for the firms engaging in multiple acquisitions (see for example, Conn *et al.*, 2004). All but the first of these premises affecting outcomes for these organizations, predict deteriorating performances from an acquiring firm’s perspective, summarised in the following paragraphs:

(a) *Organizational learning* hypothesis: It postulates that subsequent acquisitions pursued by a firm to depend on the learning from its prior acquisition experience (e.g., Barkema & Vermeulen, 1998), gathered either from the number or the sequence of previous deals. This presumed learning is likely to be manifested in the better outcomes of the subsequent

acquisitions. Such adaptive learning is gained particularly by the ‘quality’ of past experience in terms of their nature, performance and timing (e.g. Hayward, 2002).

While this hypothesis posits that experiential learning can impart the requisites for garnering shareholder wealth from subsequent acquisitions of a firm; yet there has been little support for the predicted beneficial impact of such experiential learning on the performances of later M&A transactions (e.g. Halebian & Finkelstein, 1999). The probable defences cited are: inadequacy of enough time between deals (i.e. temporal interval between the focal and its previous acquisitions) and/or possibilities of drawing incorrect inferences or misapplications of learning from prior acquisitions (Hayward, 2002).

(b) *Indigestion* hypothesis: The capacity of an organization to successful consolidation and assimilation of its previous acquisitions tend to be limited, not only with respect to the time allowed between a prior transaction and the focal one; but also due to the size of past transactions (Conn *et al.*, 2004). For instance, a costlier acquisition in terms of its transaction value would entail more complex post-deal integration in addition to requiring a longer time. (Aktas *et al.*, 2013) Similarly, deals undertaken by a firm in quick successions would restrict its capability to consolidate each one effectively creating a so-called ‘indigestion’ effect. These post-merger integration problems for a firm engaging in such multiple acquisitions are likely to be reflected by a deteriorating performance in each subsequent deal in comparison to that of the one immediately before.

(c) The following two theories are somewhat related, so are being grouped together:

(i) *Merger Programme Announcement* theory may predict a generally favourable market reactions to a ‘merger/acquisition programme’ announcement by a firm, which is anticipated to reduce successively with each subsequent deal. This could be due to the fact that since the event announcement is already recognized by the market; the impact gets absorbed into the market value of the firm (as envisaged by Fama (1970) in his contention of efficiency in capital markets), erasing any abnormal gains in the later acquisition announcements. However, this does not necessarily hypothesize a fall in profitability of later acquisitions.

(ii) *Diminishing Returns* (also called *Opportunity Set*) hypothesis tries to provide an alternative explanation to an acquisition programme, when consecutive returns may show a declining

trend. Based on the economic principle of diminishing returns, this theory forecasts a gradual reduction in the efficiency of successive investments in relation to a merger programme announcement. The rationale behind such an assumption is that the best opportunities in the form of valuable targets, are acquired earlier than the weaker ones (Klasa & Stegemoller, 2007). It further assumes that a dynamic creation of the prospective investments need not correspond to the speed of such an acquisition programme. Two related predictions result from these contentions: (I) a greater time interval between consecutive deals would tend to moderate the declining outcomes of the later acquisitions; (II) firms with greater acquisition intensity are likely to experience lower returns in each subsequent transaction.

(d) Shleifer & Vishny (2003) contended that the principle of '*overvaluation*' might be equally applicable to firms engaged in multiple acquisitions as they are to the single acquirers. They postulated that a bidder firm may be initially overvalued, but as it continues to be active in the corporate control market, any discrepancy in its share price tends to wane eventually. Furthermore, the possibilities of a firm taking advantage (e.g. choosing its overvalued stock to pay for the host) of any market misperception about its true value tends to be limited. This would be visible in the long-term performance effects of such a firm (e.g. Dong Hirshleifer, Richardson & Teoh (2006), Ang & Cheng, 2003).

(e) Finally, the following three hypotheses present alternative explanations for outcomes experienced by serially acquiring firms from the perspective of their managerial motives:

(i) Agency theory: Multiple acquisitions undertaken by the top executives of a firm may manifest signs of conflicts of interests with the firm's owners, i.e. shareholders; such deals being solely motivated by self-interest objectives such as empire building (Jensen, 1986) etc. In these situations, subsequent deals are likely to show evidence of shareholder wealth destructions (e.g., Moeller *et al.*, 2004).

(ii) *Hubris* hypothesis: This theory originally developed by Roll (1986) and later extended by Billett & Qian, (2008), posits that the success of prior acquisitions may impart on a misguided notion of over optimism and bring about unwarranted confidence to the managers of an organization. This could have several manifestations including, greater likelihood of subsequent deals or, overbidding for them (Aktas *et al.*, 2009); or, lack of due diligence whilst selection of prospective targets in misevaluation of envisaged synergies, non-optimal choice of

payment method, and/or high leverage taken to finance the deal, etc. Hence, we would expect to observe acute value destruction leading to worsening performance in later deals.

(iii) *Accounting Manipulations Hypothesis* (Conn *et al.*, 2005): postulates that if accounting manipulations are resorted to by multiple acquirer firms, the investors are more likely to discover such mismanagement. Therefore, price corrections are incorporated during later acquisition announcements which tend to eliminate the previously observed price gains. For instance, the price earning (PE) ratio of a serial bidder may explain its sequentially worsening acquisition returns. Such a firm would seek to takeover targets with lower PE ratios than it. In this way, the bidder tends to accumulate a larger earning price for own share, although at the cost of unsustainability of this strategy. This becomes more prominent as subsequent deals are transacted.

5.3 Empirical evidence

Commonly, studies in corporate finance as well as in organizational behaviour (e.g. Stegemoller, 2001 for US-based sample; Baker & Limmack, 2001; and Conn *et al.*, 2004 for UK-based samples; etc.) have compared wealth impact of the one-time acquirers with the multiple ones. The general consensus of this research was that those firms undertaking more acquisitions garnered more favourable outcomes; although, there has been less focus on repeated bidders alone. However, extant studies indicate a somewhat different story when the performance differential is specifically estimated based on each subsequent acquisition conducted by a serial bidder. The earlier works (e.g. Schipper & Thompson, 1983; Asquith, Bruner & Mullins, 1983, etc.) examined firms engaged in acquisition programmes. The other related branch of research (e.g. Fuller *et al.*, 2002; Aktas *et al.*, 2009; 2011; 2013; etc.) looking at multiple bidders only, studied how these acquirers generally fare in the market for corporate control with respect to wealth creation in their subsequent transactions.

The paper by Schipper & Thompson (1983) espoused the predictions of both merger/acquisition programmes, in relation to the diminishing returns hypotheses. While, documenting positive stock market reactions for firms throughout a one-year period from such an announcement, it also showed that subsequent deals undertaken as part of that programme, generated lower announcement abnormal returns in succession. Asquith *et al.* (1983) however,

found that forty-five (45%) of their sample bidders exhibited positive returns up to and including the fourth bid. Thus, this latter paper presented somewhat contradictory evidence compared to the former, in that they evidenced that the perceived benefits of any such programme may not essentially capitalize on its announcement effect. Hence, investors' perception of each individual acquisition could also be distinguished in the bids following the very first one in a merger programme, as demonstrated by Asquith *et al.* (1983). The paper by Loderer & Martin (1990) found that the first of a series of corporate acquisitions were likely to earn significantly higher announcement abnormal returns. But, controlling for relative size of deals and 'partial anticipation effect' as postulated by *merger programmes*, the authors showed that despite the fact that the shareholders of acquiring firms are likely to gain, such returns tend to decrease over time. While, results of the former two studies were limited by their small samples, the latter examined the sequential performance effects in a relatively larger sample of US acquirers. All these studies generally substantiated the *acquisition programme announcement* theory.

The cross-sectional analysis by Fuller *et al.* (2002) looked at how the public status of targets would affect the returns to US firms undertaking at least five acquisitions in a span of a five year period. They found acquisitions pertaining to unlisted and subsidiary targets proved more beneficial to this type of bidder firms. However, they found insignificant support for the argument that abnormal returns to a firm varies in the order in which successive acquisitions are conducted. In other words, their empirical evidence failed to uphold the predictions relating to deteriorating wealth effects, experienced by a serial bidder with its deals of a higher order. Moeller *et al.* (2005) while investigating whether acquisitive strategies during the 1990's merger waves were value generating, observed that large loss-making deals were typical of a serial acquirer after a series of profitable acquisitions. They further found that value-destructive deals typically followed unsuccessful deals. Moeller *et al.* (2005) justified their findings as evidence of either excessive managerial discretion (Jensen, 2003) leading to sub-optimal growth strategies, causing a reduction of shareholder wealth or that pursuing growth through acquisition choices had become unsustainable. Nevertheless, Moeller *et al.*'s (2005) results indicated that repeat acquirers were likely to destroy more value than they could potentially generate.

While the papers discussed in the previous paragraph differ in their reported findings, quite a few studies indicate detrimental subsequent performances of frequent bidders (e.g. Malmendier

& Tate, 2008; Billet & Qian, 2008). The negative outcomes of the higher order deals even though the first of these had been profitable, usually tend to underpin particularly the hubris hypothesis. For instance, Billett & Qian (2008) highlighted the progressively deteriorating returns after an initial success as likely manifestations in both greater propensities for own-company stock purchase by top executives such as CEOs, as well as the undertaking of subsequent acquisitions. The empirical works of others (e.g. Rosen, 2006; Antonio, Gao & Petmezas, 2008) documented a persistency in stock performances of later acquisitions for multiple bidders. In other words, both these papers documented (the former with US acquirers whilst, the latter with UK ones) that announcement returns to a bidding firm for a focal acquisition, has a positive relationship with that of its immediately preceding acquisition. Also, a paper by Zhu (2011) provides similar results to these two studies but in respect of cross-border transactions, where the persistent impacts observable either as positive or negative tended to be more prominent in cases of shorter time intervals between two such consecutive acquisitions.

Notwithstanding the above explanation of 'self-attribution bias' (Billet & Qian, 2008) of top-ranked managers/CEOs as to why consecutive abnormal returns to an acquiring firm may decline, few studies (e.g. Ahern, 2008; Aktas *et al.*, 2009; 2011) attempt alternative justifications. For instance, Aktas *et al.* (2009; & 2011) posit that such decreasing trends in cumulative abnormal returns (CARs) of the later deals, was not necessarily a result of just CEO hubris. Rather, it seemed to be attributable to learning to value potential targets better by rational CEOs, reflected in more aggressive bidding, thereby involving more expensive targets and shortening interval between successive acquisitions. In their sub-sample of reportedly 'hubris-infected' CEOs, the observations were contradictory though: CARs tended to increase in higher order of deals. Further, they found that during acquisition programmes market perceptions on bidding by CEOs, seemed to affect their subsequent bidding behaviour (Aktas *et al.*, 2011). Whereas, Billett & Qian (2008) reported CEOs to develop overconfidence over time ascribable to the success from their prior acquisitions, Aktas *et al.* (2009) investigated behaviour of CEOs initially induced by over-optimism and/or overconfidence. The latter authors sub-categorised CEOs based on twofold proxies of insider trading before deal announcements and negative CARs of the first acquisition of the declared merger programme.

Some studies (e.g. Moeller *et al.*, 2005) have drawn attention to the issue of the relative size of the M&A transaction, particularly with regard to the target size. This problem is also

highlighted by the theory on ‘acquisition-indigestion’. Ahern (2010) however, offered a different interpretation of diminishing CARs observed through an acquisition programme. A bidding firm grows larger while pursuing such a merger programme, opting for optimum sized hosts which would maximize its return. Hence, the relative profitability of consecutive acquisitions might show a decline.

As mentioned before, the frequent bidders seem to outperform both in respect of operating performance and stock return indicators (Conn *et al.*, 2004) their comparable peers, irrespective of the acquired listing status of target firms as well as the payment mode adopted. But, the probable inference of learning from experience *per se* is not straightforward, as suggested from the mixed empirical evidence in extant management, strategy and organizational behaviour studies (Barkema & Schijven, 2008). For instance, as suggested by Haleblan & Finkelstein (1999) based on the behavioural learning theory in psychology research, a U-shaped (curvilinear) relationship existed between the previous acquisition experience of a firm with its current return from a takeover. That is, the greater the exposure, the more would be the ability to suitably apply such learning to subsequent acquisitions and garner benefits. The study by Haleblan & Finkelstein (1999) also indicated that the similarity of previously acquired targets with the proposed one, would be likely to generate a superior outcome for a bidding firm. However, Hayward (2002) puts forward rather conflicting observations that learning from prior acquisitions only seems to matter for a focal deal if and only if: (a) the former incurred minor losses; (b) the focal target was to a certain extent comparable to the former target; and finally (c) the time intervals for the previous deals with respect to the present one was neither too short nor too long. So, the precondition of target similarity as conjectured earlier (e.g. Haleblan & Finkelstein, 1999) was arguably not a potential facilitator of acquirer profitability in Hayward’s (2002) findings. His rationale was that identical targets might not add value to learning, whilst a totally diverse one in relation to that previously acquired, disrupts the process of knowledge transfer. Also, the time elapsed from the earlier deal or ‘time between deals’ (TBDs) seemed to play a key contributing part in gaining knowledge from previous acquisitions; although, Hayward’s (2002) findings were limited by a smaller sample.

Nonetheless, the role of TBD in experiential learning by acquiring firms has further been advanced by Aktas *et al.* (2013). Their empirical findings substantiated the fact that for those firms engaging in multiple acquisitions, TBDs shared a significant negative relationship with

the order of their deals. They reasoned this observed declining trend in TBDs for higher deal sequences, as being indicative of a process of learning by these frequent acquirers.

The above review of existing research strongly suggests that bidding firms, undertaking multiple acquisitions tend to destroy value as hypothesized in most theories discussed in the foregoing paragraphs. Presumably every such firm is faced with a conspicuous challenge since with each successive deal it grows in diversity and size. It is the potential balance struck between gathering the requisite skills to suitably value targets through repeated deals on the one hand, whilst competently managing the associated multiplying integration costs on the other. On top of this, heterogeneity of such frequent acquisitions exacerbates manifold their complexity due to the involvement of foreign hosts. In the international context, the presence of multifarious uncertainties and risks both at the host country-level (e.g. socio-economic and business environments) and/or at the target firm-level (e.g., asset intangibility, etc.), may complicate such trade-off further. Moreover, what has been coined as ‘organizational experience’ in management and strategy research is also synonymous with the experiential learning of a bidder TMT while pursuing multiple acquisitions. For instance, Kroll *et al.* (2008) suggest that such knowledge gained by bidder directors is likely to produce better acquisition outcomes for these firms. Therefore, it becomes necessary to delve into the role played by TMTs in these sequentially bidding firms as strategic decision-makers. In particular, we are interested in studying how internationally-oriented TMTs fare, when deciding upon frequent acquisitions.

5.4 Does TMT international orientation have a moderating impact?

In our previous chapters we have discussed the insight from postulations on ‘upper echelons’ as to how the cognitions and perceptions of individual managers translate into ‘orientations’ and how these ‘orientations may interact in the executive group to influence major strategies (Finkelstein *et al.*, 2008). We also reviewed this research laying down how among other things, international experiences from education, previous careers, mix of diverse nationalities, etc. are likely to facilitate superior decision-making at the top executive-level, while expanding globally. We believe that this knowledge can enable the generation of beneficial outcomes for a firm which seeks to cross-borders from its home country not just once, but repetitively. This

is based on the latent assumption that past acquisition successes for a frequently bidding firm would most likely retain the same team of top executives.

In retrospect, the idiosyncratic personalities of top executives could also be latently responsible for overoptimistic assessments and associated judgements, which might impair shareholder value. As stated in the last paragraph in the previous section (Section 5.3), that global scenario makes decision-making exceedingly difficult as well as taxing. So, potential misuse or misapplication of prior international exposure may not be unlikely. The extant studies documenting hubris and self-attributive bias of top managers (CEOs have been the focus here) (Roll, 1986; Hiller & Hambrick, 2005; Billett & Qian, 2008) have specifically championed these apparent discrepancies in managerial behavior, as already reviewed in our earlier chapters. Also, as argued before, there might also be a predisposition to accredit earlier positive performances to their collective ‘international orientation’. If these behavioral patterns obfuscate the decision-making process for TMTs of bidding firms when these firms choose to internationalize over and over again, its globally orientated TMT would no longer benefit its shareholders. Rather, such a TMT would expedite shareholder wealth destruction in deals following the previously successful ones.

In the earlier chapters we had also underscored that not a single manager, but rather it is the entire team of managerial personnel (Cyert & March, 1963) which is likely to be accountable for strategies pertaining to cross-border diversification. We also emphasized the wealth of discretion available to the overall TMT during strategic decisions such as global diversification (Crossland & Hambrick, 2005; Finkelstein *et al.*, 2008). The last two paragraphs stated advantages as well as disadvantages of the international experience gained earlier and nationality mix, if present in an acquiring firm’s top managerial team. We will attempt here to explore whether these observable personal traits shaping the ‘international orientation’ of the entire TMT would positively or negatively moderate the returns of an acquiring firm undertaking sequential cross-border deals.

5.5 Research hypotheses

As evident from the review of existing literature concerning sequentially bidding firms, emphasis had been on probing as to whether such firms in aggregate create value for their

shareholders or destroy shareholders' wealth. We have also underlined in previous chapters the critical interplay of various risks and uncertainties which tend to obfuscate preferences to venture in the global market for corporate control. These could be categorised to include information ambiguities nested at the different levels of the target-country as well as acquirer industry and firm, to mention a few. Our fundamental premise is that sequential cross-border acquisitions are considerably complicated events which tend to impede easy extrapolation of standardised knowledge transferable to those following. In the following paragraphs therefore, building on the theory, intuitions and empirical findings of the studies discussed, we will investigate how some of the above-specified drivers affect the announcement abnormal returns to a frequent acquirer. Specifically, our principal aim is to investigate each of these particular determinants to look at their influence on the focal announcement return of a firm engaging in sequential cross-border acquisitions. Our further objective is to examine the catalysing effect of bidder TMT's 'international orientation' on the association of each of these factors with the announcement CARs of this type of bidder. Therefore, we basically explore whether and under what circumstances such an internationally-oriented TMT strives to act effectively as a catalyst and/or mediator in order to induce and enhance 'organizational learning' and/or alleviator of 'integration-indigestion' as this firm acquires multiple foreign hosts.

The key indicators identified in earlier research to impact on the creation of value by a serially acquiring firm which we focus upon are – the number of deals, the aggregate value of acquisitions conducted in the previous years, and TBDs. While number of deals and TBDs by a frequent bidder have been endorsed as drivers of experiential learning by Aktas *et al.* (2011, 2013), they could potentially disrupt value creation for later deals, as had been also suggested in Section 5.3. However, the cumulative sum of transaction values is a factor which suggests a limited capability to integrate past acquisitions by a repeating bidder. Prior literature on firms engaging in multiple acquisitions (e.g., Conn *et al.*, 2004, Billet & Qian, 2008; Aktas *et al.*, 2009; 2013, etc.) has suggested that the 'sequences of deals' are one of the likely determinants of profitability. Furthermore, these studies choose various ways of defining these repeated bidders depending on the 'number' or 'counts' of previous deals conducted by such a firm within a specific time during the overall sample period. More explicitly, all the above-mentioned papers have estimated the return differential for each subsequent transaction in comparison to its previous one to infer how sequential bidder firms fare. For instance, Conn *et al.* (2004) found that the bid order showed a significantly negative effect on the acquisition announcement returns. Further this documented persistent decline in performances seemed

more glaring in the case of the first-time unsuccessful acquirer. Billet & Qian (2008) however, rationalised this deteriorating trend as arising from ‘self-attributive’ behavioural disorder. Top managers could be more inclined to impute past acquisition successes to their own expertise, which would more likely to inflate their ego whilst taking a toll in the deals that follow. Further, the favourable impact of theorized skills and insight brought on from previously conducted transactions might wane over time as pointed out by Hayward (2002). However, Aktas *et al.* (2009; & 2011) rationalised this declining trend across the later deals as evidence of CEO learning, rather than hubris. All these findings and explanations have mostly been for samples with domestic M&A deals, although they could be equally applicable to the cross-border transactions.

Rather, we would anticipate that when firms engage in sequential cross-border acquisitions, given their complexity and riskiness, the above predictions too are likely to strengthen. If a bidder engages in too many of these deals within a short interval, it might face integration issues. Fewer foreign deals on the other hand, would help it to build upon from these experiences of encountering the multitude of uncertainties of acquiring foreign targets. Therefore, broadly speaking, we could expect that an improvement in announcement returns would signify the beneficial impact of experiential learning by bidder firms as they perform repeated acquisitions involving foreign hosts. A decline would however provide support for the theories positing the drawbacks of frequent acquisitions. Hence, depending on the relative incidence of either beneficial or detrimental impact of preceding acquisitions, we propose the following competing hypotheses in alternative form:

***Hypothesis 1a:** There is a positive relationship between the number of cross-country deals in the previous three-years and the abnormal returns at the announcement of the current deal.*

***Hypothesis 1b:** There is a negative relationship between the number of cross-country deals in the previous three-years and the abnormal returns at the announcement of the current deal.*

As put forward by Hayward (2002) and Haleblan & Finkelstein (1999) acquisition strategies being pursued for multifarious objectives, it could be extremely complicated to apply and transfer appropriate inferences to the subsequent acquisitions. So, it might not be straightforward to apply experience learning to the later cross-border acquisitions, in which environmental risks and uncertainties play a significant role. However, Aktas *et al.*, (2013)

chose a research design to infer learning effects from the past acquisitions as discussed in the later paragraphs.

Both the papers by Hayward (2002) and Aktas *et al.* (2009; 2013) draw our attention to another key factor, viz., ‘TBDs’. The duration between two deals could hypothetically indicate the gaining of requisite expertise as well as capability to efficiently manage repetitive deals so that post-deal integration does not impede the envisaged value creation. The underlying principle is that balancing integration costs becomes a serious challenge as the size of the bidder grows by virtue of frequent acquisitions. For instance, Hayward (2002) conjectures that a smaller time interval between consecutive deals could impair the process of taking root of the experience thus, hindering learning. Moreover, experience from acquisition *per se* does not ensure superior subsequent performance (Hayward 2002, p.2). The contradictory effect of ‘memory lapse’ or ‘memory loss’ or ‘forgetfulness’ (Hayward, 2002) could occur in the opposite case, if such acquisitions were spaced too far apart in time, when learning cannot be gained. This notion was also supported by Aktas *et al.*, (2013).

Aktas *et al.*, (2013) theoretically modelled the selection of TBDs by firms, in order to maximise their expected profits from acquisitions net of integration costs. Aktas *et al.*, (2013) posited that below a certain threshold or limiting value for TBDs, learning was likely to increase as TBD increased. Contrarily, beyond that limiting TBD, prior acquisitive exposure seemed to be insufficient for experience building, termed by them as ‘memory loss’ effect. Using this framework the authors theorised that during the process of ‘experience building’, an inverse relationship between TBDs and deal order would imply learning to be increasing. But in the ‘memory loss’ situation, a positive correlation between the TBDs and deal sequences would also indicate gains from learning experience. Therefore, they inferred that in either case a bidder firm is positioned to reap gains from net learning from repetitive acquisitions, regardless of post-deal integration costs.

While we anticipate cross-country acquisitions to be riskier than domestic ones, both the opposite rationales explained above could be equally applicable for them. So, the returns of subsequent international acquisitions could be affected, depending upon the time duration between two consecutive ones. Therefore, combining the insight from both Hayward (2002) and Aktas *et al.* (2013), we could postulate the following: (a) if the elapsed time from the immediately previous cross-country acquisition to the focal one, showed a positive correlation

with the announcement returns of the focal deal, a likely ‘experience-building’ effect is in play; (b) the contrary case of a negative correlation between these variables would indicate a ‘memory-loss’ situation.

The literature on M&As unanimously underscores that inadequacies of post-merger integration (PMI) period is one of the primary causes why such transactions fail to garner desired benefits (see for example, Shrivastava, 1986). This is especially the case for larger M&A transactions, where more time and resources are necessary for PMI (Aktas *et al.*, 2013). So, if a firm engages in multiple acquisitions simultaneously or within a short time interval, the capability for PMI may become saturated, leading to more acute effects on its overall profitability. Based on the above discussions and arguments, we put forward two competing hypotheses in the alternative form:

Hypothesis 2a: *There is a positive relationship between the time elapsed since the previous cross-country acquisition and the announcement abnormal returns of the current deal.*

Hypothesis 2b: *There is a negative relationship between the time elapsed since the previous cross-country acquisition and the announcement abnormal returns of the current deal.*

The theory on *indigestion* suggests that for those firms which acquire frequently, returns from successive deals may show a declining trend. This could be due to the fact that firms are likely to have limited internal resources. As contended in the preceding paragraph, for all acquirers, integration takes time and also requires a post-integration recovery phase (Kengelback *et al.*, 2012), which is particularly accentuated for serially bidding firms. Further, after undertaking a costly acquisition or one having a greater relative deal size, if a frequently bidding firm does not allow sufficient time for PMI, performances in later deals could deteriorate.

In the international context, ‘acquisition-indigestion’ could intensify further if higher cumulative values of deals are undertaken, assuming the post-merger integration issues to be more complicated in view of the environmental uncertainties. Assuming a shorter time period prior to a focal foreign deal, we could therefore, anticipate that the greater the aggregate value of the earlier international deals undertaken in that duration, the greater resources would have to be devoted towards PMI; hence, the more severe would be the foreign-acquisition-indigestion issue. On the other hand, a smaller cumulative value of the number of cross-border acquisitions in this shorter interval before a similar focal deal *ceteris paribus*, may generate a

favourable outcome for a bidding firm. This is under the twin assumptions that: firstly, a lower value would not exacerbate a resource bottleneck that may arise as a result of deals undertaken in quick succession, accentuating the PMI problems; and secondly, deal managing experience would build through those smaller deals executed earlier, thereby learning to assess the underlying risks and information ambiguities in the global context better. Thus, we propose two competing hypotheses replicating scenarios where indigestion problem could be low and where it could be severe, expressed in alternative form:

***Hypothesis 3a:** The aggregate deal value of all the previous cross-border acquisitions undertaken in a shorter time interval has a positive relationship with the announcement abnormal returns of the focal deal.*

***Hypothesis 3b:** The aggregate deal value of all the previous cross-border acquisitions undertaken in a shorter time interval has a negative relationship with the announcement abnormal returns of the focal deal.*

In the preceding section we have made a case both for apparent merits and demerits of ‘international orientation’ for the bidder TMTs. In what follows we base our contentions on whether and how the role played by globally-minded TMTs, may harmonise host choices while deciding upon repeated cross-country acquisitions. In line with the previous chapters, we invoke here observable and quantifiable elements of managerial ‘international orientation’ in order to empirically test whether such traits could be valuable for serially bidding firms, embarking on cross-country acquisitions. To be more precise in our current framework of sequential international acquisitions, we re-examine the proxies constructed in Chapter 2, looking at the role played by executive teams’ ‘international orientation’ on the short-run performance of these firms.

The number of executive team members endowed with knowledge acquired by dint of their earlier international experience, had been one of our proxies in Chapter 2. We had also conjectured the beneficial (e.g., broader awareness of institutional and cultural norms internationally, etc.) as well as the detrimental (e.g., misperceiving risks involving foreign hosts, hubristic attitude; etc.) impacts of having a greater number of these managers with such exposure. From the perspective of firms repeatedly engaging in cross-border acquisitions, this particular TMT attribute, seems relevant. This is because such globally-oriented TMTs are specially-enabled to tap this wisdom in order to garner better outcomes for their respective

firms. Concurrently, they are prima facie susceptible to exploiting this purported knowledge (e.g., due to their hubris as suggested by Roll, 1986 or adopting more overenthusiastically adventurous strategies) to bring about destruction of shareholders wealth. For instance, in the latter situation, the TMT of a firm might prefer to decide upon greater number of cross-country acquisitions with the misconceived notion of such strategy being the best alternative for its firm. Therefore, it seems that only a higher proportion of executives with international experience in the TMTs of bidders, is not by itself a pre-requisite in ensuring a promising outcome where serial acquirers are concerned. It can be contended that with sufficiently high number of such knowledgeable executives on the team, it may be necessary to balance unfounded confidence against the required skill to undertake repeated cross-border deals.

Our second benchmark to classify the TMT of a bidder as internationally oriented is the 'Blau diversity index' (adopted in both Chapters 3 and 4) which is the yardstick determining the mix of nationalities on the team of managers of a firm. We had also debated the favorable (e.g., enriched cognizance of global environment opacities, etc.) and unfavorable (e.g., ineffective communication, etc.) consequences of having higher proportions of dissimilar nationalities on the TMT of a bidder firm going for cross-border acquisitions.

The final aspect of TMT 'international orientation' here, which we also adopted in Chapter 2 was, familiarity of the host country. Higher average years of such exposure can be considered to be both an advantage (e.g., more advantage in negotiating the deal with foreign target, etc.) as well as a disadvantage (e.g., excess information leading to needless risk-taking, etc.) for the overall TMT of an acquirer.

In Chapter 3, where we examined one-year post-acquisition bidder performance with the pre-requisite of presence of internationally-oriented TMT for such firms, we had explicitly examined the conditions leading to learning to manage acquisitions in a global scenario. Looking at the position of a firm seeking to acquire frequently as well as, drawing upon our deliberations and empirical findings in both Chapters 2 and 3, it seems that the presence of either a greater nationally diverse team of top executives or a higher average number of years of acquaintance with a host country, may not generate consistently better returns. Weighing up the pros and cons of these two proxies, we expect in such scenarios that higher levels of both these indicators of TMT 'international orientation' (cf. Nielsen & Nielsen, 2011; Benabou, 2013) could lead to unwarranted complacency in choices of targets, when embarking upon

multiple cross-country acquisitions. Hence, a probable balance of both the aforementioned indicators could seem to be optimal from the strategic standpoint of such a sequential acquiring firm.

Therefore, with respect to a serial bidder intending to generate a sustainable favourable performance from its repeated cross-border acquisitions, such a firm would deem it essential to develop some sort of competitive advantage. This could occur if its ‘internationally-oriented TMT has the capability to make value-added strategic decisions. Hence, we propose to look again at ‘international orientation’ of TMTs of these acquiring firms’ from three angles: (i) number of these internationally experienced executives; (ii) mix of nationalities amongst them indicated by Blau diversity index; and (iii) amount of target country familiarity of managers in years, on average. In other words, we propose that a curvilinear (U-shaped) association between the internationally oriented managers on TMTs of repeatedly acquiring firms with their announcement returns.

Following our arguments in the preceding paragraphs, we would conjecture: (1) a non-linear (U-shaped) association of the number of internationally knowledgeable TMTs and the abnormal returns on a cross-country acquisition announcement by a serial acquirer. (2) an opposite curvilinear (inverted U-shape) relationship of the announcement returns to a multiple bidder with either its TMT national diversity or average years of TMT experience of foreign targets. If the beneficial effects of learning are reflected in acquisition announcement performance of these frequent bidders, we conjecture that appropriate levels of bidder TMT ‘international orientation’ beyond a threshold, would further enrich experiential learning. This in turn would generate persistently profitable outcomes for multiple international acquisitions. In contrast, depending upon whether the negative effects of higher deal numbers or ‘memory-lapse’ or ‘indigestion’, are in play, a suitably balanced internationally-orientated TMT after a cut-off point as hypothesized above, is likely to moderate their negative effects. Thereby the unfavorable sequential performances would be toned down while still learning through repeated cross-border acquisitions could be facilitated.

The discussions of the foregoing premises lead us to the following hypotheses:

Hypothesis 4: *The relationship between number of the previous cross-border acquisitions and the announcement returns of the focal deal is moderated by the presence of (i) a higher number*

of internationally-experienced executives in acquiring firms' TMTs in a curvilinear (U-shaped) manner; but in an opposite curvilinear manner (inverted U-shaped) by (ii) greater national diversity, and (iii) a higher average number of years familiarity with the target country.

Hypothesis 5: *The relationship between time elapsed between two cross-border acquisitions and the announcement returns of the focal deal is moderated by the presence of (i) a higher number of internationally-experienced executives in acquiring firms' TMTs in a curvilinear (U-shaped) manner; but in an opposite curvilinear manner (inverted U-shaped) by (ii) greater national diversity, and (iii) a higher average number of years familiarity with the target country.*

Hypothesis 6: *The relationship between aggregate deal value of all cross-border acquisitions within the previous three years and announcement returns of the focal deal is moderated by the presence of (i) a higher number of internationally-experienced executives in acquiring firms' TMTs in a curvilinear (U-shaped) manner; but in an opposite curvilinear manner (inverted U-shaped) by (ii) greater national diversity, and (iii) a higher average number of years familiarity with the target country.*

5.6 Sample, research design and variable construction

Using our original sample, we dropped the single acquirers, retaining only the group of firms which conducted more than one cross-border acquisitions. Precisely, we created a multiple acquirer indicator variable in our original sample, taking the value of one, which comprised of approximately 90% of our original sample and dropped the 10% taking the value of zero. This research design focusing solely on the sequential acquiring firms is also consistent with that used by Fuller *et al.* (2002) in order to reduce firm-specific variation in the overall sample. The fact that frequent bidders are the norm in the UK has also been acknowledged by Conn *et al.* (2004). Thus, filtering out the single bidders we were left with 1777 cross-border acquisitions by 278 firms. We adopted this research strategy of categorising a multiple bidder based on whether the firm conducted more than one cross-border transaction during our sample period, rather than using some other criteria (e.g. Fuller *et al.*'s (2002) categorisation of multiple acquirers) so as not to reduce the number of observations further. Also our purpose is to simultaneously investigate whether 'international orientation' computed before each acquisition announcement had any effect on our main explanatory variables as detailed below in the next sub-section. Prior research has classified serial acquirers in different ways. For

instance, Fuller *et al.* (2002) defined a serial acquirer if a firm conducted at least five acquisitions in a window of three years; whereas Kengelbach *et al.* (2012) and Billett & Qian (2005) did so if more than one acquisition was conducted within the same time period and if at least two public targets were acquired within the duration of five years, respectively. Again Conn *et al.* (2004) adopted a different classification based on the intensity of acquisitiveness. Whereas Conn *et al.*, (2004) investigated bidder performance throughout the series of deals, our aim in this chapter is somewhat different. We study the impact of number of previous cross-country deals, sum of the values paid for them (within a timeframe of three years, as mentioned above) and TBDs on the present foreign acquisition. Hence, we employ our own criteria for classification of serially acquiring firms.

Moreover, due to our three-year rolling window specification for two of our explanatory variables (explained in detail in the paragraphs on ‘variables construction’), we were required to use the first three years of our sample to generate deal-history (cf. Billett & Qian, 2008). Therefore, we added the cross-border announcements of the frequently bidding firms in our sample from the year 1996 onwards, although the final sample starts from the year 1999 onwards, similar to the previous chapters.

Our key questions are: which of the effects is more dominant on the short-term performance of serial acquirers, viz., learning (experience-building) or memory loss and/or indigestion? Accordingly, we use pooled OLS regression models detailed below to explain abnormal returns upon the announcement of an international acquisition. Before presenting detailed model specifications, we explain the operationalization of key variables of interest. Most of the variables used for this analysis being similar to the ones used in the first chapter are just mentioned, only the ones not used hitherto have been discussed in details here. In line with the variable operationalization used in the previous chapters, all the variables were used in winsorized forms at the one percentage level, except the indicator variables.

5.6.1 Dependent variable(s)

Our primary measure to ascertain the short term performance of serial acquirers was, a three-day CARs which has also been the dependent variable in our regression analyses as also used in Chapter 2 on short-run returns. So, detailed explanation of computation of CARs is not repeated here.

We also supplemented our analysis with a longer term measure of performance using, a one-year post-acquisition buy-and-hold abnormal returns (BHARs) (detailed computation is given in Chapter 3 on longer term returns) for our regression models.

5.6.2 Independent variables

In accordance with the studies on serial bidders reviewed in the earlier sections, the following variables were chosen to explore their plausible influence on the short-run performance of such firms. Their operationalization is detailed below:

(1) Classifying each acquirer using its unique identifier, we sorted the respective cross-country deals by their announcement dates. Thereby a deal count (*DC*) was computed for each firm for each of its transaction in the ascending order of the event announcement dates (see for example Aktas *et al.*, 2013). This *DC* variable was generated on the basis of a rolling three-year window. (cf. Billett & Qian, 2008 where a rolling window of five-years was used). This selection of a timeframe of three years was to reduce noise as might be the case if a five-year window was chosen.

For each bidder, we also computed a ranking to ascertain the order) of deals in the ascending order of the event announcement dates throughout the whole sample period. These sequences of cross-border acquisitions by a firm termed as ‘deal order’ (*DO*), was used to check the robustness of our results using the *DC* regressor.

(2) We chose the *TBDs* as time elapsed between a focal international acquisition and the one immediately before it, counted as the number of days between those two deal announcements. There being quite a few acquirers in our sample which announced more than one such transaction on the same date, although they had different completion dates. So, we chose the difference between two announcement days as our measure for *TBDs*. However, Aktas *et al.* (2013) proposed a different measure of *TBDs* as time difference between deal date of announcement of the present one and the date of completion of its preceding one, assuming post-acquisition learning based on PMI costs too. Also, since our fundamental assumption is that international orientation of bidder TMTs contribute to pre-acquisition learning (reflected

in the choice of the foreign host, choice of payment mode, deal negotiation; etc.) we selected this way of computation of TBDs.

(3) In order to compute the aggregate value of cross-country acquisitions (termed as aggregate deal value and abbreviated as *ADV*) undertaken by a frequently acquiring firm, we also used a three-year window prior to a focal foreign deal (to be consistent with our computation of DC). For each such firm, we summed the cumulative values paid for the international acquisitions undertaken (based on their dates of announcement) within the three-year time interval. The reason for this way of computation of *ADV* has already been explained in our ‘Hypotheses’ section.

We applied exactly the same specifications of TMT ‘international orientation’ variables for a bidding firm as we had done in the previous chapters. In particular, for the main part of our analysis, we employed three of our previous measures, as mentioned in the ‘Hypotheses’ section. We supplement our analysis with the other instruments of TMT orientation, viz. depth and breadth of international experience of TMT (described in details in Chapter 3).

These explanatory variables namely, DC, TBD and *ADV* along with the TMT variables utilized for our analyses were mean-centered to alleviate potential collinearity problems and to make the interpretation of the results easier (Aiken and West, 1991; Dawson, 2014).

5.6.3 Control variables

Control variables analogous to the first chapter were included in this analysis are categorized as (a) deal-specific; (b) bidder-specific; and (c) target-specific. They are discussed below and also have the same specification as in Chapter 2.

Deal-specific controls

Logarithm of *transaction value* (in £ millions); three different modes of payment, i.e. cash, stock and a combination of both along with debt depicted with two indicator variables *Cash* and *Stock*; one binary variable namely, *full acquisition* showing total control denoted by at least ninety-five percentage stake in the target.

Acquirer-specific controls

These variables are all lagged by one year, i.e. that preceding the cross-border acquisition by a firm: *Acquirer size* as logarithm of market capitalization; and its profitability as *Acquirer ROA*. We also use an indicator variable, *diversifying acquisitions* and the *TMT size* (i.e. the number of top managers in an acquiring firm).

Host-specific controls

These are: *cultural distance*; *country risk* for the target; one-year lagged *GDP per capita* of a target country in USD thousands; while target firm-specific control was its listing status whether it is a public or private company or a subsidiary. Two binary variables were created based on target firm listing status: *Private target* as one if unlisted and zero otherwise and *Listed target* as one if target firm is listed and zero otherwise.

We estimated the performance of the serial bidders in the short-run using the following regression (Equations 5.1 to test Hypotheses 1(a) v 1(b); Equations 5.2, 5.4 and 5.6 showing the respective TMT orientation variables with the DC predictor, as discussed in Section 5.5 on ‘Research hypotheses’; and Equations 5.3, 5.5, and 5.7 to test Hypotheses 4(i), (ii) and (iii)):

$$\begin{aligned} CAR_{it} = & \alpha_{1t} + \beta_{1t}DC_i + \beta_{2t}Cash_i + \beta_{3t}Stock_i + \beta_{4t}Log_DealVal_i + \beta_{5t}Log_MktCap_i + \\ & \beta_{6t}ROA_i + \beta_{7t}DiversifyDum_i + \beta_{8t}CultDist_i + \beta_{9t}CountryRisk_i + \beta_{10t}GDP_PerCap_i \\ & + \beta_{11t}FullAcquisition_i + \beta_{12t}PvtTarget_i + \beta_{13t}PubTarget_i + \beta_{14t}TMTSize_i + \varepsilon_{1it} \end{aligned} \quad (5.1)$$

$$\begin{aligned} CAR_{it} = & \alpha_{1t} + \beta_{1t}DC_i + \beta_{2t}Cash_i + \beta_{3t}Stock_i + \beta_{4t}Log_DealVal_i + \beta_{5t}Log_MktCap_i + \\ & \beta_{6t}ROA_i + \beta_{7t}DiversifyDum_i + \beta_{8t}CultDist_i + \beta_{9t}CountryRisk_i + \beta_{10t}GDP_PerCap_i \\ & + \beta_{11t}FullAcquisition_i + \beta_{12t}PvtTarget_i + \beta_{13t}PubTarget_i + \beta_{14t}TMTSize_i + \\ & \beta_{15t}N_Exec_Intl_Exp_i + \beta_{16t}N_Exec_Intl_Exp^2_i + \varepsilon_{1it} \end{aligned} \quad (5.2)$$

$$\begin{aligned} CAR_{it} = & \alpha_{1t} + \beta_{1t}DC_i + \beta_{2t}Cash_i + \beta_{3t}Stock_i + \beta_{4t}Log_DealVal_i + \beta_{5t}Log_TotAssets_i \\ & + \beta_{6t}ROE_i + \beta_{7t}DiversifyDum_i + \beta_{8t}CultDist_i + \beta_{9t}CountryRisk_i + \beta_{10t}GDP_PerCap_i \\ & + \beta_{11t}FullAcquisition_i + \beta_{12t}PvtTarget_i + \beta_{13t}PubTarget_i + \beta_{14t}TMTSize_i + \\ & \beta_{15t}N_Exec_Intl_Exp_i + \beta_{16t}N_Exec_Intl_Exp^2_i + \beta_{17t}(DC*N_Exec_Intl_Exp)_i \\ & + \beta_{18t}(DC*N_Exec_Intl_Exp^2)_i + \varepsilon_{1it} \end{aligned} \quad (5.3)$$

$$\begin{aligned} CAR_{it} = & \alpha_{1t} + \beta_{1t}DC_i + \beta_{2t}Cash_i + \beta_{3t}Stock_i + \beta_{4t}Log_DealVal_i + \beta_{5t}Log_MktCap_i + \\ & \beta_{6t}ROA_i + \beta_{7t}DiversifyDum_i + \beta_{8t}CultDist_i + \beta_{9t}CountryRisk_i + \beta_{10t}GDP_PerCap_i \end{aligned}$$

$$+\beta_{11t}FullAcquisition_i + \beta_{12t}PvtTarget_i + \beta_{13t}PubTarget_i + \beta_{14t}TMTSize_i + \beta_{15t}BlauNtlDiv_i + \beta_{16t}BlauDivNtl^2_i + \varepsilon_{1it} \quad (5.4)$$

$$CAR_{it} = \alpha_{1t} + \beta_{1t}DC_i + \beta_{2t}Cash_i + \beta_{3t}Stock_i + \beta_{4t}Log_DealVal_i + \beta_{5t}Log_TotAssets_i + \beta_{6t}ROE_i + \beta_{7t}DiversifyDum_i + \beta_{8t}CultDist_i + \beta_{9t}CountryRisk_i + \beta_{10t}GDP_PerCap_i + \beta_{11t}FullAcquisition_i + \beta_{12t}PvtTarget_i + \beta_{13t}PubTarget_i + \beta_{14t}TMTSize_i + \beta_{15t}BlauNtlDiv_i + \beta_{16t}BlauNtlDiv^2_i + \beta_{17t}(DC*BlauNtlDiv)_i + \beta_{18t}(DC*BlauNtlDiv^2)_i + \varepsilon_{1it} \quad (5.5)$$

$$CAR_{it} = \alpha_{1t} + \beta_{1t}DC_i + \beta_{2t}Cash_i + \beta_{3t}Stock_i + \beta_{4t}Log_DealVal_i + \beta_{5t}Log_MktCap_i + \beta_{6t}ROA_i + \beta_{7t}DiversifyDum_i + \beta_{8t}CultDist_i + \beta_{9t}CountryRisk_i + \beta_{10t}GDP_PerCap_i + \beta_{11t}FullAcquisition_i + \beta_{12t}PvtTarget_i + \beta_{13t}PubTarget_i + \beta_{14t}TMTSize_i + \beta_{15t}AvgYrTCExp_i + \beta_{16t}AvgYrTCExp^2_i + \varepsilon_{1it} \quad (5.6)$$

$$CAR_{it} = \alpha_{1t} + \beta_{1t}DC_i + \beta_{2t}Cash_i + \beta_{3t}Stock_i + \beta_{4t}Log_DealVal_i + \beta_{5t}Log_TotAssets_i + \beta_{6t}ROE_i + \beta_{7t}DiversifyDum_i + \beta_{8t}CultDist_i + \beta_{9t}CountryRisk_i + \beta_{10t}GDP_PerCap_i + \beta_{11t}FullAcquisition_i + \beta_{12t}PvtTarget_i + \beta_{13t}PubTarget_i + \beta_{14t}TMTSize_i + \beta_{15t}AvgYrTCExp_i + \beta_{16t}AvgYrTCExp^2_i + \beta_{17t}(DC*AvgYrTCExp)_i + \beta_{18t}(DC*AvgYrTCExp^2)_i + \varepsilon_{1it} \quad (5.7)$$

In each of the above equations, CAR_{it} is the three-day CARs estimated for a serially acquiring firm computed at the announcement of its cross-border acquisition on day t , ε_{it} is the error term. While the first equation includes the main predictor variable DC with controls, the latter two includes the linear and quadratic terms of TMT variable (i) i.e. number of internationally knowledgeable executives, with the last model having the interactions of DC variable with linear and quadratic forms of TMT proxy (i).

Our main regression coefficient of interest is β_{1t} in Equation (5.1), which signifies the regression coefficient of the main explanatory variables DC. Similarly in Equation (5.2), along with β_{1t} , our main coefficients of interest are: β_{15t} and β_{16t} (these two are the coefficients of the linear and quadratic TMT proxy (i)). Finally for Equation (5.3) β_{17t} and β_{18t} (linear and quadratic interactions with DC predictor and TMT proxy (i)) along with β_{1t} , β_{15t} and β_{16t} represent the coefficients which we are interested in.

The above seven equations are representative of the models used in our analysis. For each of the main predictors TBD and ADV, we have a similar set of seven models, where instead of

the DC regressor, we have TBD and ABD in each of the above seven models and their respective interactions with the TMT proxies. For the sake of brevity, only the models testing the central hypotheses with the ones testing for moderating interaction effects of TMT variables, are given below:

$$CAR_{it} = \alpha_{2t} + Y_{1t}TBD_i + Y_{2t}Cash_i + Y_{3t}Stock_i + Y_{4t}Log_DealVal_i + Y_{5t}Log_MktCap_i + Y_{6t}ROA_i + Y_{7t}DiversifyDum_i + Y_{8t}CultDist_i + Y_{9t}CountryRisk_i + Y_{10t}GDP_PerCap_i + Y_{11t}FullAcquisition_i + Y_{12t}PvtTarget_i + Y_{13t}PubTarget_i + Y_{14t}TMTSize_i + \varepsilon_{2it} \quad (5.8)$$

$$CAR_{it} = \alpha_{2t} + Y_{1t}TBD_i + Y_{2t}Cash_i + Y_{3t}Stock_i + Y_{4t}Log_DealVal_i + Y_{5t}Log_TotAssets_i + Y_{6t}ROE_i + Y_{7t}DiversifyDum_i + Y_{8t}CultDist_i + Y_{9t}CountryRisk_i + Y_{10t}GDP_PerCap_i + Y_{11t}FullAcquisition_i + Y_{12t}PvtTarget_i + Y_{13t}PubTarget_i + Y_{14t}TMTSize_i + Y_{15t}N_Exec_Intl_Exp_i + Y_{16t}N_Exec_Intl_Exp_i^2 + Y_{17t}(TBD*N_Exec_Intl_Exp)_i + Y_{18t}(TBD*N_Exec_Intl_Exp^2)_i + \varepsilon_{2it} \quad (5.9)$$

$$CAR_{it} = \alpha_{2t} + Y_{1t}TBD_i + Y_{2t}Cash_i + Y_{3t}Stock_i + Y_{4t}Log_DealVal_i + Y_{5t}Log_TotAssets_i + Y_{6t}ROE_i + Y_{7t}DiversifyDum_i + Y_{8t}CultDist_i + Y_{9t}CountryRisk_i + Y_{10t}GDP_PerCap_i + Y_{11t}FullAcquisition_i + Y_{12t}PvtTarget_i + Y_{13t}PubTarget_i + Y_{14t}TMTSize_i + Y_{15t}BlauNtlDiv_i + Y_{16t}BlauNtlDiv_i^2 + Y_{17t}(TBD*BlauNtlDiv)_i + Y_{18t}(TBD*BlauNtlDiv^2)_i + \varepsilon_{2it} \quad (5.10)$$

$$CAR_{it} = \alpha_{2t} + Y_{1t}TBD_i + Y_{2t}Cash_i + Y_{3t}Stock_i + Y_{4t}Log_DealVal_i + Y_{5t}Log_TotAssets_i + Y_{6t}ROE_i + Y_{7t}DiversifyDum_i + Y_{8t}CultDist_i + Y_{9t}CountryRisk_i + Y_{10t}GDP_PerCap_i + Y_{11t}FullAcquisition_i + Y_{12t}PvtTarget_i + Y_{13t}PubTarget_i + Y_{14t}TMTSize_i + Y_{15t}AvgYrTCExp_i + Y_{16t}AvgYrTCExp_i^2 + Y_{17t}(TBD *AvgYrTCExp)_i + Y_{18t}(TBD *AvgYrTCExp^2)_i + \varepsilon_{2it} \quad (5.11)$$

In the above set of four models, Equation 5.8 tests Hypotheses 2(a) v 2(b), whereas Equations 5.9, 5.10, and 5.7 are to test Hypotheses 5(i), (ii) and (iii) with exactly same explanation of the regression coefficients (Y_i here) as explained above in case of β_t .

$$CAR_{it} = \alpha_{3t} + \delta_{1t}ADV_i + \delta_{2t}Cash_i + \delta_{3t}Stock_i + \delta_{4t}Log_DealVal_i + \delta_{5t}Log_MktCap_i + \delta_{6t}ROA_i + \delta_{7t}DiversifyDum_i + \delta_{8t}CultDist_i + \delta_{9t}CountryRisk_i + \delta_{10t}GDP_PerCap_i + \delta_{11t}FullAcquisition_i + \delta_{12t}PvtTarget_i + \delta_{13t}PubTarget_i + \delta_{14t}TMTSize_i + \varepsilon_{3it} \quad (5.12)$$

$$CAR_{it} = \alpha_{3t} + \delta_{1t}ADV_i + \delta_{2t}Cash_i + \delta_{3t}Stock_i + \delta_{4t}Log_DealVal_i + \delta_{5t}Log_TotAssets_i + \delta_{6t}ROE_i + \delta_{7t}DiversifyDum_i + \delta_{8t}CultDist_i + \delta_{9t}CountryRisk_i + \delta_{10t}GDP_PerCap_i + \delta_{11t}FullAcquisition_i + \delta_{12t}PvtTarget_i + \delta_{13t}PubTarget_i + \delta_{14t}TMTSize_i + \delta_{15t}N_Exec_Intl_Exp_i +$$

$$\delta_{16t}N_Exec_Intl_Exp^2_i + \delta_{17t}(ADV*N_Exec_Intl_Exp)_i + \delta_{18t}(ADV*N_Exec_Intl_Exp^2)_i + \varepsilon_{3it} \quad (5.13)$$

$$\begin{aligned} CAR_{it} = & \alpha_{3t} + \delta_{1t}ADV_i + \delta_{2t}Cash_i + \delta_{3t}Stock_i + \delta_{4t}Log_DealVal_i + \delta_{5t}Log_TotAssets_i + \delta_{6t}ROE_i \\ & + \delta_{7t}DiversifyDum_i + \delta_{8t}CultDist_i + \delta_{9t}CountryRisk_i + \delta_{10t}GDP_PerCap_i + \delta_{11t}FullAcquisition_i \\ & + \delta_{12t}PvtTarget_i + \delta_{13t}PubTarget_i + \delta_{14t}TMTSize_i + \delta_{15t}BlauNtlDiv_i + \delta_{16t}BlauNtlDiv^2_i + \\ & \delta_{17t}(ADV*BlauNtlDiv)_i + \delta_{18t}(ADV*BlauNtlDiv^2)_i + \varepsilon_{3it} \end{aligned} \quad (5.14)$$

$$\begin{aligned} CAR_{it} = & \alpha_{3t} + \delta_{1t}ADV_i + \delta_{2t}Cash_i + \delta_{3t}Stock_i + \delta_{4t}Log_DealVal_i + \delta_{5t}Log_TotAssets_i + \delta_{6t}ROE_i \\ & + \delta_{7t}DiversifyDum_i + \delta_{8t}CultDist_i + \delta_{9t}CountryRisk_i + \delta_{10t}GDP_PerCap_i + \delta_{11t}FullAcquisition_i \\ & + \delta_{12t}PvtTarget_i + \delta_{13t}PubTarget_i + \delta_{14t}TMTSize_i + \delta_{15t}AvgYrTCExp_i + \delta_{16t}AvgYrTCExp^2_i + \\ & \delta_{17t}(ADV *AvgYrTCExp)_i + \delta_{18t}(ADV *AvgYrTCExp^2)_i + \varepsilon_{3it} \end{aligned} \quad (5.15)$$

In the above set of four models, Equation 5.12 tests Hypotheses 3(a) v 3(b), whereas Equations 5.13, 5.14, and 5.15 are to test Hypotheses 6(i), (ii) and (iii) with exactly same explanation of the regression coefficients (δ_t here) as explained above in case of β_t .

[Insert Table 5.1 about here]

Table 5.1 reports descriptive statistics and pairwise correlations of variables used in our analyses. The sample summary statistics for the sample of multiple bidders being by and large similar to the original sample, is not discussed here separately.

5.7 Results

5.7.1 Univariate tests

[Insert Table 5.2 about here]

Table 5.2 reports both MM and MAR model based CARs of the acquiring firms over a three-day event window surrounding the cross-border acquisitions announcements, grouped as a function of the key explanatory variables, DC, TBD and ADV respectively. In particular, the table shows how the CARs of the serially bidding firms behave when the said predictors are low (or high), based on the respective median-based values of these predictors.

Looking at the DCs by each multiple bidder in a window of previous three years, we find that the ones which perform more than the median number of deals (which is at least three cross-border transactions in the sample), show slightly lower mean CARs (0.0051 in MM) than their counterparts (0.0080), which conducts less than the median count. However, the two-tailed p-value for the t-test reveals that the average CARs between these two groups are not significantly different than zero. Wilcoxon rank-sum test¹⁰ also for either MM or MAR model fail to show statistical significance between these two groups.

The average CARs for the serial acquirers categorized by the higher and lower median of the natural logarithm of the TBDs, also fail to corroborate any significant difference. This is the case either for t-test or for Wilcoxon rank-sum test for both MM and MAR model.

Finally, the difference in mean CARs for frequent acquirers, based on higher and lower than the median of the prior three-year ADVs (expressed in natural logarithm of the sum of such deal values), reveals that the former has significantly lower CARs than the latter group. Specifically, for those repeated bidders which engage in previous acquisitions with greater aggregate deal values, indeed suffer from PMI problems or ‘acquisition-indigestion’, compared to the firms with lesser ADV. The difference between the average CARs between these two groups is significant at 5% level for the MM and at 1% level for MAR model respectively. The Wilcoxon rank-sum test for both models also corroborates that there is a statistically significant difference between the mean CARs of these two categories of serial bidders.

Therefore, our univariate results for the serial acquirers fail to indicate that CARs on average, in respect of higher counts of deals as well as the TBDs, significantly differ from zero. Notwithstanding these results, our Hypothesis 3(b) proposing indigestion due to PMI problems, is supported since the CARs of multiple acquirers with higher ADV are significantly lower than the opposite group. In the following sub-section, we will analyze the findings of the multivariate models to see how they support these univariate results.

¹⁰ The Wilcoxon-Mann-Whitney test used here is a non-parametric analogue (based on the assumption that our dependent variable CARs are not normally distributed) to the independent samples t-test that we have used for our above purpose to ascertain whether statistically significant different in average CARs exist between the stated categorisations of our key predictors.

5.7.2 *Multivariate analysis*

[Insert Tables 5.3, 5.4 and 5.5 about here]

The main body of results tabulated in Tables 5.3, 5.4 and 5.5 respectively, presents the three-day CARs¹¹ for the sequentially acquiring firms using computed using MM. The CARs from MAR model are reported in the Appendix in Tables 5.6, 5.7 and 5.8 respectively. Basically the models marked with letter ‘A’ in each of these tables show the multivariate regression estimates corresponding the main regressors (1) DC, (2) TBD and (3) ADV respectively, with the control variables, as detailed in the last Section 5.6. Thus, these serve as our base models in accordance with Hypotheses 1a v 1b predicting the impact of DCs; Hypotheses 2a v 2b on TBDs and Hypotheses 3a v 3b looking at the effect of ADVs on acquirer CARs. The models marked with letter ‘B’ in each of these tables show the additional impact due to the introduction of the TMT ‘international orientation’ proxies in the base models. Finally, the models marked with letter ‘C’ extends the previous models marked ‘B’ adding the interaction between the key independent variables, with these TMT indicators. These models marked ‘C’ therefore, denote the curvilinear interactions of each of the key predictors with the respective international orientation variable, proposed by Hypotheses 4, 5 and 6 respectively, in Section 5.5. We opted to report the plausible impact of interaction separately in models marked ‘C’ so as to investigate the difference, if any, in association of these primary explanatory variables as well as the TMT proxies with CARs, with and without the respective interactions.

In effect, Model 1A in Table 5.3 explores the impact of the predictor, namely prior DCs over a three-year period before a focal cross-country acquisition by a serial bidder on its abnormal returns on the announcement of such a focal transaction testing Hypotheses 1a v 1b. Similarly, Models 1B and 1C respectively, relate to both DCs as well as internationally experienced executives in TMT, with the latter model showing the interaction effect as posited in Hypothesis 4(i). Similarly, Models 2B and 2C respectively, trace plausible impacts of these DCs in addition to the Blau diversity index, Model 2C being proposed by Hypothesis 4(ii). Finally Models 3B and 3C respectively, depict the same for the exposure to the target country expressed in years on average, Model 3C reflecting the conjecture by Hypothesis 4(iii). The results in Table 5.3 demonstrate that, the sign of the coefficient estimate for the DCs in all these

¹¹ CARs have been multiplied by 100 for ease of reporting estimated regression coefficients.

models is positive, except in Model 1C. But since none are significantly different from zero, the theorized benefits of prior international deals by Hypothesis 1a, cannot be implicitly inferred.

The same is also true when ‘international orientation’ variables mentioned above, are introduced in Models 1B, 2B and 3B respectively. The quadratic interaction term between DCs and TMT indicator (i) in Model 1C (the number of internationally-experienced managers in TMT specified in Section 5.5), is significant at 5% level. Therefore, it appears that the supposed disadvantages, postulated for frequent foreign acquisitions by competing Hypothesis 1b, seem to be mitigated by a sufficiently high number of these managers in TMTs. In particular, the cut-off point shown by Model 1C indicates that at least about 2 (two) of such knowledgeable managers on the TMT of a serial acquirer can possibly positively moderate the apparent negative effect (although statistically not significant) of three-year prior DCs. Just a median of the said TMTs in our sample belonged to this category. However, by themselves, even a greater number of these executives (in Model 1C, the estimated coefficient of the quadratic term is negative and significant at 10% level) tend to misapply their previous wisdom, everything else held constant. This apparent adverse impact of presumably greater number of top managers on the boards of frequent bidding firms is inconsistent with our proposed impacts of this determinant, discussed in Section 5.5; and seems to be ascribable to our sample. It is also possible that the earlier exposure to cross-country deals by a frequent bidder coupled with the presence of internationally experienced managers, tend to make its entire TMT rather overoptimistic and/or complacent. So, the team’s competence in managing subsequent deals is likely to be impaired. Moreover, it is conceivable that in cross-country deals due to multifarious prevailing uncertainties and risks, the likely behavioral bias of bidder TMTs may be amplified. The complement MAR Model 10C (in the Appendix in Table 5.6) however showed stronger significance. E.g., the quadratic interaction term in is significant at 1% level, while the estimated coefficient of the quadratic term for this TMT proxy is negative and significant at 5% level.

However, neither proxies of the mix of nationalities on TMTs, nor years of acquaintance with foreign host(s) on average (denoted as TMT indicators (ii) and (iii) respectively, in Section 5.5 on ‘Research hypotheses’), seems to moderate the effect of earlier DCs over the pre-specified window (as evident for Models 2C and 3C, respectively). Therefore, neither Hypothesis 4(ii) nor 4(iii) is maintained. Although generally the predicted impacts for the TMT indicator (iii),

were upheld for Model 3C, the postulated non-linear impact is not sustained (the linear coefficient estimate being positive and significant at 5% level, while that of the quadratic is negative but not significant¹²). However, in the case of its MAR counterpart (Model 12B in Table 5.6 in the Appendix), we document a significant inverted U-shaped association of this TMT determinant with the three-day CARs of multiple bidders, upholding the proposed influence of this variable argued in Section 5.5. Particularly, both the linear and quadratic coefficient estimates are significant at 5% level and conform to their postulated signs, i.e. positive, and negative, respectively. Economically, this finding implies that about 7 (seven) years of host country exposure on average may bring about a detrimental impact from TMT decision-making in cross-country acquisitions. This would be likely to get reflected on serially acquiring firm's stock performance as announcement effect. This finding lends some credibility to our contention in Section 5.5 that greater amount of host-country experience on the board of a frequent bidder may contribute to irrational decision-making, which could have adverse outcome. But, the national diversity indicator of TMT orientation failed to show any consistent results in either of the Models 2B or 2C; also in the case of the MAR Models 12B and 12C in Table 5.6 in the Appendix.

In view of the above discussion, it appears that neither of our Hypotheses 1a nor 1b is corroborated since past DCs over the three-year period, does not by itself appear to have any statistically significant influence on the announcement returns of a frequently acquiring firm. Therefore, we are unable to draw an inference as to whether the number of prior deals conducted have an adverse impact on the serial acquirer announcement returns in line with that evidenced by Conn *et al.*, 2004; Billet & Qian, 2008, etc. However, only if a higher (2 as above) number of internationally experienced executives exists in the TMT of a multiple bidder, the relationship between the DC-predictor and CARs of such a firm are likely to get benefitted, thereby corroborating Hypothesis 4(i). Finally, we also noticed that too much knowledge of a foreign host (i.e. 7 or more such executives in TMT) can be detrimental for a serial acquirer, although MM does not imply this result.

The three-day CARs based on MM in Table 5.4 (Models 4A; 4B, 4C; 5B, 5C; and 6B, 6C respectively) examines the impact of the time elapsed from the previous cross-country acquisition on that of the current announcement outcome of a multiple bidding firm, as

¹² In Chapter 2, we observed similar results for the variant of this TMT indicator, i.e. the number of target-country knowledgeable managers in the TMT.

conjectured under Hypotheses 2a v 2b. In all these models, we found a persistently negative influence of the ‘TBDs’ regressor on the abnormal announcement returns, indicating ‘forgetfulness’ as theorised by Hypothesis 2b. In other words, it seems that either too fast-paced cross-border transactions or greater time elapsed between two sequential deals undertaken, affects the process of development of such deal experience, as claimed by Hayward (2002) and Aktas *et al.*, (2013). Therefore, frequent acquirers of international targets seem less likely to benefit from their earlier deals. Economically, this implies everything else constant, when the TBD predictor increases (decreases) by one standard deviation, the magnitude of average frequent acquirer CARs decreases (increases) by 11 basis points (b.p.) in Model 4A and by 15 b.p. in Model 4C respectively.

Further, the coefficient of TMT indicator (i) is negative for the linear term in both Models 4B and 4C and significant at 5%, while that of the quadratic term is positive as well as significant at 10% level only for Model 4C. This suggests that the initial detrimental effect of having internationally experienced executives in TMT, ultimately reverses when there are 4 of such managers in TMT. This result upholds our postulations on the influence of this TMT variable on the CARs of the frequent bidder, being in contrast to the negative non-linear impact that is documented for this TMT determinant in Table 5.3. Also in Model 6C, the linear term coefficient of TMT orientation determinant (iii) is positively significant at 10% level, implying the benefits of having host country acquainted managers in TMT. Finally, we fail to find any statistically significant moderating impact of the determinants of TMT ‘international orientation’ (in any of the Models 4C, 5C and 6C) on the negative relationship between the key explanatory variable, TBDs and the CARs of a repetitive acquirer. Therefore, we can infer that the estimated coefficients of the TMT proxies generally conform to their predicted signs in all these models, although Hypothesis 5 (i), (ii) and (iii) on the possible moderating impacts of these TMT variables do not show sufficient evidence to be upheld. The MAR-based CAR models (Models 13A, 13B, 13C; 14B, 14C and 15B, 15C) are presented in Table 5.7 in the Appendix showed analogous results as Table 5.4, except for the statistical significance for TMT proxies.

The third and last key explanatory variable employed in our analysis to test Hypotheses 3a v 3b so as to predict the three-day abnormal returns to announcement of cross-country acquisitions by multiple bidders, is the transacted worth of the prior deals aggregated over a window of three years (also ADV) by each serial bidder. Models 7A; 7B, 7C; 8B, 8C and 9B,

9C respectively, in Table 5.5 present the key findings, the complement MAR models (Models 16A, 16B, 16C; 17B, 17C and 18B, 18C) being reported in the Appendix in Table 5.8. Only for Model 7C in Table 5.5, the likely impact of PMI problems, *ceteris paribus*, is at play (depicted by the negative sign of the ‘ADV’ predictor, significant at 10% level), while all other models showed non-significant relationship of this regressor with CARs, albeit negative. *Ceteris paribus*, serial bidders conducting higher aggregate value of deals within a shorter time interval experience lower CARs by about 25 b.p. as implied by Model 7C, attributable to an ‘indigestion effect’. It indicates that whilst pursuing frequent international acquisitions, if a firm consistently pays larger transaction-values, cumulatively such high-cost deals may take a toll on its resources obtainability to integrate the subsequent transactions. Moreover, since such a firm also may undertake these deals within such small time period (three years by virtue of our research design), its integrating ability presumably becomes restricted, as suggested by Kengelbach *et al.* (2012). Finally, this result upholds the disadvantageous impact of ADV on the CARs of a serial bidder as predicted by Hypothesis 3b, as we identified in our univariate analysis too.

[Insert Figure 5.1 about here]

Likewise Table 5.3, TMT orientation determinant (i), is the only proxy (Model 7C in Table 5.5) that documents a positive moderating effect on the negative relationship between ADV and a multiple bidder’s announcement CARs. Specifically, the coefficient of quadratic interaction term of this TMT variable is positively significant in Model 7C at 5% level. It indicates that the apparent ‘integration-indigestion’ could be avoided by virtue of better decision-making by the specially endowed managers on the board, thus supporting Hypothesis 6(i). Economically, it entails having a similar number (two) of internationally experienced executives in a multiple acquirer TMT, as also evident in Model 1C in Table 5.3. Figure 5.1 depicts a flatter slope for the quadratic term interaction effect of this TMT determinant when the value of ADV predictor is high. This slope implies that presence of an optimum number of internationally knowledgeable managers in bidder TMTs would reduce the adverse influence of the ADV predictor on CARs. However, the incidence of these top executives in the managerial team by itself, tends to impede this expected positive catalytic effect (as seen from the negative linear coefficients in Model 7C, significant at 1% level; and Model (7B)¹³,

¹³ In Table 5.3 a similar result for Model 1B were noticed, although significant at 10% level.

significant at 5% level respectively). But, we cannot be meaningfully conclude whether this disadvantage persists if a bidder TMT has more of such managers, since the quadratic term has a coefficient estimate which is not statistically significant. This is in contrast to what is depicted in Model 1C in Table 5.3. This unfavourable linear influence implies that either initial presence of managers with international knowledge or more of them in an acquirer TMT would lead to inferior outcomes, possibly because of unwarranted confidence or optimism bias in the team. TMT national diversity, represented by proxy (ii) solely by itself (neither in Model 8B nor Model 8C), failed to show either any significant impact on an acquirer CARs or a moderating effect predicted by Hypothesis 6(ii). Finally, the average years of target country familiarity by itself, denoted by TMT determinant (iii), defends its favourable influence (positive significant linear term only in Model 9B), although no significant non-linear effect is detected. The corresponding MAR Model 18B with this TMT determinant however, upholds the postulated non-linear effect of this TMT variable on the acquirer CARs. But in neither case any significant interaction effect of this proxy is detected; so, Hypothesis 6(iii) is also rejected. The MAR model three-day CARs in Table 5.8 thus, echo what we observed in the case with the MAR-based models with the DCs predictor in Table 5.6.

In respect of the control variables employed in our analysis, just a few, namely, diversifying cross-border acquisition and full control indicators, lagged bidder size and listed foreign target(s) are statistically significant in the models with the DCs predictor. While public host is not significant in any of the models with the TBD regressor; for ADV, neither size of bidding firm nor full control indicator, is significant. Only diversifying dummy is consistently significant across all model specifications. Each of the said variables affects the frequent acquirer CARs negatively, implying less favorable market perception, *ceteris paribus*, upholding in principle the findings of some of the studies looking at serial acquirers (e.g., Conn *et al.*, 2004; Kengelback *et al.* 2012). There is some indication that TMT size control is negatively significant, especially in the case of ADV as the main independent variable, consistent with earlier research (e.g. Yermack, 1996). All other controls failed to show statistical significance, even at 10% level in all our regression specifications.

The discussions on our findings from the multivariate analysis so far, portray a significantly detrimental impact of TBDs on the three-day CARs of multiple acquirers, upholding Hypothesis 2b. This result supports the empirical evidence of Hayward, 2002, rather than Aktas *et al.*, 2013. Prior three-year DCs are not significantly different from zero, while three-year

earlier ADVs show a significant negative effect on the CARs only in Model 7C, supporting Hypothesis 3b, albeit not very strongly. Nevertheless, the multivariate result of ADV implied by Model 7C substantiates our univariate results, also corroborating to the indigestion effect documented by Kengelback *et al.* 2012. As far as the determinants of TMT ‘international orientation’ are concerned, only the predicted U-shaped positive moderating effect of an optimal number of internationally knowledgeable managers in TMT (2 in both Model 1C in Table 5.3 and Model 7C in Table 5.5 respectively), proposed by Hypotheses 4(i) and 6(i), are upheld. These results indicate a favourable influence of this TMT proxy (i) on the relationships of DCs and ADVs respectively, with the acquirer CARs on average. By themselves, the TMT proxies generally uphold our predictions as detailed in Section 5.5 on ‘Research hypotheses’.

5.8 Additional analyses for robustness

A number of supplementary tests were carried on to conform to our results to Hypotheses 1 to 6, discussed in the previous sub-section on ‘Multivariate analyses’. All these tables are provided in the Appendix. Basically, we re-estimated all the models discussed above using the following different specifications involving: a variant of DC predictor, eleven-day CARs, one-year post acquisition buy-and-hold abnormal returns (BHARs), year-fixed effects, multilevel modelling and some additional variants of TMT proxies (detailed in relevant sub-sections). For the last two analyses using the alternative TMT determinants, we report only the CARs based on MM for the sake of brevity.

5.8.1 Additional predictor ‘deal orders’

We also checked the robustness of the findings with the three-year period DCs, by using another variant, the deal order (DO) predictor (as explained in the sub-section on ‘Independent variables’). While the DCs regressor predicts the impact of the number of its prior cross-country acquisitions within a three-year period on the current announcement return of a multiple bidder; the DOs ascertain a similar effect using the sequence (or rank) of prior deals throughout the entire sample period. The limitation of this computation is that if an acquirer conducts infrequent deals (e.g. its first deal is in the year 1999, while its next deal is after 6 years, i.e. in 2004), the interpretation of learning cannot be done since the acquisitions are too far-spaced in time (Hayward, 2002).

The results using DO as regressor are reported in the Appendix under Tables 5.9 and 5.10, the former table being based on MM, whilst the latter on MAR model. Interestingly, DOs predictor shows a consistently negative (unlike the DC predictor in Table 5.3) but, statistically non-significant relationship with the three-day announcement CARs for all models, except for Model 22C in Table 5.10. This result provides some support to our Hypothesis 1b, albeit not robust across the model specifications.

While TMT indicator (i) is no longer significant by itself, we still detect its positive quadratic moderating effect (although at a generous 10% level) only in case of the MAR Model 22C. The other results pertaining to TMT indicators (ii) and (iii) reaffirmed the results in Table 5.3 and its counterpart in Table 5.6. Hence, the observed non-linear impact of the TMT variable (i), supporting Hypothesis 4(i) in our basic findings, is only substantiated in the said MAR model.

5.8.2 Eleven-day CARs

Tables 5.11, 5.13 and 5.15 in the Appendix replicate the main Tables 5.3, 5.4 and 5.5 respectively, whereas MAR models in Tables 5.12, 5.14 and 5.16 replicate Tables 5.6, 5.7 and 5.8 which are also in the Appendix. A longer event window of eleven-day announcement CARs as against the three-day CARs is reported using these tables. The overall results from eleven-day CAR models uphold our core findings from the three-day CAR models with respect to the key predictors and the TMT indicators. However, the following exceptions were observed:

(a) The coefficient of the DC variable was negatively significant at 5% level in MAR Model 28C in Table 5.12. Also, quite a few models in Table 5.11 as well as Table 5.12 showed negative DC, although insignificant.

(b) The adverse non-linear effect of greater number of such managers as portrayed by TMT proxy (i) is seen only for MAR Model 28C.

(c) National diversity (TMT proxy (ii)) after a cut-off point (precisely, an index of .23 or higher in Model 26C in Table 5.11) is seen to have a beneficial effect on the abnormal returns of the serial acquirers. This effect was not anticipated in the contentions in our ‘Hypotheses’ section in respect of this TMT indicator.

(d) The predicted ‘forgetfulness’ ascribable to detrimental influence of TBDs by Hypothesis 2(b) is confirmed only in Model 33C in Table 5.13. Apart from only Models 35B

and 35C in Table 5.14, for all other MAR models, TBD regressor showed significantly negative influence.

(e) The international orientation proxy (iii) (average years of host country familiarity) shows a negative linear moderating effect in MM Model 33C in Table 5.13. However, a significant beneficial non-linear moderation effect only in MAR Model 36C of Table 5.14 is observed. This indicates that particularly when a frequent bidder has on board managers with approximately seven or more years of target country exposure (interaction of the quadratic term of this TMT variable with TBD predictor is significant at 10% level here), the adverse effect of ‘forgetfulness’ on acquirer CARs seems to be mitigated.

(f) All models in Table 5.15 demonstrate the significant negative association of the ADV regressor strongly upholding ‘indigestion’ under Hypothesis 3b. However, the MAR models in Table 5.16 sparingly do so only in case of Model 40C and 42B.

(g) However, the positive non-linear moderation by the TMT orientation determinant (i) (number of internationally endowed managers) was only observable for the MAR Model 40C in Table 5.16.

The foregoing shows our Hypotheses 1b, 2b, 3b, 4(i), 5(iii) and 6(i) are supported partially at best. Further, our general predictions on the proposed effects of TMT variables on serial bidder CARs are generally upheld. We noticed some changes in significance among the control variables from our basic findings in Tables 5.3, 5.4 and 5.5. For instance, the eleven-day CARs models show only the full control indicator to retain significance across all model specifications. Also, private target status (except for models with TBD predictor), both payment modes indicators: only stock (significant for most models with ADV and TBD as regressor) and only cash (only for those with TBD as regressor) and GDP per capita of the target country (only for some of the MM models with TBDs) show significance. The relationship shown by these controls in all cases *ceteris paribus*, conform to the predictions in literature, except that shown by the private target status. In our case for serial bidders acquiring cross-border targets, this control variable negatively affects their CARs, whereas extant studies (see for instance, Chang, 1998; Fuller *et al.*, 2002) acknowledge a positive effect of such privately-held targets on acquirer CARs. This observed effect may be typical to our research design highlighting the information asymmetries and risks involved in the cross-country transactions, which may likely to get accentuated manifold by for private targets.

5.8.3 One-year BHARs

To check the robustness of our core findings as well as to see whether the above results hold in a further longer term, we employ a greater length period: post-acquisition one-year (BHARs). This is also on the lines of Billett & Qian (2008). Tables¹⁴ 5.17, 5.18 and 5.19 in the Appendix replicate Tables 5.3, 5.4 and 5.5 respectively. In Table 5.17, it is seen that the three-year prior DCs in all the models show a statistically significant negative influence on the one-year BHARs for the frequently acquiring firms. Table 5.19 also portrays a similar significantly detrimental consequence of the cumulative transaction value (ADV regressor) during the three-year period before a focal international acquisition on the post-acquisition BHARs for these firms. The results in both tables strongly suggest that PMI issues adversely affect multiple bidder returns in the longer term. However, Table 5.18 depicts a somewhat different result. A positively significant relationship of the time elapsed (between the preceding cross-country acquisition and the focal deal) with these BHARs. While this impact could indicate a positive learning from the experience of such previous acquisitions as argued by Aktas *et al.* (2013); it could also signify the postulated negative impact of PMI issues on the returns envisaged from a transaction (Kengellbach *et al.*, 2012). The latter effect may override any benefits, if the TBDs are lower. In our model specifications, the multiple deals within a short period of three-years presumably without sufficient time for each acquisition to be integrated, are likely to take a toll on the subsequent returns. Notwithstanding these two probable interpretations for the observed relationship between TBDs and BHARs, since both the ADV and the DC predictors strongly indicate an ‘acquisition-indigestion’ effect, a similar explanation seems the most plausible rationalisation of this observed impact of TBDs. Hence, our findings for BHAR models seem to suggest this diminishing profitability problem.

In respect of the ‘international orientation’ variables, neither they by themselves were significant, nor did they have any meaningful moderating impact on the key predictors in any of the models.

Therefore, the one-year post-acquisition announcement BHAR models underpin the adverse influence of undertaking frequent cross-country deals as well as resultant ‘indigestion’,

¹⁴ The models here follow the same specifications as in the case of three-day CAR models. For instance, in Table 5.17, the model marked ‘A’ has the key predictor: DCs over three-year prior period of the present international acquisition; models marked ‘B’ includes both the said predictor as well as internationally experienced executives on TMT, while models marked with ‘C’ has the interaction between the key predictor and TMT orientation proxy including the said variables in the models marked ‘B’.

supporting both Hypotheses 1b and 3b. Moreover, the findings also suggest Hypothesis 2b is upheld. The control variables which showed significance differ for these models. The stock binary variable and generally the TMT size (in Tables 5.17 and 5.19) and cultural distance with the host country (Table 5.19), cash only and diversifying acquisitions indicator variables together with lagged return on asset of serial acquirers (Table 5.18) show significance for certain models. *Ceteris paribus*, the coefficient estimates of all these variables has their predicted signs as in the previous literature.

5.8.4 Year-fixed effects and exclusion of financial firms

Two major crises took place during our sample period: the post-2000 dot-com bubble burst and the financial crisis beginning in late 2007. Hence, year dummy variables were introduced to control for fixed time effects for both MM and MAR models pertaining to the three-day CARs.

Also, using the same MM and MAR models we performed the same tests without including the sample of financial firms, initially included. Although the corresponding results are not presented here for the sake of brevity however, they are largely consistent with those reported earlier. Nevertheless, the originally significant variables weaken somewhat as well as the overall model significance suffer, especially for the MM-based CARs in the case of year-fixed effects inclusion. However, in the latter case (i.e. excluding the financial firms), the original findings are well substantiated.

5.8.5 Multilevel models

Extant studies (e.g., Nielsen and Nielsen, 2011; Piaskowska and Trojanowski, 2014) have adopted a multilevel research design, arguing that such structure seems more appropriate where acquisitions are not only nested within firms, which in turn are nested within industries; and also within different host countries. Therefore, in addition to the pooled OLS models which we have used as our primary research methodology, a multilevel mixed-effects linear regression framework is also employed to check the sensitivity of the core findings using the former method.

The test of our hypotheses with the same model specifications showed our main results obtained, are roughly consistent with those of the pooled OLS method. Particularly, the positive

non-linear interaction of the number of TMT executives with international exposure (proxy (i)) is upheld for the three-year prior DCs as well as the ADV predictors in both MM and MAR specifications. Hence, Hypotheses 4(i) and 6(i) are consistently maintained. Also, the latter predictor shows a stronger significant negative relation with three-day MM models of CARs of multiple bidders, unlike what is seen in case of the pooled OLS regressions. This result therefore, substantiates Hypothesis 3b thereby also defending our core finding. Further, the quadratic term of TMT proxy (i) is not significantly different than zero. The findings pertaining to the other two TMT indicators and their interactions largely conform to those from the pooled OLS method. Finally, the controls variables which showed statistical significance for the linear regression models, are mostly significant for the multilevel models too. But, some of the overall MAR models with the three-year prior ADV predictor while, all the MAR and MM models with the TBD predictor, showed insignificant likelihood ratio chi-square values¹⁵. Hence, the multilevel models have not been reported here.

5.8.6 Other TMT proxies: depth and breadth of international experience

In our earlier chapters (Chapters 3 and 4), two other determinants of TMT ‘international orientation’ had been used: viz., (iv) amount of international experience in average number of years (henceforth referred to as depth) and also, (v) range of such exposure (henceforth referred to as breadth). We rerun our tests of the hypotheses pertaining to our key regressors with these two variants of our TMT proxy (i) (the number of internationally knowledgeable executives). The results are reported in the Appendix as Tables 5.20, 5.21 and 5.22 for MM specification only, where these tables marked replicate the main body of Tables 5.3, 5.4 and 5.5 respectively. For example, Table 5.20 presents the models of three-day CARs, Models 52B and 53B have depth and breadth of TMT international experience as additional variables in the specified model with the DC regressor, while Models 52C and 53C include their respective interactions.

The key explanatory variables: DC, TBD and ADV generally show similar results in the presence of the TMT proxies of (iv) depth and (v) breadth of international experiences of TMT members for a frequent acquirer, as evident from our key analyses in Tables 5.3, 5.4 and 5.5 respectively. In Tables 5.20, 5.21 and 5.22, the quadratic term for the depth of international

¹⁵ Also, the MAR model specification (C) with TBD predictor and national diversity proxy together with their interaction term did not converge. For MM models, three-year prior DC predictor with target country familiarity as well as their respective interactions (model specifications B and C) failed to converge. These convergence problems and the insignificant chi-square values of the mentioned multi-level MAR and MM models are considered a limitation of our analysis.

experience is positively significant for all but Model 52C in Table 5.20. This suggests that after attaining on average 6 (six) or more years of international experience, a frequent acquirer TMT would make better decisions leading to a beneficial impact on the announcement CARs of these firms (Model 56C in Table 5.22). A lower depth of international exposure would however, not be advantageous. A negative non-linear moderation impact of TMT depth is visible on the relationship between TBDs regressor and CARs (Model 54C in Table 5.21 shows the quadratic interaction term involving depth and TBD to be significant at 1% level). Since TBDs show a negative effect on the CARs, it seems that the adverse influence of TBD outweighs the positive impact of the depth variable.

The breadth variable by itself is never significant. However, for its interaction with the DC predictor, a meaningful positive moderating effect (for the Model 53C in Table 5.20, the coefficient of the interaction between DC and quadratic breadth term is positive and significant at 5% level) of the breadth variable was noticed. This defends our previous finding showing positive moderating impact of the TMT proxy (i); and in effect defending Hypothesis 4(i).

The control variables which were mostly significant in the above model specifications are diversifying acquisition and full control indicators, lagged acquirer size and listed target dummy variable. The lagged return on assets shows significance only for some models. The signs of these coefficients were in harmony with those evidenced in the prior studies.

Thus, out of these two variants of TMT orientation determinant (i), only (iv) depth by itself beyond a cut-off is seen to positively affect the three-day CARs of these frequently acquiring firms. Yet, the (v) breadth proxy positively moderates the relationship between prior DCs and these CARs beyond a threshold, thereby upholding Hypothesis 4(i); while the moderating impact of depth proxy seems to be offset by the strength of the negative relationship between TBDs and CARs.

5.8.7 Further tests with high and low quartile(s) of TMT proxies

As a further test of our Hypotheses numbered 1 to 6, a different categorization i.e., a distribution in the highest and lowest quartiles of the TMT-level orientation variables is also employed. We chose to report for the sake of brevity only the MM specifications in Tables 5.23, 5.24 and

5.25, respectively, in the Appendix. These models also follow similar specifications with ‘B’ and ‘C’ as followed until now.

In Table 5.23 showing DCs as the main predictor, Models 58B, 58C; 60B, 60C; 62B, 62C represent the high quartile specification of the TMT determinant (i), (ii) and (iii). These models marked with ‘B’ are without interaction term, whereas models with ‘C’ have the interaction term of the respective high quartile TMT variable and the DCs. Similarly, Models 59B, 59C; 61B, 61C; 63B, 63C are the low quartile specification of these TMT proxies with and without interaction terms. While none of the interaction terms with the DC predictor in Table 5.23 are significant for any of the models, the TMT determinants (i), (ii) and (iii) by themselves are in some. The TMT proxy (iii) (average years of target country familiarity) shows an apparently contradictory relationship with the CARs to that observed in Table 5.3. Whilst the high quartile variant of this TMT determinant is positive (e.g., Model 62B); that of the low quartile is negative (e.g., Model 63B). A relook at our sample reveals that seventy-fifth percentile shows a meagre 0.75 average years of target country experience, while the ninetieth percentile has 5 years of such exposure on average. In our non-linear key model specifications, we found the inflection point beyond which this proxy could have a detrimental impact on the returns of a frequently acquiring firm (Model 3B in Table 5.3) to be around 7 years in average. This implies that in our sample, TMTs less than even ten percentage, show this amount of years of foreign host acquaintance. So, the initial advantage of having such endowed executives in the team, is reflected in the positive association of its high quartile specification with the announcement CARs. While in the low quartile of this TMT determinant, where virtually TMTs have no such exposure, shows a negative association. This actually strengthens our core non-linear results with this TMT control.

The TBDs regressor in the presence of the quartile-wise distributed TMT proxies (Models 64B – 69C in Table 5.24), consistently upholds our main results in Table 5.5, corroborating Hypothesis 2b. However, two significant interaction effects, hitherto non-existent are observed: (1) for TMT proxy (i), a positive linear moderating impact of its high quartile variant (Model 64C), providing partial support for Hypothesis 5(i); (2) for TMT determinant (iii), a negative moderating influence of its high quartile classification (Model 68C), which goes against our postulated influence for this TMT variable. But, in neither case the concerned TMT variable by itself, is significant.

Finally, the ADV predictor maintained its unfavorable influence on bidder CARs (Model 70C in Table 5.25), upholding Hypothesis 3b, underpinning our key finding in the case of Model 7C in Table 5.5, although all the other (Models 70B – 75C in Table 5.25) also show negative estimates. Also the positive moderating impact of the TMT variable (i) for its high quartile category is seen (Model 70C), partially substantiating Hypothesis 6(i) since this is a linear interaction effect. This finding therefore, defends our core result with respect to this TMT variable. This high quartile TMT proxy (i) however, is negatively significant in the case of both Models 70B and 70C.

From the foregoing discussions, it can be inferred that with high and low quartiles classifications of the said TMT determinants (i), (ii) and (iii), our main results (in Tables 5.3, 5.4 and 5.5, respectively), are mostly defended (also in the case of MAR models, not reported here, we document similar results), since Hypotheses 2b and 3b respectively, are consistently upheld. Finally, the helpful moderating effect of the TMT proxy (i) is supported with respect to the TBD regressor (this effect has not been observed before) and the ADV regressor albeit, not for DCs. Although these interaction effects of the number of internationally knowledgeable managers in high quartile, with the said predictors are linear here, nevertheless they lend some support to Hypotheses 5(i) and 6(i) respectively, where we postulated positive curvilinear interactions. We also found somewhat conflicting moderating influence of TMT determinant (iii) with the TBD predictor, which may be attributable to the significant negative impact of the TBD predictor on the bidder CARs. Moreover, the apparent contradictory effect of high and low quartiles of the TMT variable (iii) as against its linear and quadratic specifications, seemed to be typical of our sample where more than ninety percentage of TMTs of the acquiring firms had less than the threshold number of years of target country exposure on average (as captured in the high quartile) so as to reap its potential benefits.

5.9 Discussion and conclusion

In this chapter, we primarily look at the how the UK stock market perceives those firms engaging in multiple cross-border acquisitions from the perspectives of three different crucial aspects. They are: the number of the previous foreign transactions undertaken as well as their aggregate values during a period of three years prior to the focal transaction; and finally, the

time elapsed between these sequential transactions. Our study has been motivated by a combination of different branches of research. First, both extant corporate finance and IB literatures (e.g. Hayward, 2002, Billett & Qian, 2008; Aktas *et al.*, 2013, etc.), presents rather inconsistent empirical evidence on the performance of these repeatedly acquiring firms. Second, it remains unclear as to whether such firms learn from frequent acquisition experiences to deal better with the information asymmetry pertaining to foreign hosts; or PMI issues disrupt this learning process and manifest as inferior outcomes. Third, ‘upper echelons’ theory as well as IB studies had underpinned the role of ‘international orientation’ of the TMT of acquiring firms, in making strategic decisions, like international acquisitions amid multifarious uncertainties and risks. Based upon these numerous predictions and findings from all of these strata of research, we have focused in this chapter to explore whether these factors in combination with TMT ‘international orientation’ variables affect the abnormal returns to these firms and if so how.

We relook in this chapter at the various explanations in respect of short-term wealth creation by these sequential bidders, proposed by prior research in the context of the collective effect of managerial orientation. Basically, we attempt in this chapter with our research design to ascertain which of the posited effects between experiential learning and ‘acquisition-indigestion’ is predominant as far as profitability of these serially bidding firms is concerned. Both the number of similar acquisitions undertaken before a focal cross-country acquisition (DCs) within a three-year window and also, the temporal interval between the present acquisition and its immediately preceding one (TBDs), aimed to assess whether the impact of learning produced superior stock reaction to these firms. Finally, our conjecture was that the higher collective value of these acquisitions (ADV) in the three-year period prior to the current deal would be more likely to cause indigestion, manifested in worsening announcement returns of the later foreign acquisitions. Also, depending on the relative dominance of the aforesaid impacts, we further looked into whether and how the claims on TMT ‘international orientation’ moderated those impacts and in turn affected the short-run returns to these firms. Since the extant studies contended both positive influences (e.g., Nielsen & Nielsen, 2011; Piaskowska & Trojanowski, 2014) as well as damaging impacts (e.g., Hiller & Hambrick, 2005; Billett & Qian, 2008) of such executive orientation, we posited the following non-linear impact of globally-oriented top managers: (i) U-shaped effect of number of managers with international experience; and inverted U-shaped influences for either (ii) mix of nationalities in bidder TMTs; or (iii) number of years of knowledge about host country. Accordingly, our premise

was that if TMTs of these firms possessed all or any of the said facets in optimal amounts (i.e. above or below the respective thresholds), better profitability to such firms can be ensured, no matter whether either learning or indigestion is prevalent.

Looking at the stock market reactions to announcements of cross-border acquisitions for these multiple bidder firms, our findings failed to corroborate any 'learning effect' from past similar acquisitions (Aktas *et al.*, 2013). Instead, we found a significant detrimental impact of TBDs which underscores that earlier transaction(s) cannot benefit these serial acquirers in garnering higher values for the similar subsequent acquisitions. This result indicates the hypothesized 'forgetfulness' effect (Hayward, 2002; Aktas *et al.*, 2013). Further, PMI problems leading to the predicted 'indigestion' effect of recurrent acquisitions, was partially upheld in our multivariate results, although the univariate tests strongly confirmed this. Further, the additional post-acquisition performance analysis with one-year BHARs, strongly evidenced this indigestion effect. Also, the positive association observed between TBDs and the consequent BHARs seemed to imply the PMI problems, as already highlighted in the case of the other explanatory variables.

In respect of TMT orientation factors, our specific prediction emphasizing the curvilinear association (inverted U-shape) with announcement returns of these firms, was substantiated for the TMT proxy of average years of host country knowledge, as mentioned in the preceding sections on our findings. However, we encountered mixed results with respect to the TMT proxies of the number of internationally experienced managers and national diversity. In any case the fact that insufficient number of managers with international experience is not beneficial, has been consistently upheld in our findings. Our previous chapters have highlighted the fact that TMTs of acquirer firms pursuing acquisition decisions transcending their domicile borders, would presumably benefit from having an optimal combination of internationally oriented managers on their team. This concept of a balanced mix of executives appears more pertinent in the context of these multiple bidding firms. There are not many of these among the UK acquirers in our sample. For example, it takes an average of 7 years of target country experience among the TMT members to have a more positive effect on post-acquisition performance, compared to a TMT with no such knowledge.

With respect to our arguments regarding the curvilinear moderating impact of these TMT variables, our main findings upheld a U-shaped interaction effect(s) only in the case of an

optimum number of internationally knowledgeable executives, documented for the DCs as well as the ADV regressors. Thus, this result upheld our Hypotheses 4(i) and 6(i) and, also sustained the robustness tests. E.g., when we substituted the number of such managers with the breadth of international experience of TMT, the latter also documented a positive non-linear moderating influence on the association between prior DCs and the announcement returns of the current cross-border acquisition. Thus, our key result for this TMT variable was defended. In this vein our study on serial bidders in respect of cross-country acquisition decisions and their outcomes, substantiates the empirical findings of the existing researches (e.g., Carpenter *et al.*, 2001; Piaskowska & Trojanowski, 2014) depicting the favorable impact of internationally orientated top managers. But, additional analyses with a different specification for this TMT proxy, i.e., depth of TMT international experience, documented an unfavorable non-linear moderating effect with the TBD regressor. A similar negative interaction (although linear) was also observed with the TBD predictor and the high quartile classification of average years of host country familiarity. These findings could have been primarily due to the overriding negative effect of the TBD regressor on the repeated acquirer announcement returns.

This study is not without limitations. Since the single home country constraint, and the TMT variables operationalization restrictions are similar and have been already emphasized in our earlier chapters, those discussions are not repeated here. Second, our original sample where we had one-time bidders, had to be omitted for this chapter. Thereby the final sample was reduced quite a bit. This compromise is because we used a research design akin to Fuller *et al.*, 2002 in order to obtain a clearer picture of solely the performances of these sequential bidders, assuming acquirer-specific characteristics to be constant. Third, the moderation effects of TMT variables detected in our findings, are perhaps not strong enough to be economically viable. However, ours is in line with empirical studies attempting to document such impacts, which tend to be smaller (Dawson, 2014).

In summary, this chapter is an addition to the relatively fewer studies investigating how plausible factors such as, prior number of deals and their sum of values as well as their time intervals affect the performances of the multiple bidding firms in the short-term. It is also a departure from the extant research concerning such frequent acquirers in that their announcement abnormal returns are evaluated here from the perspective of the so-called global orientation of the TMTs of such firms. Specifically, the central premise is how those factors are shaped by such TMT orientation. Our key contribution in this chapter is to attempt to

establish a link between how these factors might interplay to affect expansion decisions abroad and consequently their outcomes, when an internationally oriented TMT exists on the board of such an acquirer. This chapter thus, paves the way for future research by documenting a balance in TMT orientation, which can also be considered as our practical contribution. Not only this, but our result on positive curvilinear moderating impact of TMT international orientation on the factor(s) adversely affecting serial acquirer announcement returns, highlights our principal findings from the previous two chapters. How can TMTs be designed so that multiple acquisitions can bring about positive outcomes? How is it possible to induce a balance between learning and PMI problems while considering multiple international acquisitions? How can the conflicting impacts of the number of internationally knowledgeable managers and amount of host country familiarity be optimally combined? These are questions which future research can look into. Also, given the persistent increase of mixed ethnic background individuals globally, we would need to relook the relationships we have explored here. It would be an interesting extension to study how mixed ethnicity and biculturalism shape individual manager's cognitions and behaviors and thereby are reflected in frequent acquisition decisions and the consequences thereof.

Table 5.1: Descriptive statistics

| | Variable | Mean | Median | S.D. | Correlations | | | | | | | | | | | | | | | | | | |
|----|-----------------------------------|-------|--------|------|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|---------|---------|---------|---------|-------|
| | | | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 1 | CAR - MM | 0.673 | 0.283 | 4.72 | | | | | | | | | | | | | | | | | | | |
| 2 | TBD | 4.43 | 4.88 | 2.04 | -0.04 | | | | | | | | | | | | | | | | | | |
| 3 | DC - 3 years prior | 4.86 | 3.00 | 5.25 | -0.02 | -0.31** | | | | | | | | | | | | | | | | | |
| 4 | ADV - 3 years prior | 4.88 | 4.81 | 2.53 | -0.08** | -0.22** | 0.55 | | | | | | | | | | | | | | | | |
| 5 | Num TMT int'l experience | 2.13 | 2.00 | 1.65 | -0.06* | -0.08** | 0.30** | 0.52** | | | | | | | | | | | | | | | |
| 6 | National diversity | 0.23 | 0.20 | 0.25 | -0.003 | -0.06* | 0.26** | 0.35** | 0.52** | | | | | | | | | | | | | | |
| 7 | Avg years host country experience | 1.27 | 0.00 | 2.89 | 0.02 | 0.01 | 0.06* | 0.11** | 0.17** | 0.12** | | | | | | | | | | | | | |
| 8 | Cash | 0.62 | 1.00 | 0.49 | 0.02 | 0.09** | -0.05* | -0.04 | -0.02 | 0.00 | 0.04+ | | | | | | | | | | | | |
| 9 | Stock | 0.03 | 0.00 | 0.16 | -0.01 | 0.02 | -0.07* | -0.10** | -0.02 | -0.03 | 0.03 | -0.21** | | | | | | | | | | | |
| 10 | Full acquisition | 0.79 | 1.00 | 0.41 | -0.05* | 0.01 | 0.02 | -0.06* | -0.08** | -0.06* | 0.08** | -0.04+ | -0.03 | | | | | | | | | | |
| 11 | Transaction value | 2.02 | 1.61 | 2.00 | 0.00 | 0.12** | -0.03 | 0.24** | 0.11** | 0.06* | 0.11** | 0.37** | 0.05* | 0.01 | | | | | | | | | |
| 12 | Diversifying acquisition | 0.34 | 0.00 | 0.47 | -0.07* | -0.03 | 0.05* | -0.08** | -0.06* | -0.08** | 0.02 | -0.06* | -0.08** | 0.06* | -0.17** | | | | | | | | |
| 13 | Acquirer size | 6.75 | 6.78 | 2.27 | -0.08** | -0.13** | 0.41** | 0.83** | 0.52** | 0.37** | 0.13** | 0.04+ | -0.10** | -0.03 | 0.29** | -0.12** | | | | | | | |
| 14 | Acquirer profitability | 6.10 | 6.97 | 13.3 | -0.02 | -0.07* | 0.05* | 0.08** | -0.05* | 0.01 | 0.02 | 0.06* | -0.17** | 0.04+ | -0.001 | 0.05* | 0.23** | | | | | | |
| 15 | Cultural differences | 1.46 | 0.69 | 1.57 | -0.01 | -0.07* | 0.16** | 0.20** | 0.15** | 0.15** | -0.29** | -0.04+ | 0.01 | -0.26** | -0.04 | -0.11** | 0.15** | -0.07* | | | | | |
| 16 | Country risk | 0.15 | 0.08 | 0.16 | 0.02 | -0.04 | 0.11** | 0.15** | 0.16** | 0.16** | -0.21** | -0.01 | 0.05* | -0.34** | -0.06* | -0.13** | 0.12** | -0.04+ | 0.58** | | | | |
| 17 | GDP per capita | 27.5 | 31.5 | 14.1 | -0.01 | 0.07* | -0.14** | -0.17** | -0.17** | -0.15** | 0.23** | 0.01 | -0.05* | 0.30** | 0.04* | 0.13** | -0.11** | 0.07** | -0.53** | -0.84** | | | |
| 18 | Private target | 0.52 | 1.00 | 0.50 | 0.01 | -0.02 | 0.00 | -0.24** | -0.19** | -0.13** | -0.06* | -0.11** | -0.02 | 0.05* | -0.21** | 0.13** | -0.27** | 0.03 | -0.11** | -0.08** | 0.12** | | |
| 19 | Listed target | 0.10 | 0.00 | 0.30 | -0.04+ | 0.03 | 0.06* | 0.26** | 0.19** | 0.16** | 0.11** | 0.10** | 0.09** | -0.22** | 0.31** | -0.09** | 0.24** | 0.01 | 0.02 | 0.07** | -0.09** | -0.35** | |
| 20 | TMT size | 4.09 | 4.00 | 1.72 | -0.05* | -0.09** | 0.19** | 0.31** | 0.57** | 0.25** | 0.01 | -0.04 | -0.10** | 0.03 | 0.03 | 0.01 | 0.34** | 0.07** | 0.04+ | 0.01 | -0.12** | -0.08** | 0.05* |

Note to Table 5.1: CAR is the cumulative abnormal return for the serial bidder firms announcing a cross-border acquisition computed over a 3-day event window (i.e. from day -1 to day +1 following the announcement) using market model. TBD is the measure of time elapsed between each two successive acquisitions by the same firm. DC -3 years prior represents the number of previous deals in a three-year period by each firm before the focal one. ADV – 3 years prior shows the aggregate transacted value of the deals within an earlier period of three years before the current deal. Number TMT international experience is the number of top managers of acquiring firms’ international career experience. National Diversity is the Blau index of national diversity of the acquiring firm TMT. Average years of host country experience is the average number of years of target country experiences of the acquiring firms’ TMT members. All experience and diversity measures are measured at the end of the financial year preceding the focal cross-border transaction. Cash and Stock are indicator variables for transactions paid purely in cash and stock, respectively. Full acquisition is an indicator variable denoting transactions where upon completion of the acquisition the acquirer gains full control of the target, i.e. at least 95% stake. Transaction value is expressed in GBP millions in logarithmic form. Diversifying acquisition is the indicator variable equal to one when an acquisition involved any industry other than the acquirer core macro industry, and zero otherwise. Firm size is the logarithm of market capitalization value of the acquiring firm (expressed in £ millions). ROA is the ratio of return on assets of acquirer firms. Both Acquirer size and ROA are lagged by one-year. Cultural differences variable is the distance between the target country and the country of the acquiring firm (i.e. the UK) using Kogut and Singh’s (1988) index on the basis of four cultural dimensions by Hofstede (2001). Country risk and GDP per capita are the *Euromoney* country risk index and one-year lagged GDP per capita (in USD thousands) of the host country. Private and listed targets are binary variables for host firm status for privately held and public firms, respectively. TMT size is the number of executive directors on the board of directors of the acquiring firm. All the variables (except indicator binary variables) are winsorized at 1% level. The key explanatory variables TBD, DC and ADV as well as the TMT determinants are centered values. The correlation table reports pairwise correlation coefficients with +, *, and **denoting the corresponding significance levels at 10%, 5%, and 1%, respectively.

Table 5.2: The effects of the explanatory variables on CARs surrounding the announcement of a cross-country acquisition by serial acquirers: univariate analysis.

| Explanatory variables | Abnormal return measure (3-day CAR) | Explanatory variable < = median | | Explanatory variable > median | | Tests for the significance of the difference | |
|--|-------------------------------------|---------------------------------|-----------|-------------------------------|-----------|--|-------------------------|
| | | Mean | Std. dev. | Mean | Std. dev. | t-test statistic | Wilcoxon test statistic |
| Prior 3-year window deal counts (DCs) | MM | 0.00797 | 0.05150 | 0.00513 | 0.04495 | 1.190 | 0.577 |
| | MAR | 0.00909 | 0.05140 | 0.00579 | 0.04467 | 1.387 | 0.798 |
| | | N = 716 | | N = 921 | | | |
| Time between consequent deals (TBDs) | MM | 0.00596 | 0.04311 | 0.00571 | 0.04998 | 0.112 | 0.243 |
| | MAR | 0.00750 | 0.04291 | 0.00617 | 0.05016 | 0.587 | 0.889 |
| | | N = 746 | | N = 1031 | | | |
| Prior 3-year window aggregate deal value (ADV) | MM | 0.00950 | 0.05087 | 0.00410 | 0.04567 | 2.245* | 2.082* |
| | MAR | 0.01096 | 0.05015 | 0.00445 | 0.04578 | 2.722** | 2.503* |
| | | N = 699 | | N = 923 | | | |

Note to Table 5.2: The explanatory variables are defined the same way as in Table 5.1. Three-day CARs here are grouped according to each of the three main independent variables which are expressed in higher and lower than their respective sample-based median values. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.3: CARs based on Market model for DC regressor.

| | Model 1A | Model 1B | Model 1C | Model 2B | Model 2C | Model 3B | Model 3C |
|---|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|---------------------|
| Prior 3-year window deal count | 0.0163 (0.63) | 0.0194 (0.73) | -0.0253 (-0.75) | 0.0142 (0.53) | 0.044 (0.83) | 0.0131 (0.50) | 0.00645 (0.18) |
| Cash | 0.138 (0.45) | 0.128 (0.42) | 0.149 (0.49) | 0.146 (0.48) | 0.137 (0.45) | 0.129 (0.42) | 0.144 (0.47) |
| Stock | -1.279 (-1.11) | -1.173 (-1.01) | -1.212 (-1.05) | -1.268 (-1.10) | -1.273 (-1.11) | -1.319 (-1.15) | -1.325 (-1.16) |
| Full acquisition | -0.657* (-2.01) | -0.693* (-2.11) | -0.700* (-2.12) | -0.649* (-1.99) | -0.649* (-1.99) | -0.673* (-2.06) | -0.678* (-2.08) |
| Transaction value | 0.0111 (0.13) | 0.0141 (0.17) | 0.00396 (0.05) | 0.0111 (0.13) | 0.0138 (0.16) | -0.0049 (-0.06) | -0.00665 (-0.08) |
| Diversifying acquisition | -0.635* (-2.46) | -0.637* (-2.46) | -0.629* (-2.43) | -0.630* (-2.43) | -0.629* (-2.42) | -0.701** (-2.67) | -0.691** (-2.63) |
| Cultural differences | -0.0422 (-0.46) | -0.0445 (-0.48) | -0.0578 (-0.62) | -0.043 (-0.47) | -0.0418 (-0.45) | 0.00354 (0.04) | 0.00306 (0.03) |
| Country risk | 0.963 (0.62) | 1.444 (0.91) | 1.456 (0.92) | 0.906 (0.59) | 0.839 (0.54) | 0.873 (0.57) | 0.862 (0.56) |
| GDP per capita | 0.0161 (0.96) | 0.0194 (1.13) | 0.0189 (1.09) | 0.0158 (0.94) | 0.0151 (0.89) | 0.0112 (0.67) | 0.0117 (0.69) |
| Acquirer size | -0.145* (-2.05) | -0.0925 (-1.20) | -0.0936 (-1.22) | -0.154* (-2.14) | -0.149* (-2.07) | -0.150* (-2.12) | -0.153* (-2.15) |
| Acquirer ROA | -0.0165 (-1.22) | -0.0206 (-1.48) | -0.0191 (-1.37) | -0.0161 (-1.20) | -0.0164 (-1.21) | -0.0149 (-1.10) | -0.0142 (-1.05) |
| Private target | -0.326 (-1.22) | -0.333 (-1.25) | -0.311 (-1.17) | -0.327 (-1.22) | -0.33 (-1.23) | -0.323 (-1.21) | -0.332 (-1.24) |
| Listed target | -0.955* (-1.99) | -0.882+ (-1.84) | -0.920+ (-1.93) | -0.974* (-2.01) | -0.987* (-2.02) | -1.001* (-2.09) | -1.030* (-2.16) |
| TMT size | -0.0959 (-1.21) | -0.0155 (-0.15) | -0.0235 (-0.24) | -0.103 (-1.30) | -0.104 (-1.31) | -0.112 (-1.42) | -0.114 (-1.45) |
| Num TMT int'l experience (i)(a) | | -0.216+ (-1.84) | -0.185 (-1.26) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.0154 (0.50) | -0.0997+ (-1.78) | | | | |
| 3-year deal count * (i)(a) | | | -0.0127 (-0.74) | | | | |
| 3-year deal count * (i)(b) | | | 0.0168* (2.51) | | | | |
| National diversity (ii)(a) | | | | 0.385 (0.59) | -0.0379 (-0.04) | | |
| National diversity ² (ii)(b) | | | | -0.527 (-0.19) | 2.412 (0.50) | | |
| 3-year deal count * (ii)(a) | | | | | 0.0932 (0.67) | | |
| 3-year deal count * (ii)(b) | | | | | -0.555 (-0.80) | | |
| Average years host country experience (iii)(a) | | | | | | 0.241* (2.19) | 0.326+ (1.91) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0194 (-1.58) | -0.0222 (-1.04) |
| 3-year deal count * (iii)(a) | | | | | | | -0.016 (-0.72) |
| 3-year deal count * (iii)(b) | | | | | | | 0.000504 (0.15) |
| Constant | 2.485** (2.78) | 1.629 (1.57) | 1.744+ (1.66) | 2.614** (2.86) | 2.591** (2.83) | 2.897** (3.17) | 2.921** (3.21) |
| Observations | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 |
| R-squared | 0.021 | 0.023 | 0.027 | 0.021 | 0.022 | 0.025 | 0.026 |
| F | 2.12** | 2.256** | 2.319** | 1.873* | 1.67* | 2.041** | 1.875* |

Note to Table 5.3: Multiple linear regressions models explaining the effects of the 3-year prior deal counts on the cumulative abnormal returns (calculated using Market model) over a three-day period for serial acquirer firms announcing international acquisitions. The key explanatory variables DC across 3-year period as well as the TMT determinants are mean-centered values. Model 1A shows the base model with the main explanatory variable DC along with the controls as proposed by either Hypothesis 1(a) or (b). Models 1B and 1C has the TMT proxy (i) of number of executives with international experience: B

without and C with interaction between DC and the said proxy (i) respectively; similarly, Models 2B and 2C has the TMT proxy (ii) of mix of TMT nationalities: B without and C with interaction between DC and the said proxy (ii) respectively; last, 3B and 3C has the TMT proxy (iii) of average number of years of target country experience: B without and C with interaction between DC and the said proxy (iii) respectively. The Models 1C, 2C and 3C respectively are based on Hypothesis 4(i), (ii) and (iii). All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parentheses and ⁺, ^{*}, and ^{**} denote significance at 10%, 5%, and 1%, respectively.

Table 5.4: CARs based on Market model for TBD regressor.

| | Model 4A | Model 4B | Model 4C | Model 5B | Model 5C | Model 6B | Model 6C |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Time between consequent deals (TBDs) | -0.121+ (-1.90) | -0.120+ (-1.88) | -0.166* (-1.97) | -0.127* (-1.97) | -0.298* (-2.28) | -0.121+ (-1.90) | -0.203* (-2.29) |
| Cash | 0.301 (1.03) | 0.293 (1.01) | 0.302 (1.04) | 0.314 (1.07) | 0.33 (1.13) | 0.292 (1.00) | 0.287 (0.99) |
| Stock | -0.322 (-0.24) | -0.195 (-0.15) | -0.213 (-0.16) | -0.308 (-0.23) | -0.271 (-0.20) | -0.300 (-0.23) | -0.301 (-0.23) |
| Full acquisition | -0.580+ (-1.77) | -0.604+ (-1.84) | -0.600+ (-1.83) | -0.567+ (-1.73) | -0.559+ (-1.70) | -0.591+ (-1.80) | -0.604+ (-1.85) |
| Transaction value | 0.021 (0.26) | 0.0283 (0.35) | 0.039 (0.48) | 0.0258 (0.32) | 0.0253 (0.31) | 0.0114 (0.14) | 0.0113 (0.14) |
| Diversifying acquisition | -0.793** (-3.08) | -0.800** (-3.12) | -0.811** (-3.16) | -0.791** (-3.07) | -0.782** (-3.05) | -0.840** (-3.19) | -0.849** (-3.22) |
| Cultural differences | -0.106 (-1.16) | -0.105 (-1.15) | -0.107 (-1.17) | -0.102 (-1.11) | -0.107 (-1.17) | -0.0772 (-0.84) | -0.0839 (-0.91) |
| Country risk | 1.187 (0.73) | 1.54 (0.93) | 1.483 (0.90) | 1.286 (0.78) | 1.313 (0.80) | 1.161 (0.71) | 1.28 (0.78) |
| GDP per capita | 0.0188 (1.10) | 0.0217 (1.26) | 0.0214 (1.24) | 0.0192 (1.13) | 0.0182 (1.07) | 0.0159 (0.93) | 0.0165 (0.96) |
| Acquirer size | -0.107 (-1.62) | -0.0533 (-0.70) | -0.0532 (-0.70) | -0.116+ (-1.71) | -0.121+ (-1.77) | -0.112+ (-1.66) | -0.112+ (-1.67) |
| Acquirer ROA | -0.00996 (-0.69) | -0.0142 (-0.95) | -0.0154 (-1.03) | -0.00927 (-0.64) | -0.00916 (-0.63) | -0.00805 (-0.55) | -0.00842 (-0.59) |
| Private target | -0.135 (-0.52) | -0.12 (-0.46) | -0.113 (-0.44) | -0.13 (-0.50) | -0.159 (-0.61) | -0.144 (-0.56) | -0.146 (-0.56) |
| Listed target | -0.441 (-0.89) | -0.367 (-0.73) | -0.396 (-0.79) | -0.434 (-0.86) | -0.421 (-0.83) | -0.473 (-0.95) | -0.499 (-1.02) |
| TMT size | -0.0715 (-0.90) | -0.0148 (-0.14) | -0.0197 (-0.19) | -0.0803 (-1.01) | -0.081 (-1.03) | -0.0832 (-1.04) | -0.0818 (-1.03) |
| Num TMT int'l experience (i)(a) | | -0.242* (-2.11) | -0.236* (-2.05) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.0501 (1.62) | 0.0578+ (1.84) | | | | |
| TBD * (i)(a) | | | 0.0239 (0.58) | | | | |
| TBD * (i)(b) | | | 0.021 (1.12) | | | | |
| National diversity (ii)(a) | | | | 0.504 (0.79) | 0.599 (0.94) | | |
| National diversity ² (ii)(b) | | | | -3.135 (-1.17) | -3.406 (-1.27) | | |
| TBD * (ii)(a) | | | | | -0.479 (-1.50) | | |
| TBD* (ii)(b) | | | | | 2.593 (1.53) | | |
| Average years host country experience (iii)(a) | | | | | | 0.170 (1.56) | 0.190+ (1.72) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0154 (-1.24) | -0.0183 (-1.44) |
| TBD * (iii)(a) | | | | | | | -0.0918 (-1.57) |
| TBD * (iii)(b) | | | | | | | 0.00846 (1.29) |
| Constant | 1.717+ -1.84 | 0.86 -0.78 | 0.872 -0.79 | 1.938* -2.03 | 2.024* -2.13 | 2.010* -2.1 | 2.038* -2.13 |
| Observations | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 |
| R-squared | 0.019 | 0.023 | 0.024 | 0.019 | 0.022 | 0.021 | 0.023 |
| F | 2.01** | 2.238** | 2.111** | 1.832* | 1.755* | 1.824* | 1.701* |

Note to Table 5.4: Multiple linear regressions models explaining the effects of the time interval between the immediately previous deal and the current one on the cumulative abnormal returns (using Market model) over a three-day period for the multiple bidder firms announcing international acquisitions. The key explanatory variable, TBD as well as the TMT determinants are mean-centered values. The model specifications are similar as explained in case of Table 5.3, except that base

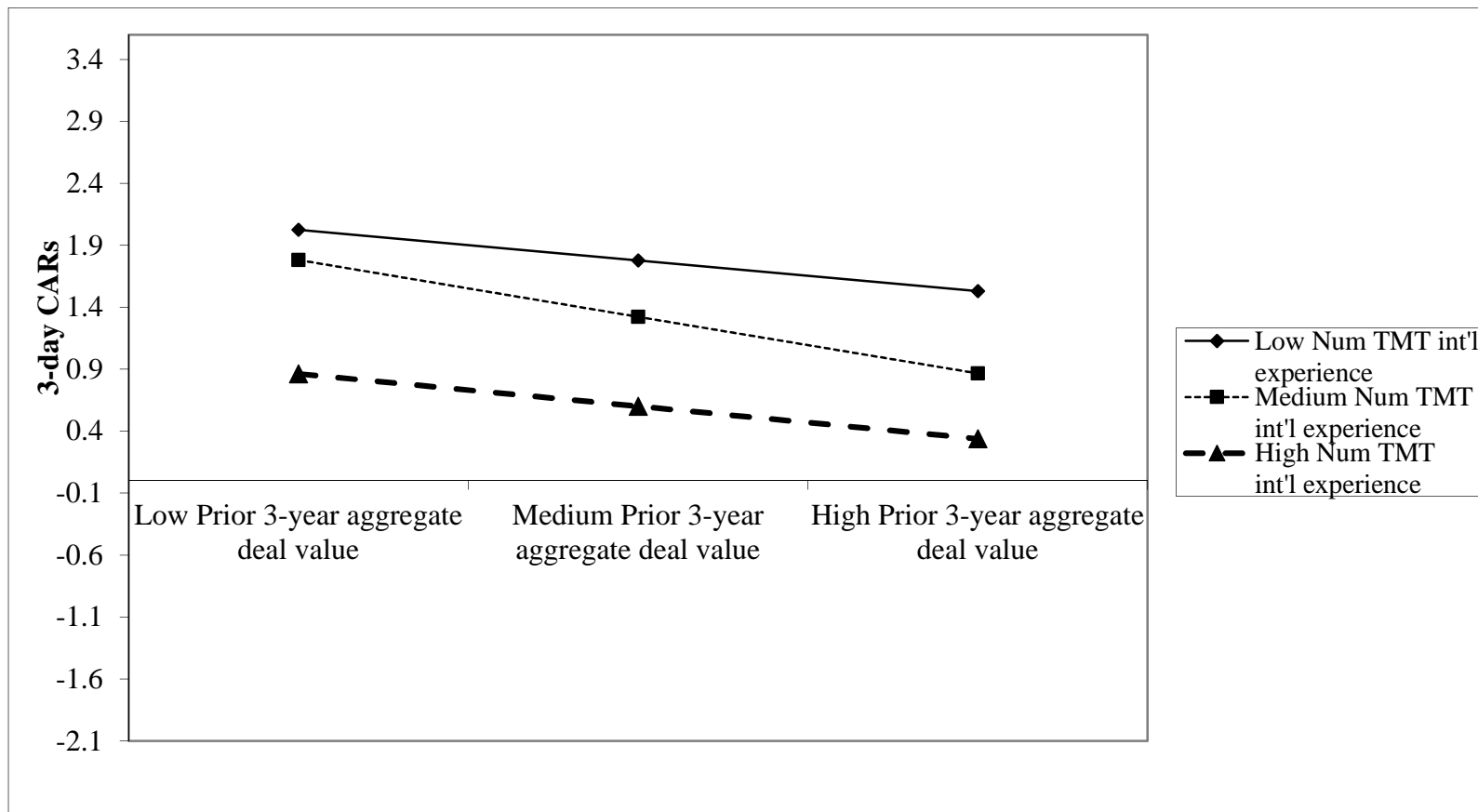
Model 2A has the main independent variable TBD with controls in line with Hypothesis 2(a) or (b), whilst the Models 4C, 5C and 6C are based on Hypotheses 5(i), (ii) and (iii) respectively and Models marked 'B' report the TMT variables in addition to model specification 'A'. Bidder-specific control variables are lagged one year. All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parenthesis and +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.5: CARs based on Market model for ADV regressor.

| | Model 7A | Model 7B | Model 7C | Model 8B | Model 8C | Model 9B | Model 9C |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Prior 3-year window aggregate deal value (ADV) | -0.114 (-1.21) | -0.0936 (-0.98) | -0.181+ (-1.68) | -0.118 (-1.25) | -0.173 (-1.52) | -0.137 (-1.45) | -0.0807 (-0.70) |
| Cash | 0.141 (0.44) | 0.128 (0.40) | 0.166 (0.51) | 0.161 (0.49) | 0.179 (0.55) | 0.122 (0.38) | 0.112 (0.35) |
| Stock | -0.847 (-0.64) | -0.65 (-0.49) | -0.73 (-0.55) | -0.831 (-0.63) | -0.765 (-0.58) | -0.886 (-0.68) | -1.009 (-0.77) |
| Full acquisition | -0.562 (-1.60) | -0.605+ (-1.72) | -0.649+ (-1.85) | -0.545 (-1.56) | -0.527 (-1.52) | -0.568 (-1.63) | -0.578+ (-1.66) |
| Transaction value | 0.0132 (0.15) | 0.0145 (0.16) | 0.000639 (0.01) | 0.0156 (0.18) | 0.00617 (0.07) | -0.00118 (-0.01) | 0.000474 (0.01) |
| Diversifying acquisition | -0.600* (-2.19) | -0.600* (-2.19) | -0.599* (-2.19) | -0.589* (-2.15) | -0.593* (-2.15) | -0.675* (-2.40) | -0.665* (-2.36) |
| Cultural differences | -0.0902 (-0.93) | -0.0936 (-0.96) | -0.114 (-1.18) | -0.0916 (-0.94) | -0.0937 (-0.97) | -0.0427 (-0.44) | -0.0528 (-0.54) |
| Country risk | -0.357 (-0.21) | 0.294 (0.17) | 0.087 (0.05) | -0.412 (-0.25) | -0.337 (-0.20) | -0.433 (-0.26) | -0.284 (-0.17) |
| GDP per capita | -0.00461 (-0.26) | 0.000308 -0.02 | -0.00157 (-0.09) | -0.00489 (-0.27) | -0.00406 (-0.23) | -0.0097 (-0.54) | -0.00904 (-0.50) |
| Acquirer size | 0.0157 (0.15) | 0.0754 (0.68) | 0.088 (0.78) | -0.00575 (-0.05) | -0.0117 (-0.11) | 0.0277 (0.26) | 0.0186 (0.17) |
| Acquirer ROA | -0.0257+ (-1.71) | -0.0321* (-2.07) | -0.0303* (-1.97) | -0.0244+ (-1.65) | -0.0236 (-1.59) | -0.0243 (-1.62) | -0.0239 (-1.59) |
| Private target | -0.283 (-1.02) | -0.281 (-1.01) | -0.314 (-1.13) | -0.297 (-1.06) | -0.305 (-1.10) | -0.29 (-1.04) | -0.284 (-1.02) |
| Listed target | -0.758 (-1.46) | -0.662 (-1.27) | -0.676 (-1.31) | -0.803 (-1.52) | -0.79 (-1.49) | -0.791 (-1.52) | -0.769 (-1.45) |
| TMT size | -0.121 (-1.44) | -0.00998 (-0.09) | -0.00554 (-0.05) | -0.139+ (-1.66) | -0.143+ (-1.70) | -0.137 (-1.64) | -0.135 (-1.61) |
| Num TMT int'l experience (i)(a) | | -0.299* (-2.40) | -0.357** (-2.89) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.0254 (0.79) | -0.0502 (-0.92) | | | | |
| ADV * (i)(a) | | | -0.00174 (-0.04) | | | | |
| ADV * (i)(b) | | | 0.0298* (2.10) | | | | |
| National diversity (ii)(a) | | | | 0.886 (1.29) | 0.968 (1.41) | | |
| National diversity ² (ii)(b) | | | | -1.858 (-0.63) | -3.144 (-1.00) | | |
| ADV * (ii)(a) | | | | | 0.101 (0.36) | | |
| ADV* (ii)(b) | | | | | 0.800 (0.68) | | |
| Average years host country experience (iii)(a) | | | | | | 0.247* (2.12) | 0.211 (1.61) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0206 (-1.60) | -0.0125 (-0.68) |
| ADV * (iii)(a) | | | | | | | 0.0352 (0.61) |
| ADV * (iii)(b) | | | | | | | -0.00661 (-0.89) |
| Constant | 2.250* (2.14) | 1.143 (0.97) | 1.325 (1.11) | 2.569* (2.42) | 2.628* (2.45) | 2.555* (2.41) | 2.537* (2.38) |
| Observations | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 |
| R-squared | 0.021 | 0.025 | 0.029 | 0.022 | 0.023 | 0.025 | 0.026 |
| F | 1.747* | 2.222** | 2.083** | 1.634* | 1.531+ | 1.686* | 1.569+ |

Note to Table 5.5: Multiple linear regressions models explaining the impact of the aggregate deal value (ADV) in the previous three-year period of the current acquisition on the cumulative abnormal returns (using Market model) over a three-day period for the multiple bidder firms announcing international acquisitions. The key explanatory variable, ADV as well as the TMT determinants are mean-centered. The model specifications are similar as explained in case of Table 5.3, except that base Model 3A has the main independent variable ADV with controls in line with Hypothesis 3(a) or (b), whilst the remaining Models marked 'C' are based on Hypotheses 6(i), (ii) and (iii) respectively, whereas the Models marked 'B' have the TMT proxies in addition to base model 'A'. Bidder-specific control variables are lagged one year. All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parenthesis and +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Figure 5.1: The graph below illustrates the positive quadratic interaction effect of the Num of TMT int'l experience on the negative relationship of ADV predictor on the 3-day announcement CARs using MM.



Appendix: Tables for Robustness checks

Table 5.6: Replicates Table 5.3 except that the three-day CARs used here are based on MAR model.

| | Model 10A | Model 10B | Model 10C | Model 11B | Model 11C | Model 12B | Model 12C |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Prior 3-year window deal count | 0.0156 (0.62) | 0.0173 (0.67) | -0.0317 (-0.99) | 0.013 (0.50) | 0.0405 (0.77) | 0.012 (0.47) | 0.00404 (0.11) |
| Cash | 0.053 (0.17) | 0.0468 (0.15) | 0.0686 (0.22) | 0.0588 (0.19) | 0.0525 (0.17) | 0.0462 (0.15) | 0.061 (0.20) |
| Stock | -1.481 (-1.29) | -1.409 (-1.21) | -1.459 (-1.26) | -1.47 (-1.28) | -1.481 (-1.29) | -1.514 (-1.32) | -1.52 (-1.32) |
| Full acquisition | -0.644* (-1.96) | -0.667* (-2.02) | -0.675* (-2.05) | -0.637+ (-1.95) | -0.643* (-1.97) | -0.665* (-2.03) | -0.669* (-2.05) |
| Transaction value | 0.0192 (0.23) | 0.0221 (0.26) | 0.0123 (0.15) | 0.0184 (0.22) | 0.0214 (0.25) | 0.000596 (0.01) | -0.00111 (-0.01) |
| Diversifying acquisition | -0.559* (-2.15) | -0.560* (-2.15) | -0.554* (-2.13) | -0.552* (-2.12) | -0.558* (-2.14) | -0.635* (-2.41) | -0.625* (-2.37) |
| Cultural differences | -0.0707 (-0.77) | -0.0722 (-0.78) | -0.0865 (-0.94) | -0.0729 (-0.79) | -0.0726 (-0.79) | -0.0243 (-0.26) | -0.0245 (-0.26) |
| Country risk | 1.658 (1.06) | 1.959 (1.23) | 1.962 (1.23) | 1.563 (1.00) | 1.492 (0.95) | 1.568 (1.01) | 1.551 (0.99) |
| GDP per capita | 0.014 (0.81) | 0.0163 (0.93) | 0.0154 (0.88) | 0.0136 (0.79) | 0.0129 (0.75) | 0.0087 (0.51) | 0.00912 (0.53) |
| Acquirer size | -0.197** (-2.79) | -0.166* (-2.16) | -0.167* (-2.18) | -0.207** (-2.90) | -0.204** (-2.85) | -0.199** (-2.80) | -0.202** (-2.83) |
| Acquirer ROA | -0.00662 (-0.51) | -0.00909 (-0.68) | -0.00769 (-0.58) | -0.00629 (-0.49) | -0.007 (-0.54) | -0.00483 (-0.37) | -0.00419 (-0.32) |
| Private target | -0.42 (-1.58) | -0.424 (-1.59) | -0.398 (-1.49) | -0.421 (-1.58) | -0.417 (-1.56) | -0.418 (-1.57) | -0.426 (-1.60) |
| Listed target | -1.039* (-2.14) | -0.994* (-2.05) | -1.037* (-2.15) | -1.065* (-2.17) | -1.079* (-2.19) | -1.079* (-2.23) | -1.107* (-2.30) |
| TMT size | -0.0931 (-1.17) | -0.048 (-0.47) | -0.0607 (-0.60) | -0.0994 (-1.24) | -0.099 (-1.23) | -0.114 (-1.43) | -0.116 (-1.47) |
| Num TMT int'l experience (i)(a) | | -0.138 (-1.17) | -0.0833 (-0.57) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.0173 (0.57) | -0.108* (-2.02) | | | | |
| 3-year deal count * (i)(a) | | | -0.018 (-1.07) | | | | |
| 3-year deal count * (i)(b) | | | 0.0188** (2.91) | | | | |
| National diversity (ii)(a) | | | | 0.363 (0.56) | 0.196 (0.21) | | |
| National diversity ² (ii)(b) | | | | 0.31 (0.11) | 2.823 (0.59) | | |
| 3-year deal count * (ii)(a) | | | | | 0.0341 (0.25) | | |
| 3-year deal count * (ii)(b) | | | | | -0.437 (-0.63) | | |
| Average years host country experience (iii)(a) | | | | | | 0.276* (2.56) | 0.364* (2.17) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0241* (-2.01) | -0.0275 (-1.32) |
| 3-year deal count * (iii)(a) | | | | | | | -0.017 (-0.78) |
| 3-year deal count * (iii)(b) | | | | | | | 0.000667 (0.21) |
| Constant | 2.913** (3.20) | 2.379* (2.26) | 2.534* (2.39) | 3.009** (3.26) | 3.005** (3.25) | 3.382*** (3.65) | 3.404** (3.69) |
| Observations | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 |
| R-squared | 0.023 | 0.024 | 0.028 | 0.023 | 0.023 | 0.028 | 0.029 |
| F | 2.263** | 2.205** | 2.398** | 2.038** | 1.825* | 2.257** | 2.089** |

Table 5.7: Replicates Table 5.4 except that the CARs used here are based on MAR model.

| | Model 13A | Model 13B | Model 13C | Model 14B | Model 14C | Model 15B | Model 15C |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
| Time between consequent deals (TBDs) | -0.134* (-2.10) | -0.133* (-2.09) | -0.176* (-2.08) | -0.138* (-2.15) | -0.281* (-2.11) | -0.134* (-2.10) | -0.205* (-2.37) |
| Cash | 0.232 (0.79) | 0.226 (0.77) | 0.237 (0.81) | 0.241 (0.82) | 0.254 (0.86) | 0.225 (0.77) | 0.222 (0.76) |
| Stock | -0.716 (-0.53) | -0.623 (-0.46) | -0.637 (-0.47) | -0.706 (-0.52) | -0.674 (-0.50) | -0.683 (-0.50) | -0.674 (-0.50) |
| Full acquisition | -0.596+ (-1.80) | -0.613+ (-1.85) | -0.610+ (-1.84) | -0.587+ (-1.78) | -0.581+ (-1.75) | -0.608+ (-1.84) | -0.620+ (-1.88) |
| Transaction value | 0.0349 (0.43) | 0.0404 (0.50) | 0.0522 (0.64) | 0.0386 (0.47) | 0.0377 (0.46) | 0.0247 (0.30) | 0.0241 (0.30) |
| Diversifying acquisition | -0.752** (-2.92) | -0.757** (-2.95) | -0.769** (-2.99) | -0.748** (-2.91) | -0.741** (-2.89) | -0.800** (-3.05) | -0.809** (-3.08) |
| Cultural differences | -0.135 (-1.50) | -0.134 (-1.49) | -0.137 (-1.51) | -0.133 (-1.47) | -0.137 (-1.51) | -0.11 (-1.20) | -0.115 (-1.26) |
| Country risk | 1.893 (1.14) | 2.132 (1.27) | 2.083 (1.24) | 1.952 (1.17) | 1.973 (1.19) | 1.869 (1.13) | 1.969 (1.18) |
| GDP per capita | 0.0164 (0.93) | 0.0185 (1.04) | 0.0183 (1.03) | 0.0168 (0.95) | 0.0159 (0.90) | 0.0136 (0.77) | 0.014 (0.79) |
| Acquirer size | -0.182** (-2.73) | -0.145+ (-1.92) | -0.146+ (-1.92) | -0.192** (-2.83) | -0.196** (-2.88) | -0.184** (-2.70) | -0.184** (-2.71) |
| Acquirer ROA | -0.00131 (-0.10) | -0.00415 (-0.29) | -0.00541 (-0.38) | -0.000652 (-0.05) | -0.000511 (-0.04) | 0.000602 (0.04) | 0.000317 (0.02) |
| Private target | -0.196 (-0.76) | -0.186 (-0.72) | -0.178 (-0.69) | -0.196 (-0.76) | -0.221 (-0.85) | -0.206 (-0.80) | -0.209 (-0.81) |
| Listed target | -0.565 (-1.13) | -0.515 (-1.02) | -0.547 (-1.09) | -0.57 (-1.13) | -0.558 (-1.10) | -0.587 (-1.18) | -0.611 (-1.23) |
| TMT size | -0.06 (-0.75) | -0.0247 (-0.23) | -0.0311 (-0.29) | -0.0685 (-0.85) | -0.0691 (-0.86) | -0.0741 (-0.92) | -0.0731 (-0.91) |
| Num TMT int'l experience (i)(a) | | -0.171 (-1.49) | -0.164 (-1.43) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.04 (1.28) | 0.0482 (1.51) | | | | |
| TBD * (i)(a) | | | 0.0309 (0.74) | | | | |
| TBD * (i)(b) | | | 0.0203 (1.07) | | | | |
| National diversity (ii)(a) | | | | 0.483 (0.76) | 0.563 (0.89) | | |
| National diversity ² (ii)(b) | | | | -2.303 (-0.85) | -2.552 (-0.95) | | |
| TBD * (ii)(a) | | | | | -0.420 (-1.30) | | |
| TBD* (ii)(b) | | | | | 2.153 (1.25) | | |
| Average years host country experience (iii)(a) | | | | | | 0.175 (1.63) | 0.194+ (1.81) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0172 (-1.42) | -0.0202 (-1.63) |
| TBD * (iii)(a) | | | | | | | -0.0771 (-1.35) |
| TBD * (iii)(b) | | | | | | | 0.00748 (1.19) |
| Constant | 2.335* (2.47) | 1.745 (1.57) | 1.76 (1.59) | 2.536** (2.64) | 2.611** (2.72) | 2.637** (2.73) | 2.668** (2.77) |
| Observations | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 |
| R-squared | 0.022 | 0.024 | 0.026 | 0.023 | 0.024 | 0.024 | 0.026 |
| F | 2.342** | 2.355** | 2.211** | 2.114** | 1.978** | 2.152** | 1.983** |

Table 5.8: Replicates Table 5.5 except that the CARs used here are based on MAR model.

| | Model 16A | Model 16B | Model 16C | Model 17B | Model 17C | Model 18B | Model 18C |
|---|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Prior 3-year window aggregate deal value (ADV) | -0.0968 (-1.04) | -0.0811 (-0.87) | -0.189+ (-1.79) | -0.100 (-1.08) | -0.144 (-1.28) | -0.121 (-1.29) | -0.0946 (-0.83) |
| Cash | 0.0545 -0.17 | 0.045 -0.14 | 0.0878 -0.27 | 0.0666 -0.21 | 0.0728 -0.22 | 0.0366 -0.11 | 0.0359 (0.11) |
| Stock | -1.249 (-0.92) | -1.08 (-0.79) | -1.19 (-0.88) | -1.241 (-0.91) | -1.209 (-0.89) | -1.278 (-0.95) | -1.388 (-1.02) |
| Full acquisition | -0.495 (-1.42) | -0.531 (-1.52) | -0.590+ (-1.70) | -0.485 (-1.40) | -0.48 (-1.39) | -0.503 (-1.46) | -0.514 (-1.49) |
| Transaction value | 0.0204 -0.23 | 0.0232 -0.26 | 0.00764 -0.09 | 0.0212 -0.24 | 0.0165 -0.18 | 0.00477 -0.05 | 0.00536 (0.06) |
| Diversifying acquisition | -0.550* (-2.02) | -0.550* (-2.02) | -0.545* (-2.01) | -0.542* (-1.99) | -0.541* (-1.98) | -0.630* (-2.26) | -0.616* (-2.21) |
| Cultural differences | -0.103 (-1.07) | -0.105 (-1.10) | -0.129 (-1.36) | -0.105 (-1.09) | -0.107 (-1.12) | -0.0568 (-0.58) | -0.0653 (-0.67) |
| Country risk | 0.137 -0.08 | 0.663 -0.39 | 0.425 -0.25 | 0.0605 -0.04 | 0.095 -0.06 | 0.068 -0.04 | 0.134 (0.08) |
| GDP per capita | -0.00835 (-0.46) | -0.004 (-0.22) | -0.00635 (-0.34) | -0.00864 (-0.48) | -0.00829 (-0.46) | -0.0136 (-0.75) | -0.0132 (-0.72) |
| Acquirer size | -0.065 (-0.61) | -0.0186 (-0.17) | -0.00211 (-0.02) | -0.0817 (-0.76) | -0.0857 (-0.79) | -0.0495 (-0.47) | -0.0586 (-0.55) |
| Acquirer ROA | -0.0144 (-0.98) | -0.0194 (-1.28) | -0.0174 (-1.16) | -0.0134 (-0.92) | -0.0129 (-0.89) | -0.0129 (-0.88) | -0.0122 (-0.83) |
| Private target | -0.37 (-1.33) | -0.368 (-1.33) | -0.409 (-1.48) | -0.382 (-1.38) | -0.39 (-1.41) | -0.378 (-1.37) | -0.375 (-1.36) |
| Listed target | -0.806 (-1.54) | -0.731 (-1.40) | -0.744 (-1.43) | -0.846 (-1.60) | -0.836 (-1.57) | -0.829 (-1.59) | -0.800 (-1.51) |
| TMT size | -0.119 (-1.43) | -0.0398 (-0.36) | -0.0374 (-0.34) | -0.132 (-1.57) | -0.134 (-1.59) | -0.139+ (-1.66) | -0.137+ (-1.65) |
| Num TMT int'l experience (i)(a) | | -0.247* (-1.96) | -0.321** (-2.57) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.0332 -1.04 | -0.0503 (-0.98) | | | | |
| ADV * (i)(a) | | | -0.0134 (-0.32) | | | | |
| ADV * (i)(b) | | | 0.0369** (2.70) | | | | |
| National diversity (ii)(a) | | | | 0.629 (0.92) | 0.664 (0.98) | | |
| National diversity ² (ii)(b) | | | | -0.576 (-0.20) | -1.332 (-0.43) | | |
| ADV * (ii)(a) | | | | | -0.00832 (-0.03) | | |
| ADV* (ii)(b) | | | | | 0.679 (0.59) | | |
| Average years host country experience (iii)(a) | | | | | | 0.262* -2.32 | 0.237+ -1.86 |
| Average years host country experience ² (iii)(b) | | | | | | -0.0233+ (-1.87) | -0.0166 (-0.93) |
| ADV * (iii)(a) | | | | | | | 0.00465 (0.08) |
| ADV * (iii)(b) | | | | | | | -0.00369 (-0.52) |
| Constant | 2.914** -2.72 | 2.022+ -1.67 | 2.248+ -1.85 | 3.121** -2.89 | 3.177** -2.92 | 3.237** (3.01) | 3.250** (3.01) |
| Observations | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 |
| R-squared | 0.021 | 0.024 | 0.03 | 0.022 | 0.022 | 0.026 | 0.027 |
| F | 1.828* | 2.151** | 2.20** | 1.706* | 1.554+ | 1.84* | 1.717* |

Table 5.9: CARs based on Market model for DO predictor.

| | Model 19A | Model 19B | Model 19C | Model 20B | Model 20C | Model 21B | Model 21C |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Prior deal order (DO) | -0.0136 (-0.85) | -0.012 (-0.75) | -0.034 (-1.55) | -0.0179 (-1.06) | -0.0157 (-0.43) | -0.0129 (-0.81) | -0.0141 (-0.61) |
| Cash | 0.162 (0.55) | 0.159 (0.54) | 0.171 (0.58) | 0.163 (0.55) | 0.166 (0.56) | 0.148 (0.50) | 0.16 (0.54) |
| Stock | -0.913 (-0.79) | -0.842 (-0.72) | -0.843 (-0.72) | -0.92 (-0.79) | -0.932 (-0.80) | -0.964 (-0.83) | -0.974 (-0.85) |
| Full acquisition | -0.644* (-1.98) | -0.661* (-2.03) | -0.647* (-1.98) | -0.635* (-1.96) | -0.629+ (-1.93) | -0.667* (-2.06) | -0.676* (-2.08) |
| Transaction value | 0.0177 (0.22) | 0.0211 (0.26) | 0.0127 (0.16) | 0.0171 (0.21) | 0.0184 (0.23) | 0.00308 (0.04) | -0.00152 (-0.02) |
| Diversifying acquisition | -0.769** (-3.07) | -0.772** (-3.08) | -0.774** (-3.09) | -0.759** (-3.03) | -0.757** (-3.00) | -0.825** (-3.26) | -0.805** (-3.17) |
| Cultural differences | -0.0528 (-0.59) | -0.0524 (-0.58) | -0.0548 (-0.61) | -0.0557 (-0.62) | -0.0545 (-0.60) | -0.00162 (-0.02) | -0.0047 (-0.05) |
| Country risk | 1.414 (0.94) | 1.589 (1.05) | 1.692 (1.12) | 1.374 (0.92) | 1.437 (0.94) | 1.312 (0.88) | 1.342 (0.90) |
| GDP per capita | 0.0195 (1.21) | 0.0211 (1.29) | 0.0233 (1.42) | 0.0198 (1.23) | 0.0207 (1.25) | 0.0144 (0.90) | 0.0152 (0.94) |
| Acquirer size | -0.126+ (-1.86) | -0.0996 (-1.32) | -0.097 (-1.26) | -0.138* (-2.00) | -0.132+ (-1.87) | -0.139* (-2.03) | -0.143* (-2.09) |
| Acquirer ROA | -0.0133 (-1.04) | -0.0153 (-1.17) | -0.0133 (-1.01) | -0.0127 (-1.01) | -0.0129 (-1.01) | -0.0115 (-0.90) | -0.011 (-0.86) |
| Private target | -0.126 (-0.50) | -0.129 (-0.51) | -0.124 (-0.49) | -0.129 (-0.51) | -0.126 (-0.49) | -0.135 (-0.53) | -0.155 (-0.61) |
| Listed target | -0.783 (-1.63) | -0.742 (-1.54) | -0.776 (-1.61) | -0.826+ (-1.70) | -0.820+ (-1.68) | -0.852+ (-1.78) | -0.888+ (-1.85) |
| TMT size | -0.0392 (-0.50) | -0.0053 (-0.05) | -0.00962 (-0.10) | -0.0516 (-0.65) | -0.0501 (-0.63) | -0.052 (-0.66) | -0.052 (-0.66) |
| Num TMT int'l experience (i)(a) | | -0.128 (-1.17) | -0.131 (-1.21) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.024 (0.80) | 0.0195 (0.66) | | | | |
| deal order * (i)(a) | | | 0.00282 (0.25) | | | | |
| deal order * (i)(b) | | | 0.00672 (1.39) | | | | |
| National diversity (ii)(a) | | | | 0.54 (0.85) | 0.582 (0.93) | | |
| National diversity ² (ii)(b) | | | | -0.0462 (-0.02) | -0.134 (-0.05) | | |
| deal order * (ii)(a) | | | | | 0.0658 (0.68) | | |
| deal order* (ii)(a) | | | | | -0.171 (-0.37) | | |
| Average years host country experience (iii)(a) | | | | | | 0.250* (2.33) | 0.255* (2.46) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0193 (-1.59) | -0.0197+ (-1.73) |
| deal order * (iii)(a) | | | | | | | -0.00992 (-0.68) |
| deal order * (iii)(b) | | | | | | | -0.000096 (-0.04) |
| Constant | 1.797* (2.04) | 1.356 (1.34) | 1.264 (1.22) | 1.926* (2.15) | 1.816+ (1.95) | 2.258* (2.50) | 2.283* (2.53) |
| Observations | 1650 | 1650 | 1650 | 1650 | 1650 | 1650 | 1650 |
| R-squared | 0.019 | 0.02 | 0.021 | 0.02 | 0.02 | 0.024 | 0.025 |
| F | 2.079** | 2.061** | 1.991** | 1.848* | 1.66** | 2.01** | 1.881** |

Note to Table 5.9: Multiple linear regressions models explaining the effect of the immediately preceding deal order (DO) on the cumulative abnormal returns (using Market model) over a three-day period on the current acquisition for a multiple bidder firm announcing international acquisitions. The key explanatory variable, DO as well as the TMT determinants are mean-centered. The model specifications are similar as explained in case of Table 5.3, except that base Model 19A has the main independent variable DO with controls, whilst the remaining models have the TMT variables also. Models marked 'B' do not have interaction terms with DO and TMT proxies; those marked 'C' include the interaction terms. Bidder-specific control variables are lagged one year. All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parenthesis and +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.10: Same as Table 5.9 except that the CARs used here are based on MAR model.

| | Model 22A | Model 22B | Model 22C | Model 23B | Model 23C | Model 24B | Model 24C |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------|-----------------------|
| Prior deal order | -0.0155 (-0.98) | -0.0149 (-0.94) | -0.0383+ (-1.79) | -0.0209 (-1.25) | -0.0127 (-0.35) | -0.015 (-0.96) | -0.017 (-0.76) |
| Cash | 0.0735 (0.25) | 0.0736 (0.25) | 0.087 (0.29) | 0.071 (0.24) | 0.0724 (0.24) | 0.0607 (0.20) | 0.076 (0.26) |
| Stock | -1.174 (-1.01) | -1.136 (-0.97) | -1.143 (-0.98) | -1.184 (-1.02) | -1.186 (-1.02) | -1.217 (-1.05) | -1.228 (-1.07) |
| Full acquisition | -0.666* (-2.06) | -0.671* (-2.07) | -0.658* (-2.02) | -0.658* (-2.04) | -0.663* (-2.04) | -0.693* (-2.14) | -0.704* (-2.18) |
| Transaction value | 0.0296 (0.37) | 0.0324 (0.41) | 0.0243 (0.30) | 0.0281 (0.35) | 0.0291 (0.36) | 0.0125 (0.16) | 0.00703 (0.09) |
| Diversifying acquisition | -0.706** (-2.81) | -0.705** (-2.81) | -0.709** (-2.82) | -0.694** (-2.76) | -0.698** (-2.76) | -0.772** (-3.04) | -0.748** (-2.94) |
| Cultural differences | -0.0888 (-0.99) | -0.0891 (-0.99) | -0.0915 (-1.02) | -0.0937 (-1.04) | -0.0947 (-1.06) | -0.0363 (-0.40) | -0.0399 (-0.44) |
| Country risk | 2.163 (1.43) | 2.21 (1.45) | 2.298 (1.51) | 2.09 (1.38) | 2.051 (1.33) | 2.057 (1.36) | 2.09 (1.38) |
| GDP per capita | 0.0184 (1.12) | 0.0192 (1.16) | 0.0212 (1.26) | 0.0187 (1.14) | 0.0183 (1.08) | 0.0129 (0.78) | 0.0137 (0.83) |
| Acquirer size | -0.172* (-2.55) | -0.166* (-2.22) | -0.165* (-2.17) | -0.186** (-2.71) | -0.185** (-2.64) | -0.182** (-2.67) | -0.187** (-2.73) |
| Acquirer ROA | -0.00263 (-0.21) | -0.00312 (-0.25) | -0.00111 (-0.09) | -0.00207 (-0.17) | -0.00232 (-0.19) | -0.000653 (-0.05) | -0.0000562 (-0.00) |
| Private target | -0.201 (-0.79) | -0.203 (-0.80) | -0.198 (-0.78) | -0.206 (-0.81) | -0.203 (-0.80) | -0.211 (-0.83) | -0.234 (-0.92) |
| Listed target | -0.885+ (-1.83) | -0.877+ (-1.80) | -0.915+ (-1.88) | -0.943+ (-1.93) | -0.946+ (-1.93) | -0.950* (-1.97) | -0.991* (-2.05) |
| TMT size | -0.0392 (-0.50) | -0.0395 (-0.40) | -0.0449 (-0.45) | -0.0525 (-0.66) | -0.051 (-0.64) | -0.0573 (-0.73) | -0.0575 (-0.73) |
| Num TMT int'l experience (i)(a) | | -0.0488 (-0.44) | -0.0528 (-0.49) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.0235 (0.78) | 0.0197 (0.67) | | | | |
| deal order * (i)(a) | | | -0.000452 (-0.04) | | | | |
| deal order * (i)(b) | | | 0.00790+ (1.66) | | | | |
| National diversity (ii)(a) | | | | 0.57 (0.90) | 0.567 (0.92) | | |
| National diversity ² (ii)(b) | | | | 0.8 (0.30) | 0.926 (0.33) | | |
| deal order * (ii)(a) | | | | | 0.014 (0.15) | | |
| deal order* (ii)(a) | | | | | -0.127 (-0.28) | | |
| Average years host country experience (iii)(a) | | | | | | 0.288** (2.74) | 0.293** (2.89) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0246* (-2.08) | -0.0250* (-2.24) |
| deal order * (iii)(a) | | | | | | | -0.0122 (-0.86) |
| deal order * (iii)(b) | | | | | | | -0.0000335 (-0.02) |
| Constant | 2.201* (2.47) | 2.066* (2.02) | 2.005+ (1.92) | 2.307* (2.55) | 2.309* (2.47) | 2.725** (2.99) | 2.753** (3.03) |
| Observations | 1650 | 1650 | 1650 | 1650 | 1650 | 1650 | 1650 |
| R-squared | 0.021 | 0.021 | 0.023 | 0.022 | 0.022 | 0.027 | 0.029 |
| F | 2.316** | 2.147** | 2.071** | 2.121** | 1.883* | 2.29** | 2.202** |

Table 5.11: 11-day CARs based on market model for DC predictor.

| | Model 25A | Model 25B | Model 25C | Model 26B | Model 26C | Model 27B | Model 27C |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Prior 3-year window deal count | -0.025 (-0.58) | -0.0241 (-0.55) | -0.0852 (-1.63) | -0.0334 (-0.76) | 0.0306 (0.40) | -0.0304 (-0.70) | -0.035 (-0.53) |
| Cash | 0.547 (1.10) | 0.543 (1.09) | 0.568 (1.14) | 0.535 (1.07) | 0.518 (1.04) | 0.515 (1.04) | 0.533 (1.07) |
| Stock | -1.854 (-0.98) | -1.81 (-0.95) | -1.882 (-0.99) | -1.842 (-0.97) | -1.861 (-0.99) | -1.982 (-1.05) | -1.988 (-1.06) |
| Full acquisition | -1.220* (-2.17) | -1.234* (-2.19) | -1.246* (-2.21) | -1.221* (-2.19) | -1.228* (-2.20) | -1.235* (-2.20) | -1.241* (-2.21) |
| Transaction value | 0.0425 (0.33) | 0.0443 (0.35) | 0.0336 (0.26) | 0.033 (0.26) | 0.0395 (0.31) | 0.0185 (0.14) | 0.0163 (0.13) |
| Diversifying acquisition | -0.307 (-0.69) | -0.307 (-0.69) | -0.303 (-0.68) | -0.291 (-0.65) | -0.296 (-0.67) | -0.409 (-0.91) | -0.397 (-0.88) |
| Cultural differences | -0.0647 (-0.42) | -0.0656 (-0.42) | -0.0831 (-0.54) | -0.0796 (-0.52) | -0.078 (-0.51) | 0.0389 (0.25) | 0.0377 (0.24) |
| Country risk | 2.006 (0.76) | 2.186 (0.82) | 2.176 (0.82) | 1.53 (0.59) | 1.374 (0.53) | 1.797 (0.69) | 1.800 (0.68) |
| GDP per capita | 0.0311 (1.14) | 0.0325 (1.16) | 0.0311 (1.11) | 0.0297 (1.09) | 0.0282 (1.03) | 0.0221 (0.81) | 0.0228 (0.83) |
| Acquirer size | -0.238+ (-1.87) | -0.219 (-1.63) | -0.222+ (-1.65) | -0.264* (-2.03) | -0.256+ (-1.95) | -0.266* (-2.09) | -0.269* (-2.11) |
| Acquirer ROA | -0.0263 (-0.99) | -0.0278 (-1.02) | -0.0263 (-0.96) | -0.0259 (-0.98) | -0.0271 (-1.01) | -0.0234 (-0.88) | -0.0227 (-0.85) |
| Private target | -0.891+ (-1.94) | -0.894+ (-1.95) | -0.857+ (-1.87) | -0.893+ (-1.95) | -0.891+ (-1.94) | -0.879+ (-1.92) | -0.892+ (-1.94) |
| Listed target | -0.473 (-0.63) | -0.447 (-0.59) | -0.501 (-0.66) | -0.574 (-0.76) | -0.605 (-0.79) | -0.613 (-0.81) | -0.652 (-0.87) |
| TMT size | -0.0798 (-0.63) | -0.0535 (-0.34) | -0.0742 (-0.47) | -0.0794 (-0.62) | -0.0796 (-0.62) | -0.0946 (-0.75) | -0.0974 (-0.77) |
| Num TMT int'l experience (i)(a) | | -0.0834 (-0.44) | 0.0115 (0.05) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.0115 (0.22) | -0.145 (-1.60) | | | | |
| 3-year deal count * (i)(a) | | | -0.0275 (-0.88) | | | | |
| 3-year deal count * (i)(b) | | | 0.0241* (2.11) | | | | |
| National diversity (ii)(a) | | | | 0.388 (0.35) | -0.230 (-0.15) | | |
| National diversity ² (ii)(b) | | | | 7.692 (1.59) | 13.75+ (1.75) | | |
| 3-year deal count * (ii)(a) | | | | | 0.133 (0.54) | | |
| 3-year deal count * (ii)(b) | | | | | -1.095 (-1.04) | | |
| Average years host country experience (iii)(a) | | | | | | 0.394* (2.21) | 0.485+ (1.84) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0219 (-1.13) | -0.0236 (-0.76) |
| 3-year deal count * (iii)(a) | | | | | | | -0.0165 (-0.41) |
| 3-year deal count * (iii)(b) | | | | | | | 0.00018 (0.03) |
| Constant | 3.235* (2.00) | 2.915 (1.61) | 3.145+ (1.72) | 3.111+ (1.87) | 3.082+ (1.84) | 3.916* (2.39) | 3.949* (2.40) |
| Observations | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 |
| R-squared | 0.018 | 0.019 | 0.021 | 0.021 | 0.022 | 0.024 | 0.025 |
| F | 1.739* | 1.583+ | 1.666* | 1.813* | 1.663* | 1.932** | 1.730* |

Note to Table 5.11: Multiple linear regressions models explaining the association of 3-year prior deal counts with the cumulative abnormal returns (calculated using Market model) over an eleven-day period for serial acquirer firms announcing international acquisitions. The key explanatory variables DC across 3-year period as well as the TMT determinants are mean-centered values. Models here signify the same specifications as detailed in Table 5.3. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.12: Same as Table 5.11 except that the CARs used here are based on MAR model.

| | Model 28A | Model 28B | Model 28C | Model 29B | Model 29C | Model 30B | Model 30C |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Prior 3-year window deal count | -0.0398 (-0.95) | -0.0394 (-0.93) | -0.106* (-2.07) | -0.0506 (-1.18) | 0.0252 -0.34 | -0.0468 (-1.11) | -0.0635 (-0.97) |
| Cash | 0.226 (0.46) | 0.227 (0.47) | 0.255 (0.52) | 0.214 (0.44) | 0.198 (0.41) | 0.199 (0.41) | 0.215 (0.44) |
| Stock | -2.616 (-1.35) | -2.666 (-1.37) | -2.745 (-1.42) | -2.597 (-1.34) | -2.63 (-1.36) | -2.733 (-1.42) | -2.741 (-1.42) |
| Full acquisition | -1.064+ (-1.92) | -1.054+ (-1.89) | -1.067+ (-1.91) | -1.062+ (-1.93) | -1.081* (-1.96) | -1.092* (-1.97) | -1.095* (-1.97) |
| Transaction value | 0.151 (1.18) | 0.146 (1.14) | 0.134 (1.05) | 0.139 (1.09) | 0.148 (1.15) | 0.117 (0.92) | 0.116 (0.91) |
| Diversifying acquisition | -0.291 (-0.66) | -0.29 (-0.65) | -0.287 (-0.65) | -0.27 (-0.61) | -0.289 (-0.65) | -0.43 (-0.96) | -0.417 (-0.93) |
| Cultural differences | -0.16 (-1.07) | -0.159 (-1.06) | -0.178 (-1.19) | -0.178 (-1.19) | -0.178 (-1.19) | -0.0473 (-0.31) | -0.0462 (-0.30) |
| Country risk | 3.649 (1.41) | 3.537 (1.35) | 3.524 (1.34) | 3.055 (1.20) | 2.852 (1.11) | 3.426 (1.33) | 3.368 (1.30) |
| GDP per capita | 0.0163 (0.59) | 0.0146 (0.52) | 0.0131 (0.46) | 0.0145 (0.53) | 0.0126 (0.46) | 0.00536 (0.19) | 0.00562 (0.20) |
| Acquirer size | -0.423** (-3.38) | -0.429** (-3.22) | -0.432** (-3.24) | -0.458** (-3.60) | -0.451** (-3.52) | -0.444** (-3.56) | -0.446** (-3.56) |
| Acquirer ROA | -0.00526 (-0.19) | -0.00476 (-0.17) | -0.00319 (-0.11) | -0.00468 (-0.17) | -0.00693 (-0.25) | -0.00171 (-0.06) | -0.000963 (-0.04) |
| Private target | -1.119* (-2.49) | -1.118* (-2.48) | -1.078* (-2.40) | -1.121* (-2.50) | -1.106* (-2.47) | -1.109* (-2.47) | -1.115* (-2.46) |
| Listed target | -0.437 (-0.57) | -0.449 (-0.59) | -0.508 (-0.67) | -0.566 (-0.74) | -0.605 (-0.79) | -0.568 (-0.75) | -0.591 (-0.78) |
| TMT size | -0.0832 (-0.66) | -0.0791 (-0.51) | -0.102 (-0.67) | -0.0853 (-0.67) | -0.0835 (-0.66) | -0.112 (-0.89) | -0.115 (-0.92) |
| Num TMT int'l experience (i)(a) | | 0.0637 (0.34) | 0.170 (0.76) | | | | |
| Num TMT int'l experience ² (i)(b) | | -0.0367 (-0.70) | -0.205* (-2.26) | | | | |
| 3-year deal count * (i)(a) | | | -0.0305 (-0.98) | | | | |
| 3-year deal count * (i)(b) | | | 0.0261* (2.31) | | | | |
| National diversity (ii)(a) | | | | 0.602 (0.57) | 0.292 (0.20) | | |
| National diversity ² (ii)(b) | | | | 9.106+ (1.95) | 15.92* (2.10) | | |
| 3-year deal count * (ii)(a) | | | | | 0.0596 (0.25) | | |
| 3-year deal count * (ii)(b) | | | | | -1.160 (-1.13) | | |
| Average years host country experience (iii)(a) | | | | | | 0.517** (2.95) | 0.640* (2.40) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0368* (-1.99) | -0.0446 (-1.42) |
| 3-year deal count * (iii)(a) | | | | | | | -0.0252 (-0.62) |
| 3-year deal count * (iii)(b) | | | | | | | 0.00175 (0.27) |
| Constant | 5.171** (3.29) | 5.362** (3.04) | 5.616** (3.16) | 5.066** (3.15) | 5.064** (3.14) | 6.059** (3.81) | 6.074** (3.80) |
| Observations | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 |
| R-squared | 0.027 | 0.028 | 0.031 | 0.031 | 0.032 | 0.035 | 0.036 |
| F | 2.758** | 2.521** | 2.508** | 2.926** | 2.744** | 2.986** | 2.647** |

Table 5.13: 11-day CARs based on Market model for TBD predictor.

| | Model 31A | Model 31B | Model 31C | Model 32B | Model 32C | Model 33B | Model 33C |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Time between consequent deals (TBDs) | -0.148 (-1.59) | -0.148 (-1.59) | -0.155 (-1.22) | -0.144 (-1.54) | -0.0182 (-0.11) | -0.150 (-1.61) | -0.321* (-2.28) |
| Cash | 0.976* (2.01) | 0.977* (2.01) | 0.986* (2.03) | 0.962* (1.97) | 0.957+ (1.96) | 0.946+ (1.95) | 0.936+ (1.93) |
| Stock | -2.453 (-1.36) | -2.34 (-1.29) | -2.334 (-1.29) | -2.464 (-1.37) | -2.474 (-1.38) | -2.509 (-1.40) | -2.508 (-1.39) |
| Full acquisition | -0.966+ (-1.70) | -0.979+ (-1.72) | -0.980+ (-1.72) | -0.980+ (-1.72) | -1.011+ (-1.77) | -0.970+ (-1.70) | -0.998+ (-1.75) |
| Transaction value | -0.0485 (-0.40) | -0.0393 (-0.32) | -0.03 (-0.24) | -0.052 (-0.42) | -0.0599 (-0.49) | -0.0577 (-0.47) | -0.0581 (-0.48) |
| Diversifying acquisition | -0.715 (-1.61) | -0.721 (-1.62) | -0.732 (-1.65) | -0.704 (-1.59) | -0.708 (-1.59) | -0.767+ (-1.70) | -0.787+ (-1.75) |
| Cultural differences | -0.059 (-0.40) | -0.0609 (-0.41) | -0.0622 (-0.42) | -0.0671 (-0.45) | -0.0643 (-0.43) | 0.00966 (0.06) | -0.0043 (-0.03) |
| Country risk | 3.73 (1.45) | 3.847 (1.48) | 3.856 (1.48) | 3.558 (1.38) | 3.493 (1.36) | 3.665 (1.43) | 3.912 (1.52) |
| GDP per capita | 0.0588* (2.15) | 0.0611* (2.20) | 0.0612* (2.20) | 0.0583* (2.14) | 0.0591* (2.16) | 0.0545* (1.99) | 0.0556* (2.03) |
| Acquirer size | -0.168 (-1.42) | -0.149 (-1.14) | -0.151 (-1.15) | -0.183 (-1.49) | -0.179 (-1.45) | -0.198+ (-1.66) | -0.198+ (-1.67) |
| Acquirer ROA | -0.00444 (-0.14) | -0.00545 (-0.16) | -0.00604 (-0.18) | -0.00412 (-0.13) | -0.00319 (-0.10) | -0.00181 (-0.06) | -0.00257 (-0.08) |
| Private target | -0.632 (-1.43) | -0.627 (-1.42) | -0.618 (-1.40) | -0.659 (-1.49) | -0.648 (-1.46) | -0.641 (-1.45) | -0.645 (-1.46) |
| Listed target | 0.657 (0.93) | 0.679 (0.95) | 0.648 (0.90) | 0.582 (0.81) | 0.601 (0.83) | 0.539 (0.76) | 0.484 (0.69) |
| TMT size | -0.16 (-1.25) | -0.174 (-1.10) | -0.183 (-1.14) | -0.164 (-1.26) | -0.165 (-1.27) | -0.156 (-1.22) | -0.154 (-1.19) |
| Num TMT int'l experience (i)(a) | | -0.146 (-0.78) | -0.139 (-0.74) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.078 (1.50) | 0.0839 (1.59) | | | | |
| TBD * (i)(a) | | | 0.0418 (0.68) | | | | |
| TBD * (i)(b) | | | 0.00652 (0.23) | | | | |
| National diversity (ii)(a) | | | | 0.216 (0.20) | 0.172 (0.16) | | |
| National diversity ² (ii)(b) | | | | 2.979 (0.69) | 2.726 (0.63) | | |
| TBD * (ii)(a) | | | | | -0.0606 (-0.14) | | |
| TBD* (ii)(b) | | | | | -2.015 (-0.92) | | |
| Average years host country experience (iii)(a) | | | | | | 0.196 (1.12) | 0.237 (1.31) |
| Average years host country experience ² (iii)(b) | | | | | | -0.00655 (-0.34) | -0.0129 (-0.61) |
| TBD * (iii)(a) | | | | | | | -0.190* (-2.06) |
| TBD * (iii)(b) | | | | | | | 0.0177 (1.60) |
| Constant | 1.153 (0.70) | 0.782 (0.41) | 0.802 (0.42) | 1.180 (0.69) | 1.174 (0.68) | 1.497 (0.88) | 1.557 (0.91) |
| Observations | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 |
| R-squared | 0.023 | 0.024 | 0.024 | 0.023 | 0.024 | 0.025 | 0.029 |
| F | 2.064** | 1.877* | 1.706* | 1.924** | 1.797* | 1.879* | 1.853* |

Note to Table 5.13: Multiple linear regressions models explaining the time interval between the immediately previous deal and the current one on the cumulative abnormal returns (calculated using Market model) over an eleven-day period for serial acquirer firms announcing international acquisitions. The key explanatory variables TBD as well as the TMT determinants are mean-centered values. Models here signify the same specifications as detailed in Table 5.4. +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.14: Same as Table 5.13 except that the CARs used here are based on MAR model.

| | Model 34A | Model 34B | Model 34C | Model 35B | Model 35C | Model 36B | Model 36C |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Time between consequent deals (TBDs) | -0.154+ (-1.69) | -0.154+ (-1.69) | -0.219+ (-1.77) | -0.148 (-1.62) | 0.0433 (-0.27) | -0.155+ (-1.71) | -0.329* (-2.42) |
| Cash | 0.609 (1.29) | 0.609 (1.29) | 0.623 (1.32) | 0.589 (1.24) | 0.578 (1.22) | 0.579 (1.23) | 0.565 (1.20) |
| Stock | -3.418+ (-1.90) | -3.377+ (-1.87) | -3.401+ (-1.89) | -3.434+ (-1.91) | -3.458+ (-1.93) | -3.451+ (-1.92) | -3.483+ (-1.93) |
| Full acquisition | -0.968+ (-1.73) | -0.972+ (-1.74) | -0.967+ (-1.73) | -0.987+ (-1.77) | -1.021+ (-1.82) | -0.977+ (-1.75) | -1.003+ (-1.80) |
| Transaction value | 0.0755 (0.63) | 0.0787 (0.65) | 0.0951 (0.79) | 0.0703 (0.58) | 0.0625 (0.52) | 0.0627 (0.52) | 0.0639 (0.53) |
| Diversifying acquisition | -0.578 (-1.32) | -0.581 (-1.33) | -0.598 (-1.36) | -0.565 (-1.29) | -0.573 (-1.31) | -0.647 (-1.45) | -0.667 (-1.50) |
| Cultural differences | -0.154 (-1.08) | -0.155 (-1.08) | -0.158 (-1.11) | -0.165 (-1.16) | -0.16 (-1.12) | -0.0821 (-0.57) | -0.0966 (-0.67) |
| Country risk | 5.215* (2.02) | 5.263* (2.01) | 5.185* (1.98) | 4.985+ (1.94) | 4.909+ (1.91) | 5.148* (1.99) | 5.410* (2.09) |
| GDP per capita | 0.0425 (1.54) | 0.0433 (1.55) | 0.043 (1.53) | 0.0418 (1.52) | 0.043 (1.56) | 0.0374 (1.35) | 0.0388 (1.40) |
| Acquirer size | -0.369** (-3.23) | -0.361** (-2.83) | -0.361** (-2.83) | -0.386** (-3.30) | -0.381** (-3.25) | -0.396** (-3.45) | -0.396** (-3.45) |
| Acquirer ROA | 0.0094 (0.27) | 0.00895 (0.25) | 0.00711 (0.20) | 0.00966 (0.28) | 0.0105 (0.31) | 0.0126 (0.37) | 0.0117 (0.34) |
| Private target | -0.744+ (-1.72) | -0.742+ (-1.72) | -0.731+ (-1.69) | -0.778+ (-1.80) | -0.757+ (-1.75) | -0.757+ (-1.75) | -0.757+ (-1.75) |
| Listed target | 0.602 (0.85) | 0.611 (0.86) | 0.566 (0.80) | 0.509 (0.72) | 0.522 (0.74) | 0.489 (0.69) | 0.435 (0.62) |
| TMT size | -0.163 (-1.29) | -0.167 (-1.09) | -0.175 (-1.14) | -0.167 (-1.30) | -0.168 (-1.31) | -0.167 (-1.32) | -0.163 (-1.28) |
| Num TMT int'l experience (i)(a) | | -0.0543 (-0.30) | -0.0449 (-0.25) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.027 (0.52) | 0.0386 (0.73) | | | | |
| TBD * (i)(a) | | | 0.0391 (0.66) | | | | |
| TBD * (i)(b) | | | 0.0304 (1.10) | | | | |
| National diversity (ii)(a) | | | | 0.169 (0.16) | 0.0898 (0.09) | | |
| National diversity ² (ii)(b) | | | | 4.269 (1.03) | 4.12 (0.99) | | |
| TBD * (ii)(a) | | | | | 0.123 (0.28) | | |
| TBD* (ii)(b) | | | | | -3.004 (-1.37) | | |
| Average years host country experience (iii)(a) | | | | | | 0.254 (1.47) | 0.290+ (1.65) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0138 (-0.75) | -0.0191 (-0.95) |
| TBD * (iii)(a) | | | | | | | -0.203* (-2.23) |
| TBD * (iii)(b) | | | | | | | 0.0176+ (1.68) |
| Constant | 3.340* (2.07) | 3.196+ (1.75) | 3.215+ (1.76) | 3.332* (2.01) | 3.293* (1.99) | 3.782* (2.29) | 3.821* (2.30) |
| Observations | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 |
| R-squared | 0.030 | 0.03 | 0.032 | 0.031 | 0.032 | 0.033 | 0.038 |
| F | 2.814** | 2.495** | 2.403** | 2.673** | 2.527** | 2.559** | 2.544** |

Table 5.15: 11-day CARs based on Market model for ADV predictor.

| | Model 37A | Model 37B | Model 37C | Model 38B | Model 38C | Model 39B | Model 39C |
|---|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|---------------------|
| Prior 3-year window aggregate deal value (ADV) | -0.390* (-2.45) | -0.381* (-2.38) | -0.462** (-2.59) | -0.402* (-2.53) | -0.424* (-2.13) | -0.435** (-2.73) | -0.364+ (-1.83) |
| Cash | 0.193 (0.36) | 0.188 (0.35) | 0.226 (0.42) | 0.202 (0.38) | 0.230 (0.43) | 0.136 (0.25) | 0.123 (0.23) |
| Stock | -3.132 (-1.56) | -3.041 (-1.50) | -3.105 (-1.53) | -3.14 (-1.57) | -3.061 (-1.53) | -3.300+ (-1.67) | -3.438+ (-1.72) |
| Full acquisition | -1.293* (-2.18) | -1.313* (-2.21) | -1.349* (-2.28) | -1.299* (-2.21) | -1.269* (-2.16) | -1.293* (-2.20) | -1.304* (-2.21) |
| Transaction value | 0.0989 (0.73) | 0.100 (0.74) | 0.0863 (0.64) | 0.0931 (0.69) | 0.0821 (0.60) | 0.0746 (0.55) | 0.0767 (0.57) |
| Diversifying acquisition | -0.167 (-0.35) | -0.167 (-0.35) | -0.169 (-0.35) | -0.154 (-0.32) | -0.164 (-0.34) | -0.302 (-0.62) | -0.293 (-0.60) |
| Cultural differences | -0.0614 (-0.38) | -0.0628 (-0.39) | -0.0824 (-0.51) | -0.0772 (-0.48) | -0.0772 (-0.48) | 0.0619 (0.37) | 0.0504 (0.30) |
| Country risk | 0.304 (0.11) | 0.586 (0.21) | 0.382 (0.13) | -0.113 (-0.04) | -0.019 (-0.01) | 0.0815 (0.03) | 0.27 (0.10) |
| GDP per capita | 0.00543 (0.19) | 0.00775 (0.26) | 0.00604 (0.20) | 0.0042 (0.15) | 0.00534 (0.19) | -0.00541 (-0.19) | -0.00461 (-0.16) |
| Acquirer size | 0.173 (0.92) | 0.198 (1.01) | 0.209 (1.07) | 0.134 (0.69) | 0.130 (0.67) | 0.176 (0.93) | 0.166 (0.87) |
| Acquirer ROA | -0.0386 (-1.36) | -0.0413 (-1.41) | -0.0394 (-1.34) | -0.0366 (-1.29) | -0.036 (-1.26) | -0.0358 (-1.25) | -0.0355 (-1.23) |
| Private target | -0.857+ (-1.74) | -0.857+ (-1.74) | -0.887+ (-1.80) | -0.894+ (-1.82) | -0.894+ (-1.82) | -0.864+ (-1.76) | -0.856+ (-1.74) |
| Listed target | -0.209 (-0.27) | -0.169 (-0.22) | -0.187 (-0.24) | -0.344 (-0.44) | -0.34 (-0.43) | -0.35 (-0.45) | -0.328 (-0.42) |
| TMT size | -0.147 (-1.10) | -0.105 (-0.61) | -0.0983 (-0.57) | -0.166 (-1.23) | -0.171 (-1.27) | -0.164 (-1.23) | -0.161 (-1.20) |
| Num TMT int'l experience (i)(a) | | -0.132 (-0.65) | -0.184 (-0.91) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.0177 (0.33) | -0.0593 (-0.69) | | | | |
| ADV * (i)(a) | | | 0.00747 -0.10 | | | | |
| ADV * (i)(b) | | | 0.0272 (1.16) | | | | |
| National diversity (ii)(a) | | | | 1.03 (0.89) | 1.14 (1.00) | | |
| National diversity ² (ii)(b) | | | | 4.892 (0.97) | 3.723 (0.65) | | |
| ADV * (ii)(a) | | | | | 0.273 (0.58) | | |
| ADV* (ii)(b) | | | | | 0.167 (0.07) | | |
| Average years host country experience (iii)(a) | | | | | | 0.460* (2.42) | 0.418* (2.01) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0282 (-1.37) | -0.0189 (-0.75) |
| ADV * (iii)(a) | | | | | | | 0.0479 (0.49) |
| ADV * (iii)(b) | | | | | | | -0.00812 (-0.78) |
| Constant | 1.799 (0.92) | 1.321 (0.62) | 1.486 (0.69) | 1.987 (1.00) | 1.981 (0.98) | 2.364 (1.21) | 2.334 (1.19) |
| Observations | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 |
| R-squared | 0.023 | 0.023 | 0.025 | 0.026 | 0.026 | 0.031 | 0.031 |
| F | 1.781* | 1.639* | 1.501+ | 1.867* | 1.729* | 2.033** | 1.936** |

Note to Table 5.15: Multiple linear regressions models explaining the aggregate deal value (ADV) in the previous three-year period of the current acquisition on the cumulative abnormal returns (calculated using Market model) over an eleven-day period for serial acquirer firms announcing international acquisitions. The key explanatory variables ADV as well as the TMT determinants are mean-centered values. Models here signify the same specifications as detailed in Table 5.5.

Table 5.16: Same as Table 5.15 except that the CARs used here are based on MAR model.

| | Model 40A | Model 40B | Model 40C | Model 41B | Model 41C | Model 42B | Model 42C |
|---|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|
| Prior 3-year window aggregate deal value (ADV) | -0.233 (-1.46) | -0.228 (-1.43) | -0.347+ (-1.92) | -0.245 (-1.55) | -0.223 (-1.15) | -0.285+ (-1.79) | -0.273 (-1.36) |
| Cash | -0.0491 (-0.10) | -0.0529 (-0.10) | -0.00599 (-0.01) | -0.0454 (-0.09) | -0.0301 (-0.06) | -0.106 (-0.21) | -0.103 (-0.20) |
| Stock | -3.836+ (-1.82) | -3.852+ (-1.80) | -3.974+ (-1.86) | -3.851+ (-1.83) | -3.821+ (-1.82) | -3.987+ (-1.91) | -4.074+ (-1.93) |
| Full acquisition | -0.995+ (-1.73) | -0.994+ (-1.73) | -1.060+ (-1.84) | -1.008+ (-1.77) | -0.990+ (-1.74) | -1.001+ (-1.75) | -1.011+ (-1.77) |
| Transaction value | 0.191 (1.43) | 0.186 (1.40) | 0.169 (1.27) | 0.184 (1.38) | 0.18 (1.33) | 0.162 (1.22) | 0.162 (1.22) |
| Diversifying acquisition | -0.162 (-0.34) | -0.163 (-0.34) | -0.158 (-0.33) | -0.15 (-0.32) | -0.159 (-0.34) | -0.323 (-0.68) | -0.31 (-0.65) |
| Cultural differences | -0.164 (-1.05) | -0.165 (-1.05) | -0.191 (-1.22) | -0.182 (-1.17) | -0.18 (-1.16) | -0.0367 (-0.23) | -0.0433 (-0.27) |
| Country risk | 1.791 (0.65) | 1.83 (0.66) | 1.569 (0.56) | 1.329 (0.49) | 1.367 (0.50) | 1.57 (0.57) | 1.596 (0.58) |
| GDP per capita | -0.00818 (-0.28) | -0.00894 (-0.30) | -0.0115 (-0.39) | -0.0095 (-0.33) | -0.00898 (-0.31) | -0.0202 (-0.69) | -0.0200 (-0.68) |
| Acquirer size | -0.168 (-0.89) | -0.159 (-0.82) | -0.141 (-0.72) | -0.206 (-1.08) | -0.205 (-1.07) | -0.155 (-0.82) | -0.162 (-0.86) |
| Acquirer ROA | -0.0136 (-0.44) | -0.0145 (-0.46) | -0.0124 (-0.39) | -0.0117 (-0.39) | -0.0117 (-0.38) | -0.0104 (-0.34) | -0.00968 (-0.31) |
| Private target | -0.983* (-2.04) | -0.984* (-2.04) | -1.029* (-2.13) | -1.021* (-2.12) | -1.014* (-2.11) | -0.994* (-2.07) | -0.993* (-2.06) |
| Listed target | -0.149 (-0.20) | -0.134 (-0.17) | -0.147 (-0.19) | -0.290 (-0.38) | -0.297 (-0.39) | -0.275 (-0.36) | -0.249 (-0.32) |
| TMT size | -0.157 (-1.19) | -0.12 (-0.73) | -0.118 (-0.71) | -0.172 (-1.30) | -0.174 (-1.32) | -0.183 (-1.39) | -0.182 (-1.39) |
| Num TMT int'l experience (i)(a) | | -0.00297 (-0.01) | -0.0853 (-0.44) | | | | |
| Num TMT int'l experience ² (i)(b) | | -0.0349 (-0.65) | -0.127 (-1.48) | | | | |
| ADV * (i)(a) | | | -0.0153 (-0.23) | | | | |
| ADV * (i)(b) | | | 0.0407+ (1.80) | | | | |
| National diversity (ii)(a) | | | | 0.907 (0.82) | 0.956 (0.87) | | |
| National diversity ² (ii)(b) | | | | 6.197 (1.29) | 6.016 (1.13) | | |
| ADV * (ii)(a) | | | | | 0.206 (0.45) | | |
| ADV* (ii)(b) | | | | | -0.482 (-0.22) | | |
| Average years host country experience (iii)(a) | | | | | | 0.539** (2.92) | 0.522** (2.62) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0380* (-1.98) | -0.0329 (-1.40) |
| ADV * (iii)(a) | | | | | | | -0.00656 (-0.07) |
| ADV * (iii)(b) | | | | | | | -0.00207 (-0.21) |
| Constant | 4.638* (2.44) | 4.560* (2.19) | 4.809* (2.29) | 4.755* (2.47) | 4.699* (2.42) | 5.302** (2.79) | 5.323** (2.80) |
| Observations | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 |
| R-squared | 0.026 | 0.027 | 0.029 | 0.03 | 0.03 | 0.036 | 0.036 |
| F | 2.244** | 2.068** | 1.916** | 2.372** | 2.134** | 2.556** | 2.303** |

Table 5.17: 1-year BHARs for DC predictor.

| | Model 43A | Model 43B | Model 43C | Model 44B | Model 44C | Model 45B | Model 45C |
|--|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
| Prior 3-year window deal count | -0.613** (-3.81) | -0.604** (-3.75) | -0.649** (-3.26) | -0.594** (-3.62) | -0.620* (-2.09) | -0.615** (-3.81) | -0.629** (-2.66) |
| Cash | 3.271 (1.41) | 3.221 (1.40) | 3.266 (1.42) | 3.296 (1.42) | 3.324 (1.43) | 3.322 (1.43) | 3.311 (1.42) |
| Stock | -13.61+ (-1.76) | -12.88+ (-1.66) | -12.80+ (-1.65) | -13.63+ (-1.75) | -13.67+ (-1.76) | -13.44+ (-1.74) | -13.44+ (-1.74) |
| Full acquisition | 0.74 (0.29) | 0.517 (0.20) | 0.52 (0.21) | 0.728 (0.29) | 0.673 (0.27) | 0.692 (0.27) | 0.699 (0.28) |
| Transaction value | -0.102 (-0.19) | -0.0531 (-0.10) | -0.0788 (-0.15) | -0.0848 (-0.16) | -0.0828 (-0.15) | -0.121 (-0.22) | -0.12 (-0.22) |
| Diversifying acquisition | -1.907 (-0.95) | -1.891 (-0.94) | -1.844 (-0.92) | -1.929 (-0.96) | -1.981 (-0.99) | -1.976 (-0.96) | -1.981 (-0.96) |
| Cultural differences | -0.651 (-0.89) | -0.663 (-0.91) | -0.685 (-0.93) | -0.613 (-0.84) | -0.622 (-0.85) | -0.707 (-0.94) | -0.704 (-0.94) |
| Country risk | 2.579 (0.19) | 4.928 (0.36) | 5.112 (0.37) | 3.636 (0.27) | 3.621 (0.26) | 2.703 (0.20) | 2.625 (0.19) |
| GDP per capita | -0.136 (-1.01) | -0.111 (-0.83) | -0.108 (-0.80) | -0.131 (-0.98) | -0.131 (-0.98) | -0.136 (-1.02) | -0.137 (-1.02) |
| Acquirer size | 0.117 (0.20) | 0.323 (0.50) | 0.328 (0.50) | 0.185 (0.31) | 0.169 (0.28) | 0.174 (0.29) | 0.178 (0.30) |
| Acquirer ROA | 0.0448 (0.30) | 0.0274 (0.18) | 0.0323 (0.21) | 0.0427 (0.29) | 0.0392 (0.26) | 0.0453 (0.30) | 0.0449 (0.30) |
| Private target | -1.803 (-0.86) | -1.826 (-0.87) | -1.843 (-0.87) | -1.783 (-0.85) | -1.73 (-0.82) | -1.82 (-0.87) | -1.805 (-0.85) |
| Listed target | 4.186 (1.28) | 4.478 (1.37) | 4.435 (1.36) | 4.45 (1.35) | 4.451 (1.35) | 4.362 (1.32) | 4.401 (1.33) |
| TMT size | -0.914 (-1.63) | -0.706 (-1.02) | -0.655 (-0.93) | -0.905 (-1.62) | -0.894 (-1.60) | -0.962+ (-1.68) | -0.961+ (-1.67) |
| Num TMT int'l experience (i)(a) | | -1.152 (-1.34) | -1.202 (-1.42) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.338 (1.33) | 0.261 (0.91) | | | | |
| 3-year deal count * (i)(a) | | | 0.0489 (0.41) | | | | |
| 3-year deal count * (i)(b) | | | 0.0104 (0.23) | | | | |
| National diversity (ii)(a) | | | | -1.114 (-0.23) | -1.416 (-0.30) | | |
| National diversity ² (ii)(b) | | | | -16.79 (-0.77) | -15.51 (-0.67) | | |
| 3-year deal count * (ii)(a) | | | | | -0.548 (-0.59) | | |
| 3-year deal count * (ii)(b) | | | | | 1.169 (0.28) | | |
| Average years host country experience (iii)(a) | | | | | | 0.192 (0.26) | 0.173 (0.23) |
| Average years host country experience ² (iii)(b) | | | | | | -0.047 (-0.62) | -0.0446 (-0.57) |
| 3-year deal count * (iii)(a) | | | | | | | -0.00266 (-0.02) |
| 3-year deal count * (iii)(b) | | | | | | | 0.00207 (0.09) |
| Constant | 8.599 (1.07) | 4.482 (0.51) | 4.168 (0.47) | 8.705 (1.08) | 8.896 (1.10) | 8.899 (1.09) | 8.863 (1.09) |
| Observations | 1581 | 1581 | 1581 | 1581 | 1581 | 1581 | 1581 |
| R-squared | 0.02 | 0.022 | 0.022 | 0.021 | 0.021 | 0.02 | 0.02 |
| F | 2.734** | 2.600** | 2.425** | 2.473** | 2.617** | 2.43** | 2.158** |

Note to Table 5.17: Multiple linear regressions models explaining the association of 3-year prior deal counts with the one-year buy-and-hold abnormal returns (BHARs) (calculated using Market Adjusted Returns model) for serial acquirer firms announcing international acquisitions. The key explanatory variables DC across 3-year period as well as the TMT determinants are mean-centered values. Models here signify the same specifications as detailed in Table 5.3. Bidder-specific control variables are lagged one year. All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parenthesis and +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.18: 1-year BHARs for TBD predictor.

| | Model 46A | Model 46B | Model 46C | Model 47B | Model 47C | Model 48B | Model 48C |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Time between consequent deals (TBDs) | 1.293** (3.04) | 1.293** (3.04) | 1.043+ (1.85) | 1.277** (3.01) | 1.363+ (1.95) | 1.294** (3.04) | 1.367* (2.57) |
| Cash | 6.019** (2.73) | 6.044** (2.74) | 6.020** (2.72) | 6.085** (2.75) | 5.989** (2.70) | 6.072** (2.75) | 5.988** (2.70) |
| Stock | -8.411 (-1.04) | -8.062 (-0.99) | -8.248 (-1.02) | -8.296 (-1.02) | -8.551 (-1.05) | -8.091 (-1.00) | -8.531 (-1.08) |
| Full acquisition | 1.219 (0.49) | 1.174 (0.47) | 1.194 (0.48) | 1.3 (0.52) | 1.477 (0.58) | 1.186 (0.47) | 1.246 (0.50) |
| Transaction value | -0.772 (-1.43) | -0.739 (-1.38) | -0.703 (-1.29) | -0.755 (-1.39) | -0.695 (-1.26) | -0.791 (-1.46) | -0.764 (-1.41) |
| Diversifying acquisition | -4.421* (-2.25) | -4.454* (-2.27) | -4.448* (-2.26) | -4.467* (-2.27) | -4.478* (-2.28) | -4.487* (-2.22) | -4.451* (-2.20) |
| Cultural differences | -0.913 (-1.21) | -0.921 (-1.22) | -0.939 (-1.24) | -0.871 (-1.15) | -0.838 (-1.11) | -0.98 (-1.27) | -0.974 (-1.26) |
| Country risk | 21.86 (1.57) | 22.09 (1.58) | 21.68 (1.54) | 22.7 (1.63) | 23.30+ (1.67) | 21.91 (1.57) | 21.93 (1.57) |
| GDP per capita | 0.112 (0.85) | 0.119 (0.91) | 0.116 (0.88) | 0.114 (0.87) | 0.12 (0.91) | 0.111 (0.85) | 0.112 (0.85) |
| Acquirer size | 0.113 (0.19) | 0.174 (0.26) | 0.178 (0.27) | 0.180 (0.30) | 0.173 (0.29) | 0.180 (0.29) | 0.185 (0.30) |
| Acquirer ROA | 0.243* (2.33) | 0.239* (2.20) | 0.235* (2.16) | 0.242* (2.34) | 0.233* (2.27) | 0.244* (2.31) | 0.242* (2.29) |
| Private target | -1.497 (-0.72) | -1.492 (-0.71) | -1.49 (-0.71) | -1.38 (-0.66) | -1.409 (-0.67) | -1.515 (-0.73) | -1.439 (-0.69) |
| Listed target | 3.438 (1.02) | 3.484 (1.04) | 3.497 (1.04) | 3.798 (1.11) | 3.569 (1.05) | 3.637 (1.07) | 3.753 (1.11) |
| TMT size | -0.729 (-1.30) | -0.814 (-1.19) | -0.801 (-1.17) | -0.711 (-1.26) | -0.708 (-1.26) | -0.793 (-1.38) | -0.78 (-1.36) |
| Num TMT int'l experience (i)(a) | | -0.525 (-0.68) | -0.522 (-0.67) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.311 (1.18) | 0.334 (1.26) | | | | |
| TBD * (i)(a) | | | -0.0553 (-0.20) | | | | |
| TBD * (i)(b) | | | 0.0931 (0.77) | | | | |
| National diversity (ii)(a) | | | | -0.797 (-0.17) | -0.959 (-0.21) | | |
| National diversity ² (ii)(b) | | | | -14.62 (-0.73) | -12.56 (-0.63) | | |
| TBD * (ii)(a) | | | | | 2.666 (1.31) | | |
| TBD * (ii)(b) | | | | | -1.639 (-0.17) | | |
| Average years host country experience (iii)(a) | | | | | | 0.220 (0.29) | 0.151 (0.20) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0525 (-0.69) | -0.0413 (-0.52) |
| TBD * (iii)(a) | | | | | | | -0.0321 (-0.09) |
| TBD * (iii)(b) | | | | | | | -0.0112 (-0.33) |
| Constant | -4.472 (-0.56) | -5.674 (-0.66) | -5.658 (-0.65) | -4.544 (-0.57) | -4.963 (-0.63) | -4.113 (-0.51) | -4.407 (-0.55) |
| Observations | 1360 | 1360 | 1360 | 1360 | 1360 | 1360 | 1360 |
| R-squared | 0.036 | 0.037 | 0.037 | 0.036 | 0.038 | 0.036 | 0.037 |
| F | 3.171** | 2.822** | 2.669** | 2.822** | 2.895** | 2.841** | 2.684** |

Note to Table 5.18: Multiple linear regressions models explaining the association of the time interval between the immediately previous deal with the one-year buy-and-hold abnormal returns (BHARs) (calculated using Market Adjusted Returns model) for serial acquirer firms announcing international acquisitions. The key explanatory variables TBD as well as the TMT determinants are mean-centered values. Models here signify the same specifications as detailed in Table 5.4. Bidder-specific control variables are lagged one year. All the other variables are defined the same way as in Table 5.1. The second line in each

row are the t-statistic using robust standard errors in parenthesis and +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.19: 1-year BHARs for ADV predictor.

| | Model 49A | Model 49B | Model 49C | Model 50B | Model 50C | Model 51B | Model 51C |
|---|---------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| Prior 3-year window aggregate deal value (ADV) | -1.599* (-2.01) | -1.559* (-1.96) | -1.538+ (-1.78) | -1.556+ (-1.96) | -1.562+ (-1.68) | -1.600* (-2.00) | -1.599+ (-1.78) |
| Cash | 2.47 (0.97) | 2.45 (0.97) | 2.557 (1.01) | 2.473 (0.97) | 2.437 (0.96) | 2.527 (0.99) | 2.571 (1.00) |
| Stock | -16.04* (-2.05) | -15.12+ (-1.93) | -14.75+ (-1.88) | -15.99* (-2.01) | -16.07* (-2.03) | -15.76* (-2.01) | -16.73* (-2.24) |
| Full acquisition | -0.492 (-0.19) | -0.683 (-0.26) | -0.52 (-0.20) | -0.498 (-0.19) | -0.538 (-0.20) | -0.528 (-0.20) | -0.631 (-0.24) |
| Transaction value | -0.152 (-0.26) | -0.104 (-0.18) | -0.142 (-0.24) | -0.137 (-0.23) | -0.126 (-0.22) | -0.165 (-0.28) | -0.165 (-0.28) |
| Diversifying acquisition | -1.121 (-0.51) | -1.109 (-0.50) | -1.228 (-0.56) | -1.161 (-0.53) | -1.142 (-0.52) | -1.158 (-0.51) | -1.009 (-0.45) |
| Cultural differences | -1.402+ (-1.77) | -1.415+ (-1.79) | -1.449+ (-1.80) | -1.347+ (-1.70) | -1.350+ (-1.70) | -1.488+ (-1.85) | -1.556+ (-1.92) |
| Country risk | 0.085 (0.01) | 2.374 (0.17) | 1.946 (0.14) | 1.681 (0.12) | 1.563 (0.11) | 0.306 (0.02) | 0.276 (0.02) |
| GDP per capita | -0.148 (-1.02) | -0.123 (-0.85) | -0.122 (-0.84) | -0.143 (-0.99) | -0.145 (-1.00) | -0.146 (-1.01) | -0.145 (-0.99) |
| Acquirer size | 1.333 (1.35) | 1.505 (1.46) | 1.471 (1.43) | 1.476 (1.48) | 1.475 (1.46) | 1.396 (1.40) | 1.318 (1.32) |
| Acquirer ROA | -0.00674 (-0.04) | -0.0245 (-0.14) | -0.015 (-0.08) | -0.0143 (-0.08) | -0.0148 (-0.09) | -0.00691 (-0.04) | 0.00241 (0.01) |
| Private target | -1.773 (-0.79) | -1.74 (-0.77) | -1.721 (-0.76) | -1.639 (-0.73) | -1.65 (-0.73) | -1.79 (-0.80) | -1.772 (-0.79) |
| Listed target | 4.494 (1.30) | 4.736 (1.38) | 4.583 (1.33) | 4.993 (1.44) | 5.001 (1.44) | 4.724 (1.35) | 5.055 (1.45) |
| TMT size | -1.045+ (-1.77) | -0.906 (-1.24) | -0.812 (-1.09) | -0.973+ (-1.65) | -0.966 (-1.64) | -1.091+ (-1.81) | -1.095+ (-1.80) |
| Num TMT int'l experience (i)(a) | | -1.172 (-1.29) | -1.065 (-1.20) | | | | |
| Num TMT int'l experience ² (i)(b) | | 0.393 (1.46) | 0.123 (0.30) | | | | |
| ADV * (i)(a) | | | 0.347 (1.00) | | | | |
| ADV * (i)(b) | | | -0.0169 (-0.15) | | | | |
| National diversity (ii)(a) | | | | -3.789 (-0.74) | -3.931 (-0.78) | | |
| National diversity ² (ii)(b) | | | | -17.67 (-0.79) | -16.64 (-0.68) | | |
| ADV * (ii)(a) | | | | | -0.416 (-0.19) | | |
| ADV* (ii)(a) | | | | | 0.418 (0.04) | | |
| Average years host country experience (iii)(a) | | | | | | 0.0904 (0.11) | -0.07 (-0.08) |
| Average years host country experience ² (iii)(b) | | | | | | -0.0383 (-0.48) | 0.0152 (0.16) |
| ADV * (iii)(a) | | | | | | | -0.205 (-0.53) |
| ADV * (iii)(b) | | | | | | | -0.0115 (-0.27) |
| Constant | 3.497 (0.35) | -0.300 (-0.03) | -0.450 (-0.04) | 2.766 (0.28) | 2.855 (0.29) | 3.608 (0.36) | 3.94 (0.39) |
| Observations | 1356 | 1356 | 1356 | 1356 | 1356 | 1356 | 1356 |
| R-squared | 0.019 | 0.021 | 0.021 | 0.02 | 0.02 | 0.019 | 0.021 |
| F | 1.681* | 1.615+ | 1.453+ | 1.555+ | 1.448+ | 1.517+ | 1.529+ |

Note to Table 5.19: Multiple linear regressions models explaining the association of the aggregate deal value (ADV) in the previous three-year period of the current acquisition with the one-year buy-and-hold abnormal returns (BHARs) (calculated using Market Adjusted Returns model) for serial acquirer firms announcing international acquisitions. The key explanatory variables TBD as well as the TMT determinants are mean-centered values. Models here signify the same specifications as

detailed in Table 5.5. Bidder-specific control variables are lagged one year. All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parenthesis and ⁺, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.20: MM-based CARs with TMT Depth and Breadth proxies for DCs.

| | Model 52B | Model 52C | Model 53B | Model 53C |
|--|--------------------|---------------------|--------------------|---------------------|
| Prior 3-year window deal count | 0.0175 (0.66) | 0.00166 (0.05) | 0.018 (0.66) | -0.0223 (-0.68) |
| Cash | 0.121 (0.39) | 0.123 (0.40) | 0.131 (0.43) | 0.132 (0.43) |
| Stock | -1.282 (-1.11) | -1.282 (-1.12) | -1.217 (-1.05) | -1.213 (-1.05) |
| Full acquisition | -0.622+ (-1.91) | -0.650* (-2.00) | -0.656* (-2.00) | -0.641+ (-1.95) |
| Transaction value | 0.0187 (0.22) | 0.0188 (0.22) | 0.0115 (0.14) | -0.00292 (-0.03) |
| Diversifying acquisition | -0.622* (-2.41) | -0.628* (-2.42) | -0.636* (-2.45) | -0.627* (-2.40) |
| Cultural differences | -0.0418 (-0.45) | -0.0495 (-0.53) | -0.0397 (-0.43) | -0.0584 (-0.64) |
| Country risk | 0.926 (0.59) | 0.892 (0.57) | 1.24 (0.78) | 1.635 (1.04) |
| GDP per capita | 0.0167 (0.97) | 0.017 (0.99) | 0.0186 (1.09) | 0.0209 (1.21) |
| Acquirer size | -0.156* (-1.99) | -0.155* (-2.00) | -0.122 (-1.55) | -0.129 (-1.64) |
| Acquirer ROA | -0.0184 (-1.35) | -0.0184 (-1.35) | -0.018 (-1.29) | -0.0162 (-1.16) |
| Private target | -0.299 (-1.11) | -0.297 (-1.11) | -0.323 (-1.21) | -0.31 (-1.16) |
| Listed target | -0.973* (-2.03) | -0.973* (-2.03) | -0.918+ (-1.89) | -0.944* (-1.96) |
| TMT size | -0.0529 (-0.65) | -0.0525 (-0.65) | -0.0952 (-1.19) | -0.112 (-1.40) |
| Amount of int'l experience (iv)(a) | -0.0351 (-0.89) | -0.028 (-0.55) | | |
| Amount of int'l experience ² (iv)(b) | 0.0101* (2.05) | 0.00536 (0.71) | | |
| 3-year deal count * (iv)(a) | | -0.00151 (-0.21) | | |
| 3-year deal count * (iv)(b) | | 0.000767 (0.92) | | |
| Range of int'l experience (v)(a) | | | -0.244 (-0.95) | 0.00246 (0.01) |
| Range of int'l experience ² (v)(b) | | | 0.133 (0.92) | -0.278 (-1.18) |
| 3-year deal count * (v)(a) | | | | -0.0486 (-1.16) |
| 3-year deal count * (v)(b) | | | | 0.0611* (2.16) |
| Constant | 2.095* (2.11) | 2.140* (2.15) | 2.124* (2.16) | 2.200* (2.22) |
| Observations | 1567 | 1567 | 1567 | 1567 |
| R-squared | 0.024 | 0.025 | 0.022 | 0.025 |
| F | 2.197** | 2.266** | 2.039** | 2.235** |

Table 5.21: MM-based CARs with TMT Depth and Breadth proxies for TBDs.

| | Model 54B | Model 54C | Model 55B | Model 55C |
|---|---------------------|-----------------------|---------------------|---------------------|
| Time between consequent deals (TBDs) | -0.116+ (-1.84) | 0.0733 -0.88 | -0.123+ (-1.91) | -0.103 (-1.18) |
| Cash | 0.281 (0.96) | 0.266 (0.92) | 0.296 (1.01) | 0.297 (1.02) |
| Stock | -0.279 (-0.21) | -0.33 (-0.25) | -0.25 (-0.19) | -0.238 (-0.18) |
| Full acquisition | -0.549+ (-1.67) | -0.551+ (-1.70) | -0.585+ (-1.77) | -0.588+ (-1.79) |
| Transaction value | 0.027 (0.33) | 0.018 (0.22) | 0.0227 (0.28) | 0.0161 (0.20) |
| Diversifying acquisition | -0.791** (-3.10) | -0.796** (-3.13) | -0.791** (-3.06) | -0.780** (-3.01) |
| Cultural differences | -0.1 (-1.10) | -0.112 (-1.23) | -0.0997 (-1.09) | -0.103 (-1.13) |
| Country risk | 1.199 (0.72) | 0.878 (0.53) | 1.497 (0.89) | 1.493 (0.89) |
| GDP per capita | 0.0202 (1.16) | 0.0178 (1.03) | 0.0211 (1.23) | 0.0209 (1.21) |
| Acquirer size | -0.101 (-1.29) | -0.0956 (-1.24) | -0.0681 (-0.88) | -0.0723 (-0.94) |
| Acquirer ROA | -0.0126 (-0.85) | -0.012 (-0.81) | -0.0123 (-0.82) | -0.0115 (-0.76) |
| Private target | -0.0974 (-0.37) | -0.0522 (-0.20) | -0.117 (-0.45) | -0.118 (-0.45) |
| Listed target | -0.424 (-0.85) | -0.4 (-0.80) | -0.373 (-0.74) | -0.345 (-0.68) |
| TMT size | -0.0307 (-0.38) | -0.0283 (-0.35) | -0.0749 (-0.94) | -0.0762 (-0.96) |
| Amount of int'l experience (iv)(a) | -0.0506 (-1.31) | -0.0493 (-1.28) | | |
| Amount of int'l experience ² (iv)(b) | 0.0101* (2.03) | 0.00846+ (1.77) | | |
| TBD * (iv)(a) | | 0.0137 (0.88) | | |
| TBD * (iv)(b) | | -0.00715** (-3.02) | | |
| Range of int'l experience (v)(a) | | | -0.289 (-1.17) | -0.281 (-1.14) |
| Range of int'l experience ² (v)(b) | | | 0.108 (0.71) | 0.0955 (0.62) |
| TBD * (v)(a) | | | | -0.0335 (-0.31) |
| TBD * (v)(b) | | | | -0.0288 (-0.37) |
| Constant | 1.194 (1.14) | 1.301 (1.26) | 1.28 (1.23) | 1.332 (1.27) |
| Observations | 1380 | 1380 | 1380 | 1380 |
| R-squared | 0.022 | 0.032 | 0.020 | 0.020 |
| F | 2.141** | 2.364** | 2.027** | 1.821* |

Table 5.22: MM-based CARs with TMT Depth and Breadth proxies for ADV.

| | Model 56B | Model 56C | Model 57B | Model 57C |
|---|---------------------|---------------------|---------------------|---------------------|
| Prior 3-year window aggregate deal value (ADV) | -0.116 (-1.21) | -0.0307 (-0.27) | -0.116 (-1.21) | -0.128 (-1.25) |
| Cash | 0.114 (0.35) | 0.119 (0.37) | 0.136 (0.42) | 0.144 (0.44) |
| Stock | -0.8 (-0.61) | -0.762 (-0.57) | -0.793 (-0.60) | -0.769 (-0.58) |
| Full acquisition | -0.528 (-1.52) | -0.53 (-1.53) | -0.545 (-1.56) | -0.549 (-1.56) |
| Transaction value | 0.0247 (0.28) | 0.0285 (0.32) | 0.0127 (0.14) | 0.00838 (0.09) |
| Diversifying acquisition | -0.574* (-2.10) | -0.578* (-2.11) | -0.601* (-2.18) | -0.600* (-2.18) |
| Cultural differences | -0.0933 (-0.96) | -0.0878 (-0.90) | -0.0883 (-0.91) | -0.0916 (-0.96) |
| Country risk | -0.552 (-0.33) | -0.426 (-0.25) | -0.181 (-0.11) | -0.159 (-0.09) |
| GDP per capita | -0.00451 (-0.25) | -0.00411 (-0.22) | -0.00226 (-0.12) | -0.00212 (-0.12) |
| Acquirer size | -0.00683 (-0.06) | -0.0232 (-0.20) | 0.0282 (0.26) | 0.021 (0.19) |
| Acquirer ROA | -0.0283+ (-1.87) | -0.0284+ (-1.87) | -0.0265+ (-1.73) | -0.0262+ (-1.72) |
| Private target | -0.241 (-0.87) | -0.23 (-0.83) | -0.277 (-0.99) | -0.279 (-1.00) |
| Listed target | -0.801 (-1.55) | -0.861+ (-1.68) | -0.747 (-1.42) | -0.753 (-1.44) |
| TMT size | -0.0581 (-0.67) | -0.055 (-0.63) | -0.116 (-1.36) | -0.118 (-1.39) |
| Amount of int'l experience (iv)(a) | -0.0351 (-0.81) | -0.0302 (-0.71) | | |
| Amount of int'l experience ² (iv)(b) | 0.0129* (2.48) | 0.0171** (2.66) | | |
| ADV * (iv)(a) | | 0.00548 (0.34) | | |
| ADV * (iv)(b) | | -0.00304 (-1.44) | | |
| Range of int'l experience (v)(a) | | | -0.174 (-0.65) | -0.157 (-0.60) |
| Range of int'l experience ² (v)(b) | | | 0.136 (0.89) | 0.0796 (0.43) |
| ADV * (v)(a) | | | | 0.00727 (0.08) |
| ADV * (v)(b) | | | | 0.016 (0.27) |
| Constant | 1.826 (1.60) | 1.81 (1.58) | 1.949+ (1.74) | 2.029+ (1.76) |
| Observations | 1343 | 1343 | 1343 | 1343 |
| R-squared | 0.026 | 0.029 | 0.021 | 0.021 |
| F | 2.067** | 1.899* | 1.771* | 1.577+ |

Notes to Tables 5.20, 5.21 and 5.22: Multiple linear regressions models with similar specifications of explanatory variables and controls as Tables 5.3, 5.4 and 5.5 respectively, except that instead of the TMT proxy (i) viz., the number of internationally experienced top managers, two other variants namely, (iv) amount of international experience (depth) in years and (v) range of international experience in number of countries (breadth), respectively have been used. All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parenthesis and †, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.23: MM-based CARs for quartile distribution of TMT proxies for DC predictor.

| | Model (4(i-a)B) | Model (4(i-a)C) | Model (4(i- b)B) | Model (4(i- b)C) | Model (4(ii- a)B) | Model (4(ii- a)C) | Model (4(ii- b)B) | Model (4(ii- b)C) | Model (4(iii- a)B) | Model (4(iii- a)C) | Model (4(iii- b)B) | Model (4(iii- b)C) |
|--|--------------------|--------------------|------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Prior 3-year window deal count | 0.0233 (0.85) | 0.00588 (0.17) | 0.0173 (0.66) | 0.0014 (0.04) | 0.0161 (0.59) | 0.0146 (0.38) | 0.0142 (0.54) | 0.032 (1.03) | 0.0138 (0.53) | 0.019 (0.63) | 0.0151 (0.58) | -0.00869 (-0.19) |
| Cash | 0.129 (0.42) | 0.14 (0.46) | 0.141 (0.46) | 0.145 (0.47) | 0.138 (0.45) | 0.138 (0.45) | -0.48 (0.45) | 0.139 (0.45) | 0.13 (0.43) | 0.136 (0.44) | 0.129 (0.42) | 0.134 (0.44) |
| Stock | -1.293 (-1.12) | -1.281 (-1.11) | -1.21 (-1.05) | -1.228 (-1.06) | -1.279 (-1.11) | -1.278 (-1.11) | -1.267 (-1.10) | -1.259 (-1.10) | -1.33 (-1.16) | -1.335 (-1.17) | -1.318 (-1.15) | -1.32 (-1.15) |
| Full acquisition | -0.687* (-2.09) | -0.678* (-2.07) | -0.681* (-2.06) | -0.675* (-2.04) | -0.657* (-2.01) | -0.656* (-2.00) | -0.648* (-1.98) | -0.636+ (-1.95) | -0.677* (-2.07) | -0.679* (-2.07) | -0.685* (-2.09) | -0.688* (-2.09) |
| Transaction value | 0.00375 (0.04) | -0.0022 (-0.03) | 0.0154 (0.18) | 0.0178 (0.21) | 0.011 (0.13) | 0.0106 (0.13) | 0.0116 (0.14) | 0.0109 (0.13) | -0.0039 (-0.05) | -0.00436 (-0.05) | 0.0007 (0.01) | -0.00072 (-0.01) |
| Diversifying acquisition | -0.630* (-2.44) | -0.611* (-2.34) | -0.634* (-2.45) | -0.629* (-2.44) | -0.635* (-2.45) | -0.634* (-2.43) | -0.630* (-2.43) | -0.616* (-2.39) | -0.687** (-2.62) | -0.682** (-2.59) | -0.670* (-2.56) | -0.666* (-2.54) |
| Cultural differences | -0.0485 (-0.52) | -0.0486 (-0.52) | -0.0414 (-0.45) | -0.0404 (-0.44) | -0.0423 (-0.46) | -0.042 (-0.45) | -0.0424 (-0.46) | -0.042 (-0.45) | -0.00523 (-0.06) | -0.0034 (-0.04) | -0.00347 (-0.04) | -0.00114 (-0.01) |
| Country risk | 1.209 (0.78) | 1.227 (0.79) | 1.192 (0.76) | 1.209 (0.77) | 0.96 (0.62) | 0.965 (0.62) | 0.903 (0.59) | 0.922 (0.60) | 0.874 (0.57) | 0.813 (0.52) | 0.904 (0.59) | 0.824 (0.53) |
| GDP per capita | 0.0173 (1.03) | 0.0177 (1.05) | 0.0177 (1.04) | 0.0168 (0.97) | 0.0161 (0.95) | 0.0161 (0.95) | 0.0157 (0.94) | 0.0158 (0.94) | 0.0122 (0.73) | 0.0119 (0.71) | 0.0133 (0.80) | 0.0128 (0.76) |
| Acquirer size | -0.113 (-1.60) | -0.108 (-1.49) | -0.123+ (-1.67) | -0.119 (-1.62) | -0.145* (-2.06) | -0.145* (-2.04) | -0.155* (-2.16) | -0.152* (-2.11) | -0.150* (-2.13) | -0.149* (-2.13) | -0.149* (-2.11) | -0.147* (-2.09) |
| Acquirer ROA | -0.019 (-1.39) | -0.0182 (-1.33) | -0.0185 (-1.36) | -0.0195 (-1.41) | -0.0165 (-1.22) | -0.0164 (-1.22) | -0.0161 (-1.20) | -0.0152 (-1.13) | -0.0153 (-1.14) | -0.0151 (-1.12) | -0.0155 (-1.15) | -0.0153 (-1.13) |
| Private target | -0.34 (-1.27) | -0.332 (-1.24) | -0.338 (-1.26) | -0.325 (-1.21) | -0.326 (-1.22) | -0.326 (-1.22) | -0.327 (-1.22) | -0.343 (-1.28) | -0.324 (-1.21) | -0.323 (-1.21) | -0.325 (-1.22) | -0.326 (-1.22) |
| Listed target | -0.913+ (-1.91) | -0.911+ (-1.91) | -0.923+ (-1.93) | -0.911+ (-1.91) | -0.956* (-1.98) | -0.954+ (-1.96) | -0.974* (-2.01) | -0.976* (-2.01) | -1.011* (-2.10) | -1.010* (-2.10) | -1.016* (-2.11) | -1.017* (-2.12) |
| TMT size | -0.0189 (-0.20) | -0.0123 (-0.13) | -0.0736 (-0.89) | -0.0803 (-0.98) | -0.0958 (-1.21) | -0.0957 (-1.21) | -0.109 (-1.36) | -0.113 (-1.42) | -0.105 (-1.34) | -0.106 (-1.34) | -0.115 (-1.45) | -0.116 (-1.47) |
| High quartile: num TMT int'l experience (i-a) | -0.753+ (-1.78) | -1.126+ (-1.95) | | | | | | | | | | |
| 3-year deal count * (i-a) | | 0.0511 (0.94) | | | | | | | | | | |
| Low quartile: num TMT int'l experience (i-b) | | | 0.339 (1.10) | 0.153 (0.39) | | | | | | | | |
| 3-year deal count * (i-b) | | | | 0.0452 (0.83) | | | | | | | | |
| High quartile: national diversity (ii-a) | | | | | 0.0118 (0.04) | -0.0103 (-0.02) | | | | | | |
| 3-year deal count * (ii-a) | | | | | | 0.00371 (0.07) | | | | | | |
| Low quartile: national diversity (ii-b) | | | | | | | -0.192 (-0.72) | 0.0452 (0.12) | | | | |
| 3-year deal count * (ii-b) | | | | | | | | -0.0547 (-0.98) | | | | |
| High quartile: average years host country experience (iii-a) | | | | | | | | | 0.645* (2.04) | 0.76 (1.62) | | |
| 3-year deal count * (iii-a) | | | | | | | | | | -0.0242 (-0.40) | | |
| Low quartile: average years host country experience (iii-b) | | | | | | | | | | | -0.511+ (-1.70) | -0.662 (-1.50) |
| 3-year deal count * (iii-b) | | | | | | | | | | | | 0.0318 (0.58) |
| Constant | 2.095* (2.29) | 1.987* (2.15) | 2.044* (2.03) | 2.059* (2.05) | 2.485** (2.78) | 2.479** (2.74) | 2.707** (2.94) | 2.674** (2.89) | 2.535** (2.84) | 2.546** (2.85) | 3.034** (3.16) | 3.046** (3.16) |
| Observations | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 | 1567 |
| R-squared | 0.023 | 0.024 | 0.022 | 0.022 | 0.021 | 0.021 | 0.021 | 0.022 | 0.024 | 0.024 | 0.023 | 0.023 |
| F | 2.256** | 2.136** | 2.147** | 2.113** | 1.990* | 1.865* | 2.009* | 1.913* | 2.148** | 2.015** | 2.043** | 1.929* |

Notes to Table 5.23: Multiple linear regressions models with similar specifications of explanatory variables and controls as Table 5.3, except that instead of the linear and squared terms of TMT variables (i), (ii) and (iii), their respective highest and lowest quartile specifications have been used: Models numbered 58, 60 and 62 show the high quartiles of TMT variables (i), (ii) and (iii) and Models numbered 59, 61 and 63 respectively, show the low quartile specifications of the same TMT variables. Also, the models marked with letter 'B' do not have the interaction terms of the main regressor, DCs with TMT variables (i), (ii) and (iii), while the models marked with letter 'C' have the interaction terms of the main regressor, DCs with the said TMT variables. All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parenthesis and +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.24: MM-based CARs for quartile distribution of TMT proxies for TBD predictor.

| | Model 64B | Model 64C | Model 65B | Model 65C | Model 66B | Model 66C | Model 67B | Model 67C | Model 68B | Model 68C | Model 69B | Model 69C |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Time between consequent deals (TBDs) | -0.120+ (-1.88) | -0.166* (-2.38) | -0.125+ (-1.95) | -0.103 (-1.23) | -0.122+ (-1.90) | -0.113 (-1.51) | -0.123+ (-1.93) | -0.221* (-2.40) | -0.123+ (-1.92) | -0.044 (-0.64) | -0.124+ (-1.93) | -0.254* (-1.98) |
| Cash | 0.296 (1.02) | 0.292 (1.00) | 0.309 (1.06) | 0.313 (1.08) | 0.303 (1.04) | 0.302 (1.04) | 0.303 (1.04) | 0.312 (1.07) | 0.294 (1.01) | 0.264 (0.90) | 0.287 (0.98) | 0.276 (0.94) |
| Stock | -0.342 (-0.26) | -0.376 (-0.28) | -0.238 (-0.18) | -0.226 (-0.17) | -0.318 (-0.24) | -0.319 (-0.24) | -0.317 (-0.24) | -0.3 (-0.23) | -0.325 (-0.24) | -0.381 (-0.29) | -0.318 (-0.24) | -0.34 (-0.26) |
| Full acquisition | -0.587+ (-1.79) | -0.594+ (-1.81) | -0.592+ (-1.80) | -0.593+ (-1.80) | -0.581+ (-1.77) | -0.584+ (-1.77) | -0.578+ (-1.76) | -0.593+ (-1.80) | -0.587+ (-1.79) | -0.601+ (-1.83) | -0.601+ (-1.83) | -0.601+ (-1.84) |
| Transaction value | 0.0176 (0.22) | 0.0288 (0.35) | 0.0274 (0.34) | 0.0294 (0.36) | 0.0217 (0.27) | 0.0205 (0.25) | 0.0229 (0.28) | 0.017 (0.21) | 0.0148 (0.18) | 0.0182 (0.22) | 0.0134 (0.17) | 0.0162 (0.20) |
| Diversifying acquisition | -0.793** (-3.08) | -0.806** (-3.13) | -0.787** (-3.06) | -0.786** (-3.06) | -0.796** (-3.09) | -0.796** (-3.09) | -0.787** (-3.06) | -0.780** (-3.04) | -0.819** (-3.12) | -0.831** (-3.16) | -0.820** (-3.14) | -0.820** (-3.15) |
| Cultural differences | -0.106 (-1.16) | -0.111 (-1.21) | -0.103 (-1.14) | -0.102 (-1.12) | -0.105 (-1.15) | -0.105 (-1.14) | -0.107 (-1.17) | -0.11 (-1.21) | -0.0857 (-0.93) | -0.0965 (-1.04) | -0.0703 (-0.77) | -0.0727 (-0.79) |
| Country risk | 1.272 (0.78) | 1.272 (0.78) | 1.492 (0.90) | 1.534 (0.93) | 1.202 (0.73) | 1.194 (0.73) | 1.175 (0.72) | 1.153 (0.71) | 1.162 (0.87) | 1.433 (0.71) | 1.151 (0.70) | 1.266 (0.77) |
| GDP per capita | 0.019 (1.12) | 0.0188 (1.10) | 0.0208 (1.21) | 0.0211 (1.22) | 0.0188 (1.10) | 0.0188 (1.10) | 0.0189 (1.11) | 0.0185 (1.09) | 0.017 (1.00) | 0.019 (1.11) | 0.0162 (0.95) | 0.0171 (1.00) |
| Acquirer size | -0.0903 (-1.31) | -0.0867 (-1.25) | -0.0711 (-1.00) | -0.0711 (-1.00) | -0.104 (-1.58) | -0.104 (-1.57) | -0.120+ (-1.77) | -0.120+ (-1.78) | -0.112+ (-1.69) | -0.115+ (-1.74) | -0.113+ (-1.70) | -0.115+ (-1.72) |
| Acquirer ROA | -0.0114 (-0.77) | -0.013 (-0.88) | -0.0138 (-0.92) | -0.0138 (-0.92) | -0.00988 (-0.69) | -0.00988 (-0.68) | -0.0094 (-0.65) | -0.00879 (-0.61) | -0.00894 (-0.61) | -0.00976 (-0.69) | -0.00844 (-0.58) | -0.00877 (-0.61) |
| Private target | -0.133 (-0.51) | -0.119 (-0.46) | -0.139 (-0.54) | -0.136 (-0.53) | -0.132 (-0.51) | -0.132 (-0.51) | -0.143 (-0.55) | -0.163 (-0.63) | -0.139 (-0.54) | -0.141 (-0.55) | -0.136 (-0.52) | -0.131 (-0.51) |
| Listed target | -0.409 (-0.82) | -0.439 (-0.88) | -0.386 (-0.78) | -0.389 (-0.78) | -0.432 (-0.86) | -0.428 (-0.86) | -0.468 (-0.93) | -0.453 (-0.90) | -0.474 (-0.95) | -0.497 (-1.00) | -0.503 (-1.01) | -0.498 (-1.00) |
| TMT size | -0.031 (-0.32) | -0.0384 (-0.40) | -0.0433 (-0.52) | -0.0451 (-0.55) | -0.0718 (-0.90) | -0.0723 (-0.91) | -0.0834 (-1.04) | -0.0861 (-1.09) | -0.0756 (-0.95) | -0.0747 (-0.95) | -0.0893 (-1.13) | -0.0905 (-1.14) |
| High quartile: num TMT int'l experience (i)(a) | -0.357 (-0.90) | -0.303 (-0.76) | | | | | | | | | | |
| TBD * (i)(a) | | 0.319* (2.02) | | | | | | | | | | |
| Low quartile: num TMT int'l experience (i-b) | | | 0.517+ (1.71) | 0.523+ (1.73) | | | | | | | | |
| TBD * (i)(b) | | | | -0.0509 (-0.41) | | | | | | | | |
| High quartile: national diversity (ii-a) | | | | | -0.0767 (-0.29) | -0.0822 (-0.30) | | | | | | |
| TBD * (ii)(a) | | | | | | -0.0408 (-0.29) | | | | | | |
| Low quartile: national diversity (ii-b) | | | | | | | -0.188 (-0.73) | -0.198 (-0.77) | | | | |
| TBD * (ii)(b) | | | | | | | | 0.176 (1.40) | | | | |
| High quartile: average years host country experience (iii-a) | | | | | | | | | 0.322 (1.05) | 0.407 (1.34) | | |
| TBD * (iii)(a) | | | | | | | | | | -0.406* (-2.45) | | |
| Low quartile: average years host country experience (iii-a) | | | | | | | | | | | -0.472+ (-1.65) | -0.497+ (-1.74) |
| TBD * (iii)(b) | | | | | | | | | | | | 0.177 (1.21) |
| Constant | 1.507 (1.54) | 1.527 (1.56) | 1.048 (0.99) | 1.033 (0.98) | 1.710+ (1.84) | 1.711+ (1.84) | 1.943* (2.02) | 1.999* (2.08) | 1.741+ (1.87) | 1.718+ (1.84) | 2.227* (2.22) | 2.229* (2.22) |
| Observations | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 | 1380 |
| R-squared | 0.019 | 0.022 | 0.021 | 0.021 | 0.019 | 0.019 | 0.019 | 0.02 | 0.019 | 0.025 | 0.02 | 0.022 |
| F | 1.964* | 2.085** | 2.221** | 2.117** | 1.878* | 1.764* | 1.930* | 1.925* | 1.896* | 2.011** | 1.939* | 1.857* |

Notes to Table 5.24: Multiple linear regressions models with similar specifications of explanatory variables and controls as Table 5.4, except that instead of the linear and squared terms of TMT variables (i), (ii) and (iii), their respective highest and lowest quartile specifications have been used: Models numbered 64, 66 and 68 show the high quartiles of TMT variables (i), (ii) and (iii) and Models numbered 65, 67 and 69 respectively, show the low quartile specifications of the same TMT variables. Also, the models marked with letter 'B' do not have the interaction terms of the main regressor, TBDs with TMT variables (i), (ii) and (iii), while the models marked with letter 'C' have the interaction terms of the main regressor, TBDs with the said TMT variables. All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parenthesis and +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Table 5.25: MM-based CARs for quartile distribution of TMT proxies for ADV predictor.

| | Model 70B | Model 70C | Model 71B | Model 71C | Model 72B | Model 72C | Model 73B | Model 73C | Model 74B | Model 74C | Model 75B | Model 75C |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Prior 3-year window aggregate deal value (ADV) | -0.105 (-1.12) | -0.183+ (-1.84) | -0.096 (-1.00) | -0.13 (-1.14) | -0.115 (-1.22) | -0.139 (-1.37) | -0.117 (-1.24) | -0.0765 (-0.73) | -0.131 (-1.37) | -0.141 (-1.46) | -0.126 (-1.32) | -0.0889 (-0.65) |
| Cash | 0.124 (0.38) | 0.151 (0.47) | 0.158 (0.49) | 0.160 (0.49) | 0.143 (0.44) | 0.152 (0.47) | 0.159 (0.49) | 0.174 (0.54) | 0.126 (0.39) | 0.119 (0.37) | 0.127 (0.39) | 0.121 (0.37) |
| Stock | -0.867 (-0.66) | -0.87 (-0.67) | -0.726 (-0.55) | -0.756 (-0.57) | -0.846 (-0.64) | -0.804 (-0.61) | -0.831 (-0.63) | -0.798 (-0.61) | -0.888 (-0.68) | -0.879 (-0.67) | -0.873 (-0.67) | -0.879 (-0.67) |
| Full acquisition | -0.593+ (-1.69) | -0.57 (-1.62) | -0.582+ (-1.66) | -0.604+ (-1.72) | -0.561 (-1.60) | -0.546 (-1.56) | -0.545 (-1.56) | -0.529 (-1.52) | -0.573 (-1.64) | -0.572 (-1.64) | -0.579+ (-1.65) | -0.577+ (-1.65) |
| Transaction value | 0.00137 (0.02) | -0.0058 (-0.07) | 0.0171 (0.19) | 0.0184 (0.21) | 0.0122 (0.14) | 0.00508 (0.06) | 0.016 (0.18) | 0.0116 (0.13) | 0.000861 (0.01) | 0.00207 (0.02) | 0.00747 (0.08) | 0.00965 (0.11) |
| Diversifying acquisition | -0.592* (-2.16) | -0.602* (-2.20) | -0.599* (-2.19) | -0.590* (-2.15) | -0.596* (-2.17) | -0.601* (-2.18) | -0.590* (-2.15) | -0.600* (-2.18) | -0.655* (-2.34) | -0.656* (-2.34) | -0.627* (-2.25) | -0.628* (-2.25) |
| Cultural differences | -0.0975 (-1.00) | -0.107 (-1.11) | -0.0891 (-0.92) | -0.0887 (-0.91) | -0.0922 (-0.95) | -0.091 (-0.93) | -0.0915 (-0.94) | -0.0907 (-0.93) | -0.0511 (-0.52) | -0.0524 (-0.53) | -0.0571 (-0.58) | -0.0574 (-0.58) |
| Country risk | -0.112 (-0.07) | -0.124 (-0.07) | -0.0082 (-0.00) | 0.0362 (0.02) | -0.379 (-0.23) | -0.327 (-0.20) | -0.435 (-0.26) | -0.407 (-0.24) | -0.419 (-0.25) | -0.343 (-0.20) | -0.379 (-0.23) | -0.321 (-0.19) |
| GDP per capita | -0.0038 (-0.21) | -0.0026 (-0.14) | -0.0017 (-0.09) | -0.00202 (-0.11) | -0.00442 (-0.25) | -0.00372 (-0.21) | -0.005 (-0.28) | -0.00453 (-0.25) | -0.00841 (-0.47) | -0.00802 (-0.45) | -0.00656 (-0.37) | -0.00617 (-0.34) |
| Acquirer size | 0.0514 (0.47) | 0.0594 (0.55) | 0.0311 (0.29) | 0.0375 (0.34) | 0.00972 (0.09) | 0.0113 (0.11) | -0.0083 (-0.08) | -0.00939 (-0.09) | 0.0214 (0.20) | 0.021 (0.20) | 0.0206 (0.19) | 0.0202 (0.19) |
| Acquirer ROA | -0.0289+ (-1.88) | -0.0260+ (-1.71) | -0.0292+ (-1.93) | -0.0295+ (-1.95) | -0.0256+ (-1.71) | -0.0254+ (-1.70) | -0.0244 (-1.64) | -0.0242 (-1.63) | -0.0248+ (-1.66) | -0.0251+ (-1.67) | -0.0252+ (-1.68) | -0.0254+ (-1.69) |
| Private target | -0.297 (-1.07) | -0.299 (-1.08) | -0.296 (-1.06) | -0.302 (-1.09) | -0.285 (-1.02) | -0.284 (-1.02) | -0.297 (-1.07) | -0.292 (-1.05) | -0.289 (-1.04) | -0.287 (-1.04) | -0.282 (-1.01) | -0.279 (-1.00) |
| Listed target | -0.704 (-1.36) | -0.733 (-1.42) | -0.716 (-1.38) | -0.693 (-1.34) | -0.774 (-1.48) | -0.761 (-1.45) | -0.806 (-1.53) | -0.814 (-1.54) | -0.815 (-1.56) | -0.832 (-1.57) | -0.8 (-1.53) | -0.815 (-1.54) |
| TMT size | -0.0247 (-0.24) | -0.0254 (-0.25) | -0.0931 (-1.06) | -0.0923 (-1.05) | -0.12 (-1.43) | -0.119 (-1.42) | -0.149+ (-1.76) | -0.153+ (-1.81) | -0.129 (-1.55) | -0.128 (-1.53) | -0.134 (-1.60) | -0.134 (-1.60) |
| High quartile: num TMT int'l experience (i)(a) | -0.852* (-2.02) | -1.300** (-2.75) | | | | | | | | | | |
| ADV * (i)(a) | | 0.324* (2.23) | | | | | | | | | | |
| Low quartile: num TMT int'l experience (i)(b) | | | 0.467 (1.42) | 0.541+ (1.67) | | | | | | | | |
| ADV * (i)(b) | | | | 0.0931 (0.74) | | | | | | | | |
| High quartile: national diversity (ii)(a) | | | | | 0.152 (0.53) | 0.0974 (0.32) | | | | | | |
| ADV * (ii)(a) | | | | | | 0.0767 (0.65) | | | | | | |
| Low quartile: national diversity (ii)(b) | | | | | | | -0.400 (-1.42) | -0.423 (-1.52) | | | | |
| ADV * (ii)(b) | | | | | | | | -0.0892 (-0.78) | | | | |
| High quartile: average years host country experience (iii)(a) | | | | | | | | | 0.644+ (1.94) | 0.635+ (1.89) | | |
| ADV * (iii)(a) | | | | | | | | | | 0.0588 (0.39) | | |
| Low quartile: average years host country experience (iii)(a) | | | | | | | | | | | -0.401 (-1.30) | -0.394 (-1.25) |
| ADV * (iii)(b) | | | | | | | | | | | | -0.0496 (-0.39) |
| Constant | 1.809+ (1.68) | 1.664 (1.55) | 1.725 (1.51) | 1.711 (1.50) | 2.259* (2.15) | 2.201* (2.10) | 2.725* (2.55) | 2.693* (2.52) | 2.208* (2.11) | 2.188* (2.09) | 2.601* (2.40) | 2.572* (2.36) |
| Observations | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 | 1343 |
| R-squared | 0.023 | 0.028 | 0.022 | 0.023 | 0.021 | 0.021 | 0.023 | 0.023 | 0.024 | 0.024 | 0.022 | 0.022 |
| F | 1.974* | 2.133** | 2.032** | 1.919* | 1.696* | 1.613+ | 1.767* | 1.680* | 1.776* | 1.670* | 1.665+ | 1.560+ |

Notes to Table 5.25: Multiple linear regressions models with similar specifications of explanatory variables and controls as Table 5.5, except that instead of the linear and squared terms of TMT variables (i), (ii) and (iii), their respective highest and lowest quartile specifications have been used: Models numbered 70, 72 and 74 show the high quartiles of TMT variables (i), (ii) and (iii) and Models numbered 71, 73 and 75 respectively, show the low quartile specifications of the same TMT variables. Also, the models marked with letter 'B' do not have the interaction terms of the main regressor, ADV with TMT variables (i),

(ii) and (iii), while the models marked with letter 'C' have the interaction terms of the main regressor, ADV with the said TMT variables. All the other variables are defined the same way as in Table 5.1. The second line in each row are the t-statistic using robust standard errors in parenthesis and +, *, and ** denote significance at 10%, 5%, and 1%, respectively.

Chapter 6: Conclusion

6.1 General discussion on principal findings

The fundamental assumption of this thesis is: environmental information ambiguities are likely to be alleviated by the superior decision-making capability of a balanced internationally-oriented top executive team of an acquiring firm. Therefore, the central aim of this thesis was to explore if and how the feature of ‘international orientation’, operationalised as international experience, host country familiarity and national diversity respectively, of the TMTs, plays a role in cross-border acquisition choices and consequential outcomes. This was examined in the four main empirical chapters, taking into consideration both the positive and the negative aspects of this particular TMT characteristic. The first two chapters investigated the influences of decision-making by the so-called globally oriented TMTs, exhibited in the performance of their firms in both short and longer event windows. The third chapter instead, focused on an important aspect of decision-making with respect to choice of payment mode. The final chapter studied the moderating roles of these TMTs while examining the short-term performance of the serially acquiring firms. The findings generally suggested that these special features of the TMTs provided the acquirers with some sort of a ‘comparative advantage’ as far as improved decision-making as well as favourable longer terms returns, was concerned. The initial sample consisted of 642 acquiring firms from the UK, listed on the London Stock Exchange, announcing 2,278 foreign expansions, ranging from the years 1999 until 2008. The preparation of the combined final dataset using this sample has been covered in details in the first empirical chapter (Chapter 2). This combined dataset was used with some variations in each of the chapters due to data availability issue. The following paragraphs summarize the key results obtained in these chapters.

Chapter 2 studied the market reaction to these bidder stocks (in terms of their three-day CARs) on their announcements of cross-country acquisitions in the presence of globally-oriented TMTs. Some statistically significant association, albeit not robust, was seen only in the combined model(s) with all the chosen TMT indicators of ‘international orientation’ and the three-day CARs (both MM and MAR model based) of the bidding firms. While a negative influence of the number of internally experienced managers was detected, a positive impact of the number of executives with host country familiarity and a weak beneficial effect of number

of foreign nationals were documented. Overall, the short-run findings indicated that initial investor reaction to cross-country announcements by bidding firms with ‘internationally oriented’ TMTs may (not) strongly recognize this apparent comparative advantage. Nevertheless, the weak evidence of curvilinear associations of some of the TMT proxies used in our analysis with the CARs suggested that acquirer returns in a longer term warrant deeper examination. Not only this, but they also indicated that an optimal balance of ‘globally-oriented’ TMTs might facilitate better decision-making and consequent beneficial outcomes.

Chapter 3 therefore, explored one-year from the post-acquisition announcements to these bidders, both in terms of financial market and operating profitability, i.e. BHARs and ROA and ROE. Using a mixed-effects linear regression framework, our findings brought to light an eventual advantage for the bidders for those their internationally oriented TMTs seemed to have achieved a competence in managing global expansion choices. Specifically, considering the international experience in number of years and across the range of countries for the TMTs of these bidding firms, we documented a U-shaped (curvilinear) relationship between these exposure on average, and post-acquisition financial as well as operating performances of these firms. This observed association was reversed to an inverted u-shaped relationship when the impact of nationality mix in the executive teams of such acquirers, was tested with respect to their one-year returns. Further, the predominant effect of TMT international orientation on post-acquisition performance in the sample was negative, with the majority of the sample TMTs being unable to meet these criteria. However, we did not observe any evidence of abnormal performance using one-year post-acquisition CTARs (similar to the extant studies adopting CTAR methodology), in view of the methodological concerns levelled at the computation of BHARs.

The objective of study in Chapter 4 was how the likelihood of choosing a certain method of payment for the foreign host by an internationally-oriented TMT of a bidding firm, could mitigate the adverse forces of information asymmetry prevalent in global expansion modes. Two most commonly studied sources of environmental uncertainties, i.e. *country risk* and *cultural distance* (see for example, Miller, 1992; Hofstede, 2001; etc.) were considered in this context. The crux of the findings was that the right balance of international orientation at the TMT-level of these firms, whereby competence was likely to override overconfidence, could alleviate uncertainties in the presence of greater levels of country risk and cultural distance, essentially through a greater probability of choosing more cash or mixed payment mode.

Basically these results were in line with those of Chapter 3 in that initial levels of TMT orientation indeed proved inadequate; hence, detrimental with respect to payment choices, which transformed favourably only after surpassing the minimum cut-off point(s).

In the final core chapter of this thesis (Chapter 5) our purpose was to investigate predominance of the two effects i.e., learning (see Aktas *et al.*, 2013) or indigestion from PMI problems (see Conn *et al.*, 2004), as manifested in the three-day announcement returns of the serially acquiring firms in our initial sample. This was explored by looking at the influences of three key predictors, i.e. the number of prior acquisitions, their cumulative deal values and the elapsed time between two consecutive acquisitions by a multiple bidder, on its current abnormal returns. The univariate as well as the multivariate analyses generally indicated that PMI problems plagued subsequent acquisition announcement returns, rather than the benefits of learning; particularly PMI issues seemed to be accentuated, when one-year post-acquisition BHARs were examined. We also noticed the postulated influence of ‘memory lapse’ (Hayward, 2002; Aktas *et al.*, 2013) whilst examining the effect of the time between deals regressor. Furthermore, only one of the TMT indicators on international orientation, viz., the number of internationally experienced executives, upheld the predicted beneficial curvilinear moderating impact, alleviating the documented unfavourable impacts of either ‘memory lapse’ or PMI. We also observed an inverted U-shape association of the TMT proxy of average years of host country exposure with the returns of a multiple bidder, whilst that on national diversity of the team failed to show any such significant relationship. These findings are important not only from the viewpoint that they underscore the critical findings of the previous two chapters, but they seem more relatable in the context of these serially bidding firms.

6.2 General limitations of this thesis

While Chapter 2 elaborates and discusses the data-specific limitations, the remaining chapters explain the other specific limitations. The common limitations which pertain to the whole thesis are summarised here once again:

First, this thesis focuses on uncertainties arising out of information ambiguities merely from the viewpoint of decision-making problems for acquiring firms with respect to cross-border targets. Similar issues which could also be faced by these target firm(s) in respect of assessing

an offer(s) from prospective acquirer(s), as contended by Eckbo *et al.* (1990); Chemmanur *et al.* (2009); etc., have not been considered here. Moreover, only the quantifiable and most generic forms of environmental uncertainties, i.e. *country risk* and *cultural distance* were studied in this context, when there could be many other unobservable elements, hence, difficult to be operationalised. For example, some factors at the individual-level such as, physical, cognitive, and psychic distance, liability of foreignness, as well as associated relational hazards (Zaheer, 1995; Delios & Henisz, 2003; etc.) intensify the information ambiguity in international acquisitions.

Second, the consequences of TMT decision-making focused on in three of the key empirical chapters were based principally on event-study methodology. While event studies over shorter windows run has been widely accepted (Brown & Warner, 1985), but longer-term event studies are still viewed with some caution. Hence, the findings of Chapter 3 may be treated in this light.

Third, with respect to the TMT-related data in our sample, a common issue had been that a larger proportion of acquirer TMTs failed to meet the criteria, set and adopted in this thesis, to qualify them as ‘internationally-orientated’. This could have had a potential impact, reducing the power of our tested models as well as, discerning of the true patterns in the combined dataset may have become complicated further.

Fourth, the principal focus of this thesis has been on the behavioural bias of executives, like hubris (Roll, 1986); self-attribution (Billett & Qian, 2008) to analyse their team decision-making process and consequences. The agency-related interest conflicts (Jensen, 1986) have not been dealt with here.

Fifth, the sample selection of bidding firms is from the UK where two basic features of acquisitions had more frequently been observed (e.g., Doukas & Ptzemas, 2007): method of payment in cash and its equivalents and privately-held targets. These aspects have been identified (see for instance, Malmendier & Tate, 2008) as a likely catalyst contributing to managerial behavioural bias. Further, the board executive teams in the sample generally had a common nationality, being from a single country. These factors could have been a potential inducer of the observed results, especially pertaining to the findings of Chapter 4 examining payment mode preferences of bidder TMTs.

Finally, the quantification of the TMT-specific variables suffered from an inadequacy of relevant information, which restricted their accurate operationalization. E.g. demographic heterogeneity in TMT continues to be one of the most commonly researched aspects, influence of which remains the most ambiguous. Further, the demographic dimensions that have been used here (as generally used in TMT research), may contain more noise than purer psychological measures (Finkelstein *et al.*, 2008). This issue was also highlighted in Chapter 2 in respect of inadequacy of relevant information about international career experience.

6.3 Policy implications and direction for future research

The notions that the TMTs being primary strategic decision makers in an organization, their psychology and dispositions influence organisational outcomes, have been recognised in recent research (e.g. Finkelstein *et al.*, 2008; Nadolska & Barkema, 2014). Based on these underlying premises, the intent of this thesis as already mentioned, has fundamentally been to investigate and explore the decision-making process of bidder TMTs as well as to analyse the outcomes. Thereby it expanded and enriched the research focus of behavioural corporate finance using the concept of an ‘insider team’, rather than being limited by examination of CEO traits. The results from this thesis suggested that managerial attributes may act as a double-edged sword, particularly in situations of high discretion such as cross-border acquisitions, when a balance of competence and confidence is warranted to ensure better judgements and organizational consequences.

This finding can have several policy implications for the executive boards of internationalising firms from the perspectives of appointments and managing talents and desired skills within their directorial teams. For instance, different combinations of experience at an individual-level and that of the indicators of ‘international orientation’ could be optimally chosen by acquiring firms. Such selection of expertise would depend on these firms’ respective profiles of business risk and also that of the range of industries as well as countries of operation and expansion strategies. An optimal set of choice of top managerial personnel can primarily contribute to a source of comparative advantage for a firm. Moreover, a balance of team confidence arising from diverse experience as well as national cultural mix, would presumably be more desirable, so as not to generate unwarranted (over)optimism, bringing about adverse consequences for the firm. Further, from a regulatory point of view, if the distribution of power and the resultant

interactions due to power differences can be monitored (e.g., by regulating CEO dominance in a TMT) in the team of top executives, strategic decisions can be made more transparent, efficient, involving less friction, also discouraging any ‘groupthink’ (Benabou, 2013) phenomenon that is likely to occur.

Not only the organizations which opt for global expansions or the multinational ones as discussed in the last paragraph, the findings of this thesis can also have implications for the firms which are more domestically-focused. Irrespective of their geographic scope, these firms may also need a talented bank of these globally minded managers. This is because, globalisation of business norms and cultures necessitates more interactions with foreign business partners and diverse workforce and customers, which can be dealt with efficaciously only by the executives who have cross-cultural competence (Piaskowska & Trojanowski, 2014).

Apart from the above implications from a practicable viewpoint, there can be a number of ways in which the findings of this thesis can be investigated further and expanded in scope. Each of the individual chapters discusses a few of these plausible avenues based on its scope. In this concluding chapter, we re-consider them taking a more general overview:

In the main chapters, different facets of TMT ‘international orientation’ have been utilised, to document different results on performance. A semblance of all these different traits to prescribe a comprehensive set of ‘international orientation’ for these firms may also be looked at in addition to it. Some preliminary examination to this effect has been done using factor analysis in Chapter 2. This can be re-examined and explored further in future work.

There can be considerable scope of refining and redefining the determinants of international orientation by combining the data on managerial characteristics (such as specific areas of expertise) with that of psychology of their observed behaviours (such as cognitive patterns and risk orientations). This can be studied in later research. Also, we can refine some of the TMT proxies used for the core chapters. E.g., a more nuanced measure of the amount in years of international experience (depth) as well as the range from different countries of international experience (breadth), can be obtained if the functional and industry specifications can be added (Finkelstein *et al.*, 2008).

Further, the notion of an optimally internationally-oriented TMT in the face of the operationalisation drawbacks mentioned above, could impede its application of its advantages in a straightforward manner. For instance, the data on managerial traits can be improved if an in-depth psychometric collection of data from diverse settings is possible. A similar case of inadequacy with extant TMT data is that psychological and experience-related characteristics of executives are inseparable and later research needs to explore the how they affect one another (Finkelstein *et al.*, 2008).

In view of the unobservable sources of information asymmetry in cross-country M&As as contented in Sub-section 6.2, more sophisticated research tools or quantification measures need to be developed to account for and capture these ambiguous idiosyncratic factors.

Rather than focusing on a single country of acquiring firms, it would be more interesting to expand the scope of each of these individual chapters to the expanse of a wider range of countries, e.g., the developed nations bloc, US & EU. This would help us to compare and analyse whether the present inferences hold with respect to a larger sample of bidder TMTs. This is also important from the point of view of resolving any sample-selection issues (as explained above) that may have unwittingly cropped up. Moreover, using a larger sample is likely to produce findings which could be generalized, which might not be the case when considering a single-country study. Also, if we can get access this way to the TMT data of the target firms, our understanding of the process of negotiation of the deals would improve, thereby we can infer on whether and how a takeover generates wealth for the shareholders of the combined firm.

Finally, future research could also explore how the ‘international orientation’ of TMTs could help their firms in respect of formulating better strategies to thrive and stay competitive in the face of the challenges of globalisation in order to improve overall firm value. Particularly, we can explore in future work, a more complex framework of TMTs, delineating the role played CEO to have a better understanding of how decision-making process is evolved in internationalisation strategies and their plausible consequences on shareholders wealth. Further in future research, we can also control for the individual TMT stakes in their firms, which can express their ‘revealed beliefs’ (e.g. Malmendier & Tate, 2008). Thus, we may also account for any agency problems. This would provide a more comprehensive measure of managerial behavior predicted to influence strategic consequences of a firm.

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