Emerging market multinational enterprises' cross-border mergers and acquisitions: acquisition motives, deal accomplishment, and acquisition performance

By

Yunwen JIANG

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The Department of Management, School of Business, Economics, and Informatics (BEI),

Birkbeck, University of London

Supervisor(s):

Principal: Professor Xiaming LIU

(Birkbeck, University of London, UK)

Secondary: Professor Jing ZHOU

(Southwestern University of Finance and Economics, China)

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Declaration

I hereby certify that this thesis is my original work. It has neither been previously accepted for the award of any degree nor being concurrently submitted for any other degree.

Yunwen Jiang

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Acknowledgement

If I were given a time machine to travel back to three years ago, a time before I started this Ph.D. journey, and tell myself what was about to happen in the future, I am sure the old me would be amazed. Safe to say, the whole journey has been an absolute whirlwind. There are ups and downs, separations and reunions, challenges and opportunities. But most importantly, it is a story of courage and growth, which I will never forget for the rest of my life.

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Chapter one: Introduction

1.1 Research background and thesis structure

Cross-border mergers and acquisitions (CBMAs) are the primary tools for firms to acquire resources overseas when they lack needed resources at home (Cheng & Yang, 2017). First popular among developed market multinational enterprises (DMNEs), then the world witnessed how CBMA has become the vehicle for emerging market multinational firms (EMNEs) to realize their ambitions by expanding internationally, especially in the past two decades (Athreye & Kapur, 2009; Gubbi et al., 2010; Kumar et al., 2020; Zhou et al., 2016; Zhou et al., 2021). The evidence from World Investment Report 2019 (UNCTAD, 2019b) denotes that CBMAs conducted by EMNEs peaked in 2018, accounting for more than 54% of the world's volume that year.

Inevitably, each CBMA process goes through three stages before being finalized: the stage of pre-acquisition, the intermediate stage of completing or abandoning the deal, and the final stage of post-acquisition integration if the deal is successfully closed from the previous stage (Ahammad et al., 2016; Collins et al., 2009; Dikova et al., 2010; Dunning & Lundan, 2008). Research focusing on CBMAs launched by DMNEs pays attention to these three phases and forms abundant theories to provide explanations (Ahsan et al., 2021; Duppati et al., 2015; Pereira et al., 2021; Zhang et al., 2011). However, the uniqueness of acquirers from emerging markets is noticed in terms of firm-specific assets, international experience, and formal and informal institutional environments (Ahsan et al., 2021; Luo & Tung, 2007, 2018; Yu et al., 2015), differentiating them from their counterparts from developed markets. Thus, it is necessary to acknowledge how and why differences between DMNEs and EMNEs emerge during the three stages mentioned above and further develop and test theories considering traits of emerging market acquirers.

During the pre-acquisition stage, the CBMA motive is decided. According to a study from Dunning and Lundan (2008), for firms intending to expand internationally, there are four primary motivations: market seeking, efficiency seeking, resource

seeking, and strategic asset seeking. However, the typology was developed when most of the CBMAs were conducted by firms from developed markets, and this classification may not adapt to EMNEs' CBMA motives. The differences in CBMA motives between EMNEs and DMNEs lie in the fact that they are blessed with different endowments. More specifically, firms from developed markets are more likely to possess firm-specific assets such as technology, brands, and superior management skills (Ahsan et al., 2021; Dunning & Lundan, 2008). Thus, seeking ways to gain market power, efficiency, and diversify risks are major motives for DMNEs (Seth, 1990). On the contrary, for firms from emerging markets, due to the latecomer disadvantages, the eagerness to augment their asset base by acquiring high-quality strategic assets from international markets is great (Athreye & Kapur, 2009; Luo & Tung, 2018). Meanwhile, the longing for efficiency resources is negligible for EMNEs as they are sufficient with low-waged labor (Buckley et al., 2016; Dikova et al., 2019). Therefore, DMNEs and EMNEs have different motives while pursuing CBMAs. How EMNEs' CBMA motives are different from their DMNE counterparts, and what factors drive these motives for EMNEs to acquire globally? Chapter two is aimed to fill these research gaps from a rarely discussed perspective of managers from the acquiring firm: how managers' psychological traits drive different CBMA motives for EMNEs and how situational factors moderate the impact of psychological traits on CBMA motives. The filling of this gap contributes to the literature by providing a reclassification of EMNEs' CBMA motives and shedding light on the importance of the acquiring firm's managers as a granular level of influential factor to CBMA motives.

The second stage of CBMA determines whether a deal is completed or terminated. CBMAs are well-known for their high failure rate between the date of public announcement and the date of resolution. Only in few particular cases, when let go may be a better choice, successful close of a CBMA deal is almost always considered supreme (Dikova et al., 2010; Li et al., 2017). The ground truth is that CBMAs conducted by EMNEs collapse more easily than CBMAs undertaken by DMNEs. For instance, Zhou et al. (2016) detect a 32.5% failure rate in CBMAs conducted by

acquirers from BRIC countries, and other observed abandonment rate by EMNEs is even more than 50% (He & Zhang, 2018; Peng, 2012). Significant gaps in the CBMA completion rate between acquirers from developed and emerging markets are acknowledged, with only an 18% incompletion rate by DMNEs revealed (Dikova et al., 2010). The lack of acquisition experience, especially international acquisition experience is to blame and being able to learn from abundant acquisition experience is the reason why DMNEs are more adept to handling the intermediate phase of CBMAs (Collins et al., 2009; Hayward, 2001; Muehlfeld et al., 2012). Besides, negative formal institutional images left by EMNEs' home country on target stakeholders, especially when target firms are domiciled in developed markets, account for the other half of the reason for termination (Moeller et al., 2013; Yapici & Hudson, 2020). Therefore, it is worth noticing that compared to DMNEs, EMNEs have a significantly higher CBMA abandonment rate, and the reasons behind this phenomenon may be insufficient acquisition experience and the influence of the institutional environment. Therefore, chapter three explores determinants that influence the completion of CBMA deals by EMNEs. Besides the widely acknowledged self-learning channel, the thesis contributes to the literature by recognizing a complementary channel for EMNE acquirers to gain acquisition experience from their peers, industrial spillover. Moreover, the particularity of EMNEs' home institutional environment is also identified.

The final stage of a CBMA process is the post-acquisition integration once the deal is completed from the previous stage. The post-acquisition performance of the acquirer is a vital indicator of success. Unlike the two previous stages, there is no consensus on the post-acquisition performance of DMNEs and EMNEs. Current literature shows evidence that CBMAs undertaken by either DMNEs or EMNEs can generate negative, positive, insignificant, or even 'U-shaped' financial performance (Ahammad & Glaister, 2013; Dikova & Rao Sahib, 2013; Liou & Rao-Nicholson, 2019; Pereira et al., 2021; Zhu et al., 2017). Many decisive factors have been discussed, and the perspective of how post-acquisition integration is viewed matters. The institutional view is a noticeable stream of discussion. Culture, the informal institution, plays a

significant part in the interaction and integration between the acquiring and target firms (Birkinshaw et al., 2000; Björkman et al., 2007; Chakrabarti et al., 2009; Larsson & Lubatkin, 2001; Morosini et al., 1998; Reus & Lamont, 2009; Shenkar, 2001; Zhang et al., 2011). DMNEs and EMNEs have different cultural traits when considered from a multi-level cultural construction (Luo & Shenkar, 2011; Shenkar et al., 2008). Thus, this provides us with a premise to differentiate between DMNEs and EMNEs in the integration of CBMAs. How are the actual cultural contacts between the EMNE acquiring and target firm measured? How do cultural factors influence the post-acquisition integration process? Chapter four fills in the research gap embarking on a case-based perspective, and multi-level cultural friction is constructed. By focusing on managers' perceived cultural friction level, managers are speculated to adopt different managerial cultures on different managerial tasks during CBMA integration, and the thesis assumes a U-shaped relationship between cultural friction and CBMA performance. Besides, managers' psychological traits are included in the theoretical framework as a moderator.

The above states why and how DMNEs and EMNEs are different in terms of CBMA motives, completion and abandonment of CBMA deals, and post-acquisition performance. Under this research background, the calling for finding factors that influence each CBMA stage is thus necessary for EMNEs. Specifically, we want to answer the following questions, and chapters two to four answer them accordingly.

1. What factors influence EMNEs' CBMA motives, and what are the mechanisms?
2. What determines whether a CBMA deal conducted by EMNEs is closed or not and how?
3. What differentiates DMNEs and EMNEs in the process of post-acquisition integration, and for EMNEs, how is post-acquisition performance influenced?

In chapter two, to better discuss EMNEs' CBMA motives, a reclassification of CBMA motives is performed using a sample of Chinese acquirers. We notice that besides the motives of strategic asset seeking and non-strategic asset seeking (i.e., market / natural resources seeking), there are CBMAs with mixed purposes (i.e., a

motive consisting of both strategic asset seeking and market/natural resource seeking). A salient but overlooked aspect, the acquiring firm's managers' psychological characteristics, is discussed about its effect on CBMA motives. In effect, managers are powerful operators whose psychological characteristics are proven to shape a firm's strategic decisions (Chatterjee & Hambrick, 2007; Delgado-García & De La Fuente-Sabaté, 2010; Hiller & Hambrick, 2005). We introduce regulatory focus, a psychological characteristic to describe two different ways people prefer to take while attaining goals, and study its impact on shaping the EMNE's CBMA motives (Gamache et al., 2014; Higgins, 1998b; Higgins et al., 1997). Moreover, to observe how situational factors trigger the effect of regulatory fit and impact on the relationship mentioned above, we introduce two moderating variables, CSR and ROE of the acquiring firm. We find that managers' promotion focus is positively related to the pursuit of strategic asset seeking CBMAs, and the acquirer's pre-acquisition sound CRS performance strengthens the above relationship. In contrast, managers with a prevention focus are reckoned to incline to seek non-strategic asset seeking CBMAs. The acquirer's unsatisfying financial performance is considered a catalyst for the above relationship.

Chapter three discusses the determinants of the completion or abandonment of CBMAs undertaken by EMNEs. From the perspective of M&A strategy, there is evidence showing that CBMAs with different strategies may face various impediments during the intermediate phase (Flanagan, 1996; Nicholson & Salaber, 2013; Zhang et al., 2011). More specifically, this chapter discusses two types of M&A strategies, related and unrelated M&As, which are classified by the acquiring and the target firms' industrial relatedness (Fan & Yuan, 2002; Liu, 2014, 2017). Learning from self-experience is a widely acknowledged way for firms to overcome difficulties (Hayward, 2001; Muehlfeld et al., 2012), while for EMNEs, given their lack of acquisition experience, learning from peers as another channel for gaining knowledge is valued (Griliches, 1979; McKendrick, 2001; Xie & Li, 2017). This chapter reckons each M&A strategy corresponds to a type of acquisition experience: self-learning acquisition experience helps improve the completion rate of related CBMAs, and industrial

spillover acquisition experience is positively related to the completion of unrelated CBMAs. Furthermore, considering the institutional particularity of emerging market acquirers, the good institutional environment in the host country is unexpectedly regarded as having a weakening effect on the relationship between acquisition experience and the completion of CBMAs (De Beule & Duanmu, 2012; Desai et al., 2004; Kolstad & Wiig, 2012; Morck et al., 2008).

Chapter four focuses on the finalization of CBMAs, the integration of the acquiring and target firms, and the post-acquisition performance is used as a measure. This chapter first discusses depicting proper cultural differences between two CBMA entities. Current literature largely relies on the metaphor of cultural distance, a standard, straightforward construct, but decontextualized and casts the acquiring and target firms as "strangers who are never set to meet" (Fuad & Gaur, 2019; Koch et al., 2016; Popli et al., 2016; Shenkar, 2012). A multi-level construction, cultural friction, is built to capture actual cultural interactions, which allows us to look specifically into traits of each CBMA undertaken by EMNEs during the integration process. Then, differing from the existing research that takes as a default the impact of cultural differences on the integration of cross-border mergers and acquisitions (CBMAs), this chapter highlights that it is the managers of the acquiring firm that perceive the cultural friction between the CBMA entities and choose appropriate managerial culture to complete various managerial tasks during the CBMA integration, resulting in different performance (Dikova & Rao Sahib, 2013; Haspeslagh & Jemison, 1991; Ma et al., 2016; Meyer & Altenborg, 2008; Slangen & Van Tulder, 2009). We theorize and verify a curvilinear relationship (i.e., a U-shaped relationship) between cultural friction and the CBMA performance of Chinese acquirers. Besides, even towards the same level of cultural friction, managers with different psychological characteristics may have distinctive understandings and thus act differently managers (Higgins, 1998b; Johnson et al., 2015). Therefore, managers with different regulatory focuses tend to take cultural friction either as a thruster or as a bummer (Hiller & Hambrick, 2005; Liao & Long, 2018). This chapter further proves that the acquirer's managers' high prevention focus level

flattens the curvilinear relationship mentioned above.

Chapter five gives a general summary of major findings, and theoretical as well as managerial contributions of this thesis. Limitations and future orientations are also discussed in this chapter.

Figure 1 below depicts the structure of the thesis also indicates major relationships this thesis looks into.

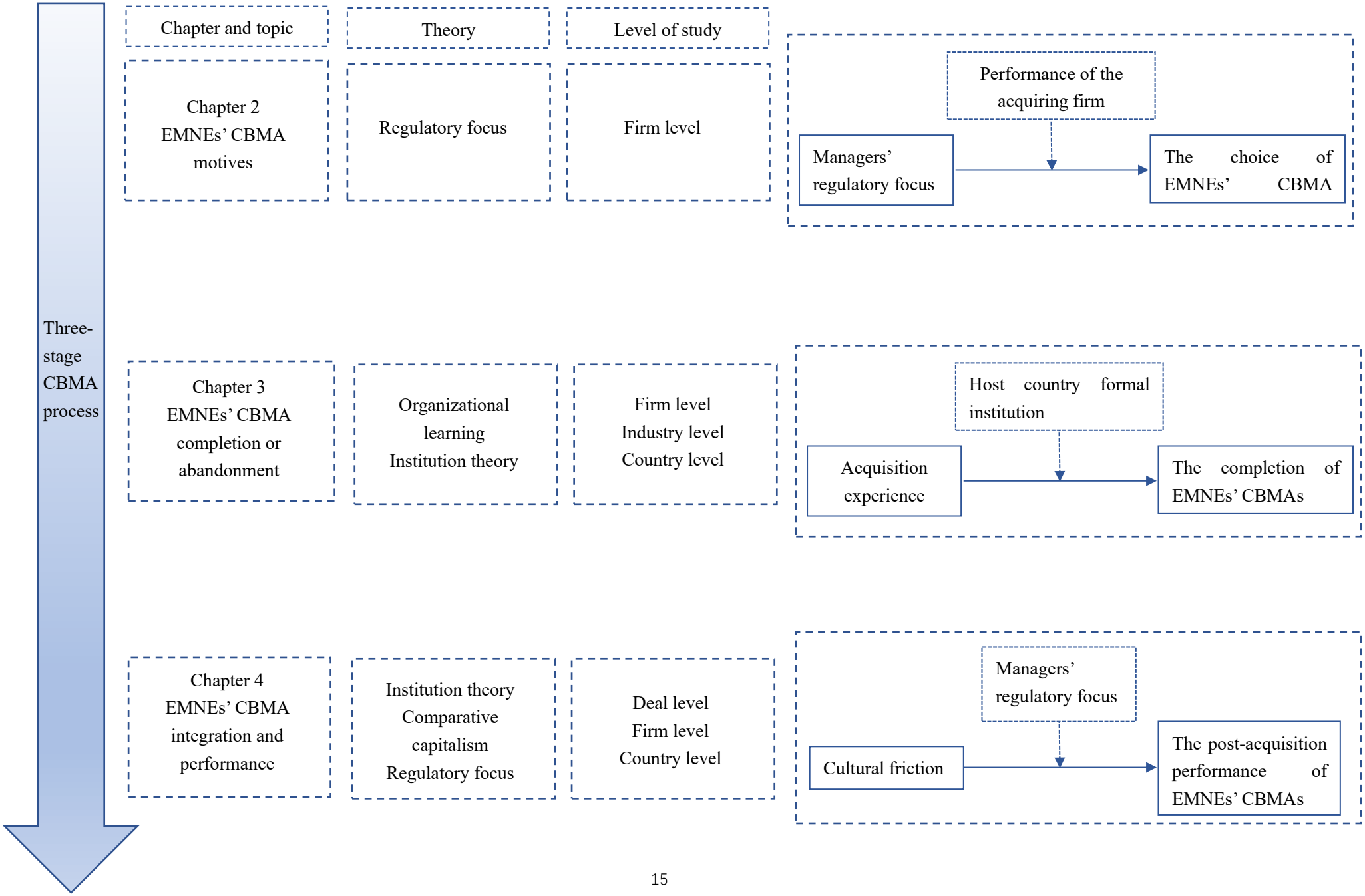

Figure 1 Thesis structure

1.2 Institutional background of Chinese firms as CBMA acquirers

CBMAs conducted by Chinese firms are the empirical context of this study. China is the largest emerging economy, and CBMA cases undertaken by Chinese firms have grown exponentially in the past two decades (UNCTAD, 2019). China made more than 66 percent of CBMA purchases out of all BRIC countries (Brazil, Russia, India, and China) plus South Africa (Du & Boateng, 2015). The role of home country institutions in the internationalization of EMNEs is stressed by researchers as firms require legitimacy provided by institutions to survive, succeed, and make strategic choices (Deng & Zhang, 2018; Peng, 2002; Scott, 2008). Therefore, as a representing but distinctive emerging market, the institutional background of China is expected to be discussed. More specifically, what is the institutional background of China's CBMAs, and how is China's institutional background similar to and different from other leading emerging economies.

First, this section aims to answer the institutional background of China's CBMAs. Like other emerging markets, the surge of CBMAs is credited to reforms and changes in the home country's institutional environment (Du & Boateng, 2015). Two massive market reforms indicate the change in the institutional environment in China. These reforms include the establishment of the Shanghai and Shenzhen Stock Exchanges in 1989 and 1991, respectively, and the simplification and decentralization of foreign exchange administration in 2003 and 2006 (Voss et al., 2010; Wu & Sia, 2002). Both reforms facilitate the liberalization of the financial market in China and reduce capital control and the costs of doing business (Cui & Jiang, 2012; Du & Boateng, 2015), establishing the transformed institutional basis for Chinese firms to acquire internationally (DiMaggio & Powell, 1983; Peng, 2003; Xie et al., 2017).

Besides these market reforms, a crucial reason behind Chinese firms' massive CBMAs is the Chinese government's "go global" policy (Deng, 2009; Liu et al., 2021). Both state-owned enterprises (SOEs) and private-owned enterprises (POEs) from China take part in CBMA activities, but with SOEs playing the main characters (Chen & Young, 2010; Hoskisson et al., 2013; Hoskisson et al., 2000). Evidence shows that the

"go global" policy has different impacts on Chinese acquirers with different ownerships (Deng & Zhang, 2018; Luo et al., 2010; Wu & Deng, 2020). Large, resource-rich SOEs are surrogates for pursuing socio-economic and political objectives for the home country's government and are therefore beneficiaries of the state-promotion "go global" policy (Guariglia et al., 2011). SOEs receive tax rebates, foreign exchange assistance, and financial support in CBMAs and face fewer financial constraints (Lin & Bo, 2012). In contrast, POEs often have the liability of smallness that cause difficulties when they access domestic resources (Deng & Zhang, 2018; Ji & Dimitratos, 2013). The domestic institutional context constrains them as government policy does not favor them (Child & Marinova, 2014; Deng et al., 2020; Deng & Zhang, 2018). Thus, the "go global" policy prompts SOEs and POEs from China to acquire globally through different channels, with SOEs benefiting from the policy and POEs trying to reduce exposure to domestic institutional constraints caused by the policy (Stoian & Mohr, 2016). Especially during the financial crisis in 2008, the world witnessed a booming trend of CBMAs by Chinese firms, which coincided with the massive stimulus package undertaken by the Chinese government (Huang, 2011; Shi et al., 2013). Around 90% of funds went to assist SOEs, leading to the escape of POEs for better financial resources and non-discriminative treatments in overseas markets (Morck et al., 2008; Wu & Deng, 2020).

This section further explores how China's institutional background is similar to and different from other leading emerging economies. Emerging markets share institutional similarities. For instance, home-country governments of emerging markets direct and support domestic firms' internationalization activities through government ownership (Buckley et al., 2007). Also, China as a unique emerging market is distinct from other major emerging markets. Even if China and Russia are considered alike because of their communist heritage and a transition towards "some kind of state capitalism," the proportion of POEs among multinationals is much higher in Russia (Dikova et al., 2019). However, the ratio of SOEs conducting CBMAs in Russia and China is higher than the number in India and Brazil (Andreff, 2016). The Chinese

government is considered to perform more forceful policies (e.g., Belt and Road Initiative) to encourage outward investments, but the Indian government does not have concrete policy initiatives to boost OFDI (Mukhtar et al., 2022; Zhu & Sardana, 2020; Zhu et al., 2022). Similarly, the Brazilian government does not strongly interfere with its firms' internationalization as there is no policy heavily targeting OFDI. Policies from the governments of India and Brazil are only limited to helping firms raise funds for OFDI (Andreff, 2016).

Even though there are differences in institutional backgrounds between China and other emerging firms (e.g., Chinese government has much heavier involvement in OFDI activities), given the institutional similarity of China and other emerging markets in government ownership of firms and a series of institutional reforms that boost CBMAs (Andreff, 2016; Du & Boateng, 2015), this study could, to some extent, be generalized to other emerging economies and serve as a lesson for policymakers and managers.

1.3 Potential contributions

This thesis is aimed to answer questions that acquiring firms from emerging markets may encounter during the three-stage CBMA process. Namely, this thesis discusses: what triggers motives for EMNEs to acquire internationally, what affects the completion or abandonment of CBMAs undertaken by EMNEs, and what factors impact the post-acquisition integration process of EMNE acquirers. In general, by delving into these questions, each chapter has its theoretical and managerial contributions.

In chapter two, where factors influencing the choice of CBMA motives are discussed, the author endeavors to put forward three theoretical contributions. The first contribution lies in the revelation of why and how EMNEs' CBMA motives differ from DMNEs' and the reclassification of CBMA motives into three types instead of the traditional four-category typology developed by Dunning and Lundan (2008). As a

result, we raise the idea that some CBMAs consist of mixed-purposed motives, likewise seeking for both strategic-asset and market/natural resources through CBMAs. The second contribution is that this chapter builds a theoretical framework incorporating the regulatory focus theory into the IB realm to illustrate how firm-level managers' psychological characteristics influence the choice of EMNEs' CBMA motives. Therefore, this chapter complements the strand of literature focusing mainly on country-level factors influencing international expansion motives and probes the question from a more granular firm-level perspective managers(Chatterjee & Hambrick, 2007; Delgado-García & De La Fuente-Sabaté, 2010; Hiller & Hambrick, 2005). Last, embarking on the effect of regulatory fit, this paper explores how the fit between situational factors (i.e., performance) and managers' regulatory focus amplifies the impact of regulatory focus on the tendency to choose a particular type of CBMA motive. Practically, this chapter raises two implications. The first piece of advice to managers is that they should fully consider the status quo of the acquiring firm in terms of what CBMA strategy suits the firm best, instead of being dominated by their psychological characteristics when making CBMA motive choices. The second managerial implication is that managers should acknowledge the influence of situational factors and the impact of regulatory fit on their choice of CBMA motives so that rational decisions will be made.

Three major theoretical contributions are listed in chapter three as well as three managerial contributions. First, this chapter introduces the supplementary learning channel: industrial spillover, which offers the benefits of learning from the type of experience that the well-known self-learning experience lacks (Collins et al., 2009; J. Haleblian & Finkelstein, 1999; Hitt et al., 2000; Nelson & Winter, 1982; Pu & Soh, 2018). Due to the fact that EMNEs lack CBMA experience, the supplementary learning channel acts as an essential source of experience for acquirers from emerging markets (Francis et al., 2014; Zollo & Singh, 2004). Therefore, based on the learning perspective, this study first builds a comprehensive framework indicating how self-learning and industrial spillover experiences together help bring complex and expensive CBMAs

conducted by EMNEs to successful completion. Second, to the author's best knowledge, this chapter is the first to align different acquisition experiences (i.e., self-learning and industrial spillover experiences) with the completion of different M&A strategies (i.e., related and unrelated M&As). According to the extant literature, different M&A strategies face various obstacles during the intermediate phase, and acquisition experience gained from different sources can address these difficulties in a specific way (Almazan et al., 2010; Amburgey & Miner, 1992; Finkelstein & Haleblian, 2002; Francis et al., 2014; Haleblian et al., 2006; Hitt et al., 2001). Third, to better align with the context of CBMAs conducted by EMNEs, this chapter further includes the formal institutional quality in the host country as organizational learning outcomes should be put under an institutional context (Aguilera & Grøgaard, 2019). Considering the particularity of EMNEs, this chapter reckons that EMNEs are better at navigating more opaque political constraints (Desai et al., 2004; Kolstad & Wiig, 2012; Morck et al., 2008), which is contradictory to the common sense that better host institutional quality reduces the ambiguity and uncertainty of the investment environment (North, 1990; Surdu et al., 2018; Zhang et al., 2011). Practically, managers are encouraged to identify M&A strategies and seek corresponding acquisition experience; exercise scrutiny about the firm and industry life stage and make sure acquisition experiences are valid; and treat the host country's institutional quality carefully, for it can have counter-intuitive effect on acquirers from emerging markets.

Likewise, chapter four includes three contributions each for theory building and managerial improvement. The first theoretical contribution is the development of the contextualized measurement of actual cultural differences between the acquiring and the target firms, cultural friction. This chapter embarks on the comparative capitalism (CC) approach, which emphasizes how institutions must be analyzed in a particular "case" as part of broader, non-random configurations of institutions (Jackson & Deeg, 2008). To contextualize CBMAs, country and deal level traits are included in cultural friction, reckoned by the author as a more proper way to capture actual cultural interactions than the widely adopted cultural distance construct (Li et al., 2019; Luo &

Shenkar, 2011; Shenkar, 2001). Second, differing from the existing research that takes as a default the impact of cultural differences on the integration of CBMAs, this chapter builds up the theoretical framework highlighting the choices of appropriate managerial cultures to complete various managerial tasks during the CBMA integration process are based on the cultural friction level perceived by managers of the acquiring firm, resulting in CBMA integration performance. Therefore, this chapter contributes by providing nuanced insights into EMNEs' CBMA performance from an important but rarely discussed perspective. Moreover, motivated by the regulatory focus theory, a firm-level trait of the acquirer's managers' psychological characteristic is added to the framework to indicate how managers with different regulatory focuses perceive cultural friction and how this characteristic moderates the relationship between cultural friction and CBMA performance. Altogether, this chapter clarifies EMNEs' post-acquisition integration from the perspective of multi-level institutional configurations and a firm-level trait. In terms of practical contributions, the novel and constructive suggestion is for managers to think beyond the widely accepted cultural distance as a representation of cultural differences. Instead, more attention should be paid to the actual cultural interaction during the CBMA integration process, and managers should acknowledge the multi-level construct of cultural differences. Besides, the neutrality of cultural friction should be noticeable in practice as it can bring advantages but also cause damages in the integration process. Lastly, managers are powerful influencers of the acquiring firm whose psychological inclination can subtly change the atmosphere between the CBMA entities and hence influence the integration outcomes.

Chapter two: Reaching potentials or keeping promises? How are EMNEs' CBMA motives shaped by managers?

Abstract

Acknowledging differences in cross-border merger and acquisition (CBMA) motives between emerging market multinational enterprises (EMNEs) and their developed counterparts, this paper reclassifies EMNEs' CBMA motives into three types instead of the traditional four-category typology. Embarking on the regulatory focus theory, we develop a theoretical framework discussing how the choice of EMNEs' CBMA motives is shaped by the acquiring firm's managers' psychological characteristics (i.e., regulatory focus). Besides, an effect of regulatory fit is incorporated into the framework to show the moderating role of situational factors. Using a sample of 658 CBMA deals launched by Chinese listed firms, our research reveals that managers with a promotion focus are inclined to pursue CBMAs out of strategic asset seeking. In contrast, managers with a prevention focus tend to seek non-strategic assets through CBMAs. Further, we show that a sound corporate social responsibility performance (CSR) of the acquiring firm reinforces the relationship between promotion focus and seeking strategic assets through CBMAs. An unpromising financial performance of the acquiring firm resonates with and amplifies the impact of prevention focus on seeking non-strategic assets.

Keywords: Managers; Regulatory focus; CBMA motives; EMNEs

2.1 Introduction

CBMAs have become a prominent way for EMNEs to expand internationally, following the steps of their counterparts from developed markets, DMNEs (Ahsan et al., 2021; Dikova et al., 2019; Yang & Deng, 2017; Zhou et al., 2016). Each and every CBMA is undertaken for specific motives. Primarily, according to Dunning and Lundan (2008), motives for firms to expand internationally are classified into four categories, namely market seeking, efficiency seeking, resource seeking, and strategic asset seeking. However, Buckley and Munjal (2017) argue that due to the fact that Dunning's theory was developed in an era when most of the CBMAs were conducted by firms from developed markets, this classification may not adapt to EMNEs' CBMA motives. Specifically, the efficiency-seeking motive is ruled out as emerging markets are abundant with domestic low-waged labor (Buckley, Clegg, et al., 2007; Moghaddam et al., 2014), and a study from Dikova et al. (2019) also fails to support the motive of efficiency-seeking using Russian firms' CBMA data. Notwithstanding that some research notices the differences in CBMA motives between EMNEs and DMNEs (Luo & Tung, 2007; Moghaddam et al., 2014), one thing most research takes as default is that each CBMA deal is only assigned with a single motive (Ahsan et al., 2021). However, there is evidence that some acquisitions can have more than one motives (Lim & Lee, 2016).

In this paper, we reclassify EMNE's CBMA motives into three types. To our best knowledge, we first bring out mixed-purpose CBMA motives (i.e., a motive consisting of both strategic asset seeking and market/natural resource seeking) and look into factors that trigger all kinds of CBMA motives by EMNEs. Mixed-purpose motives are identified in acquiring firms' annual reports/announcements for outward investment. Although CBMA's mixed-purpose motives are quite common in practice, current research ignores the existence of multiple CBMA motives. Instead, research papers tend to identify only one CBMA purpose for each CBMA deal (Please see the following research papers: Zhu et al., (2022), Lim and Lee (2016), Pan (2017), Lee (2017), and Elia and Santangelo (2017)). There is a calling for delineating mixed-purpose motives

of CBMAs by adopting case-based data (Athreye et al., 2021). As a typical CBMA strategy, which takes up more than 20 percent of this chapter's total sample, the importance of mixed-purpose strategies should not be ignored. Simply classifying mixed-purpose motives into single-purpose motives is not reasonable as this is inconsistent with the acquiring firm's real intention.

A strand of literature seeks explanations for the determinants of CBMA motives from the country level, such as the host country market size, natural resource endowment, knowledge-based asset endowment, as well as host country's superior institution (Buckley & Munjal, 2017; Deng & Yang, 2015; Dikova et al., 2019; Rabbiosi et al., 2012; Rasciute & Downward, 2017). Another spectrum of literature provides an understanding of CBMA motives referring to firm-specific competitive advantages such as a firm's international experience, size, and ability to differentiate products (Verbeke et al., 2008). Despite these firm characteristics, what should not be ignored is the power of managers who act as operators of the acquiring firm (Cui et al., 2014; Luo & Tung, 2007, 2018; Rui & Yip, 2008). In effect, managers' psychological characteristics are proven to shape a firm's strategic decisions (Chatterjee & Hambrick, 2007; Delgado-García & De La Fuente-Sabaté, 2010; Hiller & Hambrick, 2005). As such, this research brings in an overlooked but salient attribute, regulatory focus, to describe managers' psychological characteristics and studies its impact on shaping the EMNE's CBMA motives.

In addition, the intervention of situational factors tends to make our theoretical framework interesting because managers with a particular regulatory focus may act differently when different situations are perceived (Gamache et al., 2014; Higgins, 2000; Pham & Chang, 2010). Thus, we further incorporate into our framework the motive impacts when objective situational factors (i.e., performances) fit the managers' regulatory focus. Two types of performance feedback, the acquiring firm's CSR as the non-financial performance indicator and ROE as the financial performance indicator, are considered.

This paper focuses on CBMAs undertaken by Chinese firms during the 2000-2018

period. Previous research indicates that the home country's institution is one factor that triggers unique CBMA motives for firms from emerging markets (Dikova et al., 2016; Lebedev et al., 2015; Xie et al., 2017). As a representative but also the unique emerging economy, the institutional background for Chinese firms to acquire globally is worth discussing. It is widely acknowledged that the majority of firms that undertake OFDI in China are SOEs (Child & Marinova, 2014; Kolstad & Wiig, 2012). China's central or local government controls many large firms that possess critical industrial and financial resources (Rao-Nicholson & Salaber, 2013; Wu & Deng, 2020). SOEs undertake CBMAs according to the political will of the government. Securing natural resources is the state imperative, and acquiring advanced technology and management expertise benefits firms' global competitiveness (Zhang et al., 2011). However, even though the Chinese government involves heavily in Chinese firms' OFDI activities, the motives of CBMAs by Chinese acquirers are mutually influenced by firm-specific considerations (Dikova et al., 2016; Luo & Tung, 2018). Firms from different emerging markets share similar constraints, motives, and experiences in expanding globally. Therefore, the general empirical conclusions drawn from Chinese CBMAs apply to other emerging markets (Luo & Tung, 2007).

The paper finds that managers' promotion focus positively relates to the acquiring firm's seeking of strategic assets through CBMAs. In comparison, managers' prevention focus facilitates the seeking of non-strategic assets. Moreover, the acquiring firm's sound CSR performance strengthens the relationship between promotion focus and the seeking for strategic assets. For the financial performance of the acquiring firm, a good financial performance, on the contrary, weakens prevention-focused managers' eagerness to gain non-strategic assets.

Our study is reckoned to have three theoretical contributions. First, we discuss why and how EMNEs' CBMA motives differ from DMNEs' and reclassify CBMA motives into three types instead of the traditional four-category typology developed by Dunning and Lundan (2008). As a result, we are believed to raise the idea that some CBMAs consist of a mixed-purposed CBMA motive, likewise seeking for both strategic

asset and market/natural resources through CBMAs. This contributes to the literature by acknowledging the existence of mixed-purpose CBMA motives in practice and its ignored but essential status to be reckoned with in research. Identifying mixed-purpose motives allows a holistic examination of factors that trigger EMNE's CBMAs, beyond CBMAs with only single motives. Second, we build a theoretical framework using the regulatory focus theory to illustrate how firm-level managers' psychological characteristics influence the choice of EMNEs' CBMA motives. Last, embarking on the effect of regulatory fit, this paper explores how the fit between situational factors and managers' regulatory focus amplifies the impact of regulatory focus on the tendency to choose a particular type of CBMA motive. In addition to theoretical contributions, we endeavor to make two managerial suggestions for EMNEs planning to undertake CBMAs, based on our findings. We recommend managers think about the acquiring firm's current status before making decisions on CBMA motives and avoid letting those decisions be dominated by their personal wills. Furthermore, managers are expected to be fully aware of how situational factors, together with their regulatory focus, can fan their decisions. Overall, a lucid and calm mindset is essential for managers when making decisions on CBMA motives.

The structure of this study is shown below. Section 2 reviews relevant literature and develop hypotheses. Section 3 consists of sample description, variables, and model setting. Then details of data analysis are presented in section 4, followed by a discussion around the results compared to the extant literature and the contributions in Section 5.

2.2 Literature review and hypothesis development

2.2.1 CBMA motives for EMNEs

During the era when DMNEs' international expansions were prevailing, the four-category typology developed by Dunning and Lundan (2008), namely market seeking, efficiency seeking, resource seeking, and strategic asset seeking, describes the impetus for international expansions of DMNEs. However, in recent two decades, EMNEs have been playing an increasingly important role in globalization, mainly through

conducting CBMAs (Gubbi et al., 2010; Madhok & Keyhani, 2012), and their expansions are different in many ways compared to their counterparts from developed markets (Athreye & Kapur, 2009; Athreye et al., 2021; Sun et al., 2012). Firms from developed markets are more likely to possess firm-specific assets such as technology, brands, and superior management skills (Ahsan et al., 2021; Dunning & Lundan, 2008). Thus, seeking ways to gain market power, efficiency, and diversify risks are primary motives for DMNEs (Seth, 1990). On the contrary, for firms from emerging markets, the eagerness to augment their asset base by acquiring high-quality strategic assets from international markets is huge (Athreye & Kapur, 2009). Overall, although both DMNEs and EMNEs share common motives for seeking market and natural resources overseas (Buckley, Clegg, et al., 2007; Wang & Boateng, 2007), strategic asset seeking is vital for EMNEs to overcome latecomer disadvantages on the global stage (Luo & Tung, 2007, 2018). In addition, efficiency-seeking for exploiting the low-cost labor in foreign markets is arguably a less critical motive for EMNEs than DMNEs (Buckley, Clegg, et al., 2007; Moghaddam et al., 2014), as they already have domestic abundant low-wage labor. In a word, the motives for EMNEs' global strategies are, in some way, not tailored by the Dunning's four-category typology and thus call for more explanations (Dikova et al., 2019; Gammeltoft et al., 2010; Luo & Tung, 2007).

It is also noticed that CBMA motivations are often analyzed at the aggregated country level (Chari & Acikgoz, 2016; Dunning et al., 2007; Lee, 2017; Yu et al., 2015). Undoubtedly, factors such as market size, resources endowment, and knowledge endowment at the country level matter for CBMA motives (Buckley & Munjal, 2017). However, CBMA motives are more of decisions at micro levels, which require an analysis of firm-specific factors (Barkema & Vermeulen, 1998; Buckley, Devinney, et al., 2007; Moghaddam et al., 2014). Expressly, from the firm-level perspective, it is worth highlighting the role of leadership characteristics in the firm's internationalization motivation (Cui et al., 2014; Luo & Tung, 2007, 2018; Rui & Yip, 2008). This strand of literature has increasingly valued the impact of psychological attributes of single executives (i.e. CEO's narcissism, overconfidence, affectivity, and

charisma) on firms' strategic decisions (Chatterjee & Hambrick, 2007; Delgado-García & De La Fuente-Sabaté, 2010; Dutta et al., 2016; Gamache et al., 2014; Hambrick & Mason, 1984; Mihalache et al., 2012). Given that organizations are not dominated just by CEOs, the managers as a whole also affect intragroup dynamics and organizational outcomes (Johnson et al., 2015; McMullen et al., 2009). As such, besides the country-level motives, we also focus on managers' psychological attributes and their interacting impact on EMNEs' CBMA motives.

2.2.2 Managers' regulatory focus and CBMA motives

According to Carver and Scheier (2001) and Johnson et al. (2006), regulatory focus theory pertains to self-regulation and indicates that people pursue goals through two different focuses, namely the promotion focus and the prevention focus (Higgins, 1998a, 1998b). People bearing a promotion focus are sensitive to the presence and absence of positive stimuli (Gamache et al., 2014). When achieving goals, they tend to strive towards opportunities for accomplishment and growth (i.e., seeking for gains) or what "could" be (Higgins et al., 1997), while avoiding missing potential opportunities (i.e., avoiding missing gains) (Gamache et al., 2014). As for their attitude towards risks, these people are typically more tolerable and careless if they reckon risks as a sign of them moving closer to ideal states (Higgins & Spiegel, 2004). As such, people with promotion focus are likely to be bolder and adopt eagerness-related strategies when pursuing goals (Crowe & Higgins, 1997).

In contrast, a prevention focus sensitizes people to the presence and absence of negative stimuli (Gamache et al., 2014). This type of people would stress the importance of safety, responsibility, and security in the process of achieving goals as they are persistent to what "should be" instead (Crowe & Higgins, 1997). Consequently, they would endeavor to minimize their chance of making mistakes (i.e., avoiding losses) (Förster et al., 2003; Gamache et al., 2020; Kark & Van Dijk, 2019) and maximize non-losses. Compared to strategies adopted by people with a promotion focus, people with a prevention focus are more conservative and vigilant in decision-making (Higgins & Spiegel, 2004).

What is worth noticing is that both prevention and promotion focus can be associated with successful goal achievement only in different strategic means (Brockner & Higgins, 2001). Similarly, given the context of pursuing CBMAs, it is reasonable to infer managers as a whole from acquiring firms can have distinct CBMA motives induced by managers' different regulatory focuses.

2.2.2.1 Managers' promotion focus and strategic asset seeking motives

Among the four-category typology of CBMA motives, strategic asset seeking refer to the acquisition and exploitation of technology, R&D, human capital, brand name, buyer-supplier relationship, and management capabilities (Athreye et al., 2021; Luo & Tung, 2018; Teece et al., 1997), which are scarce, uneasily traded, inimitable, and durable resources/capabilities (Amit & Schoemaker, 1993; Deng, 2009) and are evidently vital to a firm's long-term development. Normally, the value created from strategic assets for one stakeholder also creates value for the others as stakeholders are interdependent[1] (Freeman, 2010; Parmar et al., 2010). For instance, acquiring advanced technology as a strategic asset can make stakeholders better off in many ways, such as better company reputation, more significant sales, higher corporate credit rankings, and more motivated and productive employees. Therefore, acquiring strategic assets can help a firm maintain positive relationships with its stakeholders, which benefits the firms' long-term sustainability and competitiveness (Cui et al., 2014).

Though acquiring strategic assets can be more uncertain than non-strategic assets (Athreye et al., 2021; Capron et al., 1998; Lim & Lee, 2016; Vermeulen & Barkema, 2001), managers with a strong promotion focus are still enamored of it. Since they are more likely to be optimistic about the positive results of these accomplishments, they tend to avoid "errors of omission" (Crowe & Higgins, 1997). They will be proactive in finishing their goals, even when goals are uncertain (Johnson et al., 2015). Besides, they are more willing to pursue temporally distant goals, which may not be practical or

[1] According to Freeman and Dmytriyev (2017), it is incorrect to believe that if firms help communities, then shareholders will receive a lower return on their investment; or if the firm provides very good terms for their suppliers, customers will suffer to pay more. These are false dichotomies to think about trade-offs between stakeholders, and in fact they are interdependent.

can even bring side effects in the short term but may benefit both internal and external stakeholders in the long term (Kammerlander et al., 2015; Pennington & Roese, 2003). In this concern, we reckon that strategic asset seeking as a motivation of CBMA is more likely to be chosen by managers with a promotion focus. From this, we have:

H1: Managers' promotion focus of the acquiring firm is positively associated with strategic asset seeking CBMAs.

2.2.2.2 Managers' prevention focus and non-strategic asset seeking motives

As stated above, managers with an intense prevention focus stress "ought self." The way they do things implies a strong sense of accountability, obligation, and responsibility (Gamache et al., 2020). As the agents of firm's shareholders, managers are delegated to make decisions on behalf of principals and take charge of the firm's day-to-day operation (Eisenhardt, 1989). Therefore, managers bearing a prevention focus feel entrusted and have primary responsibilities to shareholders (Gamache et al., 2014), instead of stakeholders. By putting shareholders' interest in the first place, prevention-focused managers make sure things do not go against shareholders' interest (things do not go wrong) during the process of achieving goals (Kammerlander et al., 2015).

Given the notorious failure rate and high uncertainty of CBMAs (Lewis & Bozos, 2019; Mukherji et al., 2013; Zhou et al., 2021), conducting CBMAs can cost a fortune and, in the end, may bring down the acquiring firm's financial performance, thereby harming shareholders' interest. Compared to strategic asset seeking CBMAs aiming at relatively abstract and fuzzy acquisition outcomes, which involve more uncertainty (Lim & Lee, 2016; Vermeulen & Barkema, 2001), non-strategic asset seeking (i.e., market-seeking and resource seeking) CBMAs are much safer choices (Athreye et al., 2021). For instance, market-seeking CBMAs are intended to directly serve the host country market with local production and distribution rather than through exporting (Brouthers et al., 2008; Nachum & Zaheer, 2005), while resources seeking CBMAs aim to sustain reliable input supplies by leveraging access to natural resources that are scarce to obtain in the home market (Hong et al., 2019). In sum, the non-strategic asset

seeking CBMAs expose shareholders to lower risks and tend to guarantee the interest of shareholders to the greatest extent. Therefore, managers with a strong prevention focus are motivated to initiate non-strategic asset seeking CBMAs which are more controllable and less risky to secure shareholders' interest (Kammerlander et al., 2015). Our second hypothesis is summarized as:

H2: Managers' prevention focus of the acquiring firm is positively associated with conducting non-strategic asset seeking (i.e., market seeking or resource seeking) CBMAs.

2.2.3 The moderating effect of regulatory fit

Gamache et al. (2014) stated that regulatory focus does not operate in a vacuum, suggesting that situational characteristics are also influential on regulatory focus's effect. In other words, the same regulatory-focused person may perform differently under different situations. When situational characteristics are consistent with the regulatory focus, the effect of regulatory focus is then accentuated, which is called regulatory fit (Higgins, 2000; Pham & Chang, 2010). Since performance feedback is one of the most salient situational characteristics in organizations (Brockner & Higgins, 2001), we consider two types of performance feedback: the acquiring firm's corporate social responsibility performance (CSR) and its financial performance.

First, due to local stakeholders' legitimate concerns (He et al., 2012; Wang et al., 2014), CBMAs conducted by EMNEs are often hindered by the negative institutional image of acquiring firms' home countries (He & Zhang, 2018; Moeller et al., 2013). This is especially true when the local targets are from countries with strong legal protections, and the foreign acquirers are from emerging countries perceived as unprincipled ones who could destroy the well-being of the local stakeholders' community (Yen & André, 2019). Besides, acquiring strategic assets may incur extra hurdles from the host government for national security apprehension (Li et al., 2017). The interference from local stakeholders can make the CBMA process largely delayed or even aborted, which is the least scene that promotion-focused managers want to see

as it hampers them from acquiring the strategic assets.

One way to alleviate target stakeholders' concerns is through the acquiring firm's CSR performance. It is noted that CBMA deals conducted by acquirers with solid social responsibility are more likely to be completed (Yen & André, 2019), and corporate social irresponsibility tend to cause a lower CBMA completion rate (Hawn, 2021). Consequently, the regulatory fit happens when the acquiring firm has a high pre-acquisition CSR performance, as it is an advantage for managers with a promotion focus to achieve their goals. These managers tend to utilize the acquiring firm's CSR performance to secure strategic assets and finally maintain the firm's long-term relationship with its stakeholders. Therefore, a good CSR performance is perceived to reinforce the relationship between managers' promotion focus and the motivation for conducting strategic-seeking CBMAs. This leads to our third hypothesis:

H3: The acquirer's sound CSR performance strengthens the relationship between managers' promotion focus and strategic asset seeking CBMAs.

Second, we reckon that the acquiring firm's weak financial performance can be the situational stimuli that amplifies managers' prevention focus. When shareholders are disappointed with the firm's financial performance, they will vote with their feet by selling stocks on the market (Helwege et al., 2012). If this happens, managers start to lose the trust of their principals and may, at last, get sacked if the firm's performance continues to go down (Edmans & Manso, 2011; Qian, 2011). The scenario of losing the trust of shareholders and the possibility of losing jobs are the worst nightmares for prevention-focused managers as they go against these people's values of accountability and safety (Crowe & Higgins, 1997). To prevent potential losses caused by bad performance, managers with a prevention focus will endeavor to take actions that minimize potential losses and maximize non-losses (Crowe & Higgins, 1997). For one, the prevention-focused managers would not want the CBMA to become the other risk that brings down the firm's performance. For another, they expect the CBMA to compensate for the firm's previous financial losses. Thus, the regulatory fit of managers

with a prevention focus will be triggered when the acquiring firm has got into financial distress. In this regard, prevention-focused managers are more eager to conduct non-strategic asset seeking CBMAs which are less likely to put shareholders' interest at risk and can provide the acquiring firm with ready-made benefits. Our fourth hypothesis is constructed as follows:

H4: The acquirer's bad financial performance strengthens the relationship between managers' prevention focus and non-strategic asset seeking CBMAs.

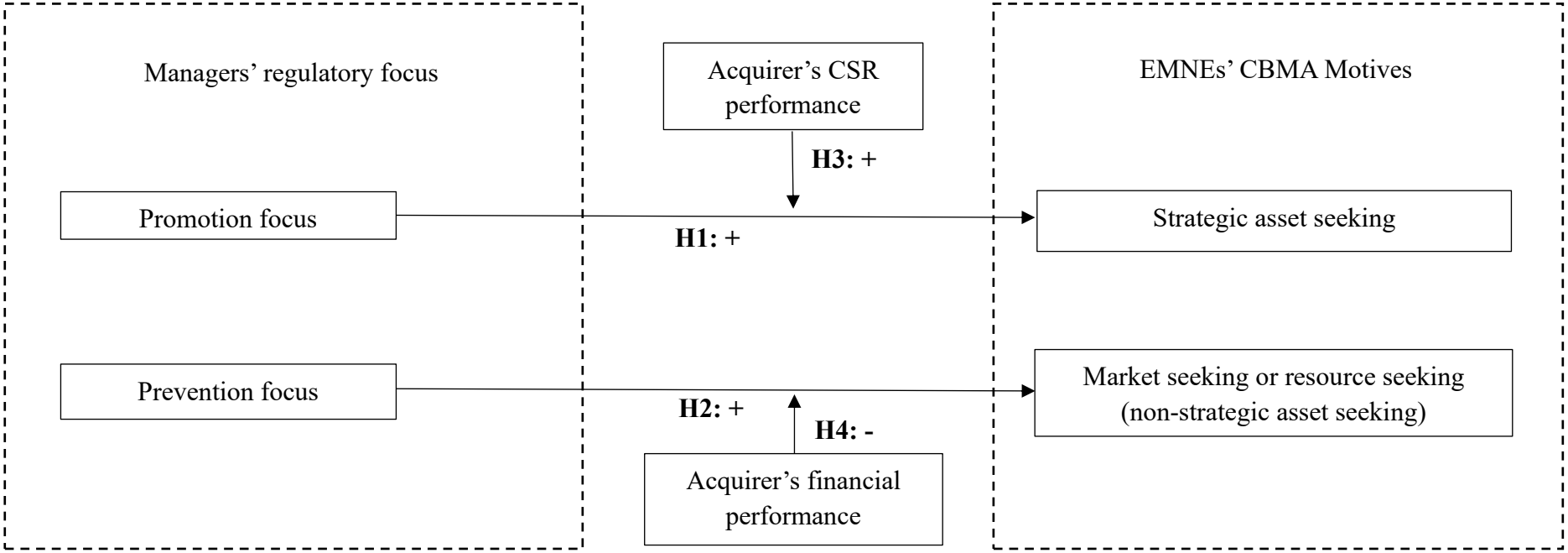

Figure 2 Theoretical framework

2.3 Data and method

2.3.1 Sample description

The sample to validate our hypotheses consists of 658 CBMA deals conducted by Chinese listed firms between 2000-2018. Information on CBMA announcements and dealing process are extracted from the Thomson Reuter's Securities Data Company Platinum database (SDC), which provides comprehensive and complete records of worldwide acquisitions (Aybar & Ficici, 2009; Levine et al., 2020). Searching criteria are listed below.

(1) CBMA deals with the status of "unknown" and "rumor" are excluded.

(2) The acquirer (including its parent company) is a Chinese (mainland) company listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The target firm (including its parent company) is not a Chinese (mainland) company.

(3) Exclude CBMA deals with unclear share sought.

(4) Duplicate observations reported for the same deal within the same year are merged as a single deal (i.e., an acquirer seeks a series of partial equity from a specific target firm in the same year).

(5) Exclude CBMA deals without clear acquisition motivation in annual reports or announcements.

(6) Exclude CBMA deals with target nations of Bermuda, the Bahamas, the British Virgin Islands, and Puerto Rico to avoid "shell" operations.

Table 1 CBMA deals sorted by the host countries

Target Nation	Freq.	Percent
Argentina	5	0.76
Australia	55	8.36
Austria	1	0.15
Belarus	1	0.15

Belgium	4	0.61
Bolivia	2	0.3
Botswana	1	0.15
Brazil	11	1.67
Bulgaria	1	0.15
Cambodia	5	0.76
Canada	38	5.78
Chile	2	0.3
Colombia	1	0.15
Congo, Dem. Rep.	2	0.3
Croatia	3	0.46
Czech Republic	1	0.15
Denmark	5	0.76
Egypt	1	0.15
Finland	7	1.06
France	21	3.19
Gabon	1	0.15
Germany	51	7.75
Hong Kong	68	10.33
Hungary	1	0.15
India	3	0.46
Indonesia	7	1.06
Iran	1	0.15
Iraq	1	0.15
Ireland	2	0.3
Israel	7	1.06
Italy	32	4.86
Japan	20	3.04
Kazakhstan	5	0.76

South Korea	18	2.74
Laos	1	0.15
Lithuania	2	0.3
Luxembourg	2	0.3
Macau	1	0.15
Malaysia	7	1.06
Malta	1	0.15
Mexico	1	0.15
Mongolia	1	0.15
Netherlands	12	1.82
New Zealand	7	1.06
Norway	2	0.3
Oman	1	0.15
Pakistan	5	0.76
Peru	1	0.15
Philippines	1	0.15
Poland	3	0.46
Portugal	1	0.15
Qatar	1	0.15
Russian	5	0.76
Serbia	1	0.15
Singapore	18	2.74
Slovak	1	0.15
Slovenia	1	0.15
South Africa	5	0.76
Spain	6	0.91
Sri Lanka	1	0.15
Sweden	5	0.76
Switzerland	6	0.91

Taiwan	12	1.82
Tajikistan	3	0.46
Thailand	10	1.52
Turkey	3	0.46
United Arab Emirates	2	0.3
United Kingdom	19	2.89
United States	124	18.84
Uruguay	1	0.15
Uzbekistan	1	0.15
Total	658	100

2.3.2 Variables and model

2.3.2.1 Variables

Dependent variable. Following the idea of Pan (2017), we compile the CBMA motive data from Chinese listed firms' annual reports and announcements of outward investment.[2] For strategic asset seeking motive, we look for CBMA deals with the statement of seeking technology, R&D, human capital, brands, buy-supplier relationships and management capabilities (Lu et al., 2011; Luo & Tung, 2007; Zheng et al., 2016). For market seeking motives, we look for CBMA deals with the statement of seeking sales expansion in local markets or in the volume of trading. As for natural resource seeking, we search for CBMA deals with the statement of gaining natural resources such as ore, metal and petroleum. Given the fact of China's relatively low labor cost level, it is not imperative for Chinese firm to seek efficiency when planning internationalization (Buckley & Munjal, 2017) and is thus not considered in the present study. Also, we notice that these motives are not mutually exclusive (Lim & Lee, 2016; Yu et al., 2015), and a number of CBMAs are motivated by the combination of market-seeking and strategic asset seeking purposes. Thus, the dependent variable is defined by the strategic motive of a CBMA case (***CBMA_motivation***), representing strategic

[2] To make the CBMA motives more accurate, we hired a postgraduate student majoring in accounting to do the double-check procedure. It turns out that most of the CBMA motives are consistent. However, for controversial CBMA motives, we listed our own reasons for judgment and then decide those motives through discussions.

asset seeking CBMA (***CBMA_motivation =0),*** mixed-purposes CBMA (i.e., market and strategic asset seeking motives) (***CBMA_motivation =1)***, and non-strategic asset seeking CBMA (i.e., market or natural resources seeking motive) (***CBMA_motivation =2)***.

Independent variables. Following Gamache et al. (2014) and Kashmiri et al. (2019), regulatory focus (***Promotion_focus***$_{t-1}$ and ***Prevention_focus***$_{t-1}$) is measured by the percentage of promotion- and prevention-related words in management discussion and analysis (MD&As) of annual reports, respectively. Previous studies have manifested the validity of linguistic approaches to capture a CEO's psychological traits by using letters to shareholders from annual reports (Fanelli et al., 2008; Gamache & McNamara, 2018; Kaplan, 2008). However, the letter to shareholders is only a discretionary disclosure requirement in China. For Chinese listed firms, the MD&A is mandatorily required by China Securities Regulatory Commission (CSRC). It covers the managers' analysis and evaluation of the company's past performance, status, and future development. Besides, CSRC stipulates that firms must choose words carefully and forbidden hollow statements and stereotyped patterns. In this regard, MD&As seem to be reasonable materials to explain managers' regulatory focus that conveys their psychological attributes rooted in the company's operations. This paper adopts the MD&A of the acquiring firm from one year earlier than the CBMA announcement year. Promotion- and prevention-related words can be found in the regulatory focus dictionary constructed and verified by previous scholars (Gamache & McNamara, 2018; Gamache et al., 2014; Kashmiri et al., 2019). To verify its validity and accuracy in the Chinese context, this original dictionary is translated into Chinese and then English by using a back-translation model (Brislin, 1970, 1976). Namely, one translator first translates the words from the MD&A dictionary into Chinese, and then the other translator translates the Chinese back into English without referring to the original English dictionary. When disparities between the original and the translated English dictionary are found, the first two steps are repeated by the other two translators until all words in the original dictionary are included in the back-translated version. Also,

unlike English which makes up sentences using independent words, Chinese words come together continuously in sentences except for the intervention of punctuations. There is a need to tokenize Chinese words for natural language processing (NLP). Then, the count of regulatory-focus-related words and the proportion calculation are processed by Python.

Moderators. This study has two moderating variables influencing the relationship between managers' promotion focus (prevention focus) and CBMA motivation. Our first moderator is the acquiring firm's CSR performance ($\boldsymbol{CSR_{t-1}}$), captured by the CSR performance announced one year earlier than the focal CBMA. $\boldsymbol{CSR_{t-1}}$ is an index ranging from 0 to 1 and is calculated the average of 14 sub-indexes (i.e., whether a third party audits the firm's CSR report; whether the firm refers to the Global Reporting Initiative in daily operation; whether shareholder protection is disclosed; whether creditor protection is disclosed; whether staff protection is disclosed; whether supplier protection is disclosed; whether customer protection is disclosed; whether environmental protection is disclosed; whether public relations and social services are disclosed; whether the social responsibility system construction and improvement measures are disclosed; whether the contents of safe production are disclosed; whether deficiencies are disclosed; whether the CSR report is disclosed voluntarily; whether the auditors are from the Big 4). The other moderator is the acquiring firm's financial performance ($\boldsymbol{ROE_{t-1}}$), measured by the acquiring firm's return on equity (ROE) one year earlier than the year of announcement of the CBMA deal.

Control variables. Following previous studies, we introduce variables to control for the resource endowment of the host country and formal and informal institutional factors on the acquiring firm's internationalization strategy. These variables are important determinants of acquiring firms' internationalization strategy (Ghobadian et al., 2014; Meyer et al., 2011): (1) $\boldsymbol{Market_size_{t-1}}$ is introduced to control for the influence of the host country's market size. As a country's GDP developmental level can reflect its potential market purchasing power, the indicator is measured by the GDP growth rate one year before the CBMA announcement. (2) $\boldsymbol{Natural_resource_{t-1}}$

represents the level of natural resource endowment of the host country and is captured by the ratio of ore, metal, and fuel exports to merchandise exports of the host country. (3) ***Knowledge_asset***$_{t-1}$ refers to the endowment of the host country's knowledge base asset and is included to account for the attractiveness of the host country for strategic asset seeking CBMA. The data come from the World Intellectual Property Organization and the yearly data of patent registration by residents in the host country one year earlier than the CBMA is adopted. (4) ***WGI***$_{t-1}$ is incorporated to control for the impact of formal host institutions as according to Shi et al. (2021), EMNEs may 'escape' from their home market because of the poor institution and seek better institutions and diversify in the host country to reduce risks. The World Governance Indicators are sourced from the World Bank. (5) ***Contiguity***$_{t-1}$ is a dummy variable, indicating whether the home and the host countries are contiguous or not, and represents the informal institutional factors since two contiguous countries are more similar in various cultural elements, such as religion, language, beliefs, and other cultural norms. Therefore, cultural factors are expected to influence firms' internationalization decisions.

Also, to control for the potential influences caused by industrial factors, ***Target_hightech***$_{t-1}$ and ***Acquirer_hightech***$_{t-1}$ represent whether the target/acquirer is in high-tech industry. Besides, an industry dummy variable is included in our regression. ***Top10_shareholder***$_{t-1}$ and ***Inst_shareholder***$_{t-1}$ represent the proportion of shareholding by the top 10 shareholders and by institutional shareholders respectively, accounting for firm-level disturbances. Last, as for the deal level, we consider the influences of whether the acquiring firm and target firm are in the same industry (***Same_industry***$_{t-1}$) and whether the acquiring firm has CBMA experience (***Prior_experience***$_{t-1}$). A summary of definitions and sources of variables can be seen in Table 2.

Table 2 Variable descriptions and data source

Variable category	Variable name	Measurement	Source
Dependent variable	*CBMA_motivation*	Strategic asset seeking =0 Mixed purposes =1	Annual report

		Non-strategic asset seeking =2	
Independent variables	*Promotion_focus*$_{t-1}$	The percentage of promotion-related words in MD&A.	Annual report
	Prevention_focus$_{t-1}$	The percentage of prevention-related words in MD&A.	Annual report
Moderators	*ROE*$_{t-1}$	Dividing net income by shareholders' equity.	CSMAR
	CSR$_{t-1}$	The sum of 14 sub-indexes divide 14.	CSMAR
Control variables	*Market_size*$_{t-1}$	The GDP growth rate.	World Bank
	Natural_resource$_{t-1}$	The ratio of ore, metal, and fuel exports to merchandise exports of the host country.	World Bank
	Knowledge_asset$_{t-1}$	The yearly patent registration by residents in the host country.	World Intellectual Property Organization
	WGI$_{t-1}$	The average score of WGI's six indicators.	World Bank
	Contiguity$_{t-1}$	If the acquiring and target country is contiguous =1, or = 0.	CEPII
	Target_hightech$_{t-1}$	If the target firm belongs to high-tech industry =1, or = 0.	SDC
	Acquirer_hightech$_{t-1}$	If the acquirer firm belongs to high-tech industry =1, or = 0.	SDC
	Top10_shareholder$_{t-1}$	The proportion of shareholding by the top 10 shareholders.	CSMAR
	Inst_shareholder$_{t-1}$	The proportion of shareholding by institutional shareholders.	CSMAR
	Same_industry$_{t-1}$	If the acquirer and the target have the	SDC

		same three-digit SIC code=1, or = 0.	
	Prior_experience$_{t-1}$	If the acquirer has successful CBMA experience before the focal CBMA=1, or = 0.	SDC

2.3.2.2 Model setting

The dependent variable (***CBMA_motivation***) is ordered according to its involvement degree with strategic asset seeking motivation. Thus, following previous studies, an ordered probit model is applied in the present study to test our hypotheses (Grøgaard et al., 2019; Muehlfeld et al., 2012; X. Shi et al., 2021).

$$y^* = x'\beta + \varepsilon \ldots\ldots\ldots\ldots (1)$$

$$y = \begin{cases} 0, if\ y^* \leq r_0 \\ 1, if\ r_0 < y^* \leq r_1 \\ 2, if\ r_1 < y^* \end{cases} \ldots\ldots\ldots\ldots (2)$$

$$P(y = 0|x) = P(y^* \leq r_0) = \Phi(r_0 - x'\beta)$$

$$P(y = 1|x) = P(r_0 < y^* \leq r_1) = \Phi(r_1 - x'\beta) - \Phi(r_0 - x'\beta)$$

$$P(y = 2|x) = 1 - P(y^* < r_1) = 1 - \Phi(r_1 - x'\beta) \ldots\ldots\ldots\ldots (3)$$

In functions (1) and (2), y^* is a latent variable and unobservable, while $r_0\ and\ r_1$ are the cutoff points to be estimated. x'represents all explanatory variables including the independent variables, moderators, moderating terms, and control variables, and β is the coefficient vector of explanatory variables. In function (3), *P* stands for the probability of the acquirer doing CBMA out of certain type of motivation. The function of $\Phi()$ is the standard normal cumulative distribution. We then derive the maximum likelihood estimation (MLE) of function (3). To address the potential

endogeneity problems, all relevant explanatory variables are lagged for one year based on the year in which focal CBMAs are announced.

2.4 Results

According to Chari and Acikgoz (2016), we exclude CBMA deals that seek shares less than 5% in regressions. Table 3 listed below displays relevant variables' descriptive statistics and pairwise correlations. 306 CBMA deals have the motivation of strategic asset seeking, and 133 deals have mixed purposes of both strategic asset seeking and market seeking, while 219 deals were announced out of the purpose of non-strategic asset seeking, namely market seeking or natural resource seeking. The correlation between *CBMA_motivation* and $Prevention_focus_{t-1}$ *is* 0.12, which is significant at the level of 1%, providing support for hypothesis 1. Meanwhile, the correlation between *CBMA_motivation* and $Promotion_focus_{t-1}$ *is* -0.08 and is significant at the level of 5%, indicating support for a negative relationship between the two.

Table 3 Descriptive statistics and pairwise correlations

Variable	Mean	Sd	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
CBMA_motivation	0.87	0.88	1															
Promotion_focus$_{t-1}$	2.73	0.86	-0.08**	1														
Prevention_focus$_{t-1}$	0.39	0.30	0.12***	-0.14***	1													
ROE$_{t-1}$	0.08	0.16	-0.01	-0.03	0.02	1												
CSR$_{t-1}$	0.35	0.27	0.10**	-0.14***	0.19***	-0.02	1											
Market_size$_{t-1}$	2.62	2.30	0.14***	0.01	0.15***	-0.12***	-0.00	1										
Natural_resource$_{t-1}$	11.19	13.82	0.31***	-0.08*	0.19***	0.04	0.14***	0.20***	1									
Knowledge_asset$_{t-1}$	36718	58580	-0.15***	-0.01	-0.02	0.09**	-0.10**	-0.13***	-0.14***	1								
Top10_shareholder$_{t-1}$	61.88	16.81	0.07*	-0.14***	0.04	0.02	0.16***	0.07	0.11***	-0.06	1							
Prior_experience$_{t-1}$	0.23	0.42	0.08**	-0.15***	0.09**	0.04	0.37***	0.04	0.12***	-0.04	0.15***	1						
Target_hightech$_{t-1}$	0.23	0.42	-0.14***	0.02	-0.13***	-0.01	-0.13***	-0.05	-0.08**	0.16***	-0.07*	-0.06	1					

Acquirer_High-tech$_{t-1}$	0.24	0.43	-0.08**	0.06	-0.13***	0.03	-0.14***	0.02	-0.12***	0.20***	-0.12***	-0.10**	0.44***	1				
Contiguity$_{t-1}$	0.14	0.35	-0.03	0.02	0.03	-0.21***	-0.04	0.23***	-0.03	-0.25***	-0.06	-0.04	-0.07*	-0.03	1			
WGI$_{t-1}$	1.09	0.69	-0.24***	0.02	-0.07*	0.03	-0.07*	-0.24***	-0.23***	0.07*	-0.10**	-0.07*	0.07*	0.04	-0.11***	1		
Same_industry$_{t-1}$	0.35	0.48	0.07*	-0.08*	0.01	0.02	-0.02	0.02	0.01	0.04	0.13***	0.06	0.18***	0.12***	-0.04	-0.05	1	
Inst_shareholder$_{t-1}$	48.94	26.98	0.12***	-0.06	0.13***	0.00	0.28***	0.06	0.14***	-0.13***	0.59***	0.24***	-0.20***	-0.25***	0.02	-0.09**	0.09**	1

The total number of observations (N) is 658.

The main ordered probit regression results are listed in Table 4 below, and the marginal effects of main explanatory variables are listed in Table 5. We can tell from column (1) of Table 4 that the coefficient for *Promotion_focus*$_{t-1}$ is -0.11 and is significant at the 5% level. It verifies our hypothesis that managers with a strong promotion focus are more likely to pursue CBMAs with strategic asset seeking motives. Our Hypothesis 1 is supported. Column (2) of Table 4 provides evidence to prove our Hypothesis 2 as the coefficient for *Prevention_focus*$_{t-1}$ is 0.37 and significant at 5% level, indicating that managers from the acquiring firm with a prevention focus are more likely to initiate CBMA for the purpose of non-strategic asset seeking. Columns (3) and (4) from Table 4 test the moderating effect of CSR_{t-1} and ROE_{t-1} respectively. The interacting term in column (3) represents how the acquiring firm's relationship with stakeholders (CSR_{t-1}) moderates the *CBMA_motivation* - *Promotion_ focus*$_{t-1}$ relationship. The negatively significant coefficient -0.41 indicates that the acquirer's CSR performance strengthens the above-mentioned relationship and thus hypothesis 3 is certified. Last, the interaction term in column (4) is significantly negative (-2.29), showing that the acquiring firm's financial performance (ROE_{t-1}) will weaken the positive relationship between managers' *Prevention_focus*$_{t-1}$ *and CBMAs* conducted out of the motive of non-strategic asset seeking. Hypothesis 4 is also supported.

The marginal effects from Table 5 are also consistent with the results in Table 4. The marginal effect of managers' promotion focus indicates a 4% higher possibility for the acquiring firm to conduct CBMA for the purpose of strategic asset seeking (Hypothesis 1). Meanwhile, the marginal effect of managers' prevention focus shows a 12% increase in the probability of pursuing non-strategic asset seeking CBMAs (Hypothesis 2). Rows (3) and (4) in Table 5 test for the moderating effects. For moderator CSR_{t-1}, the marginal effect indicates that when the score of CSR_{t-1} rises by 1 unit, the probability for acquiring firms with promotion-focused managers to do strategic asset seeking CBMAs will increase by 14% (Hypothesis 3). Last, shown in row (4), when the acquiring firm's ROE_{t-1} improves by 1 unit, the likelihood for acquiring firms with prevention-focused managers to do non-strategic asset seeking

CBMAs will go down by 68% (Hypothesis 4).

Table 4 Regression results for ordered probit models

	H1	H2	H3	H4
Prevention_focus$_{t-1}$		0.37**		0.58**
		(2.08)		(2.29)
Promotion_focus$_{t-1}$	-0.11**		0.05	
	(-2.26)		(0.82)	
Prevention_focus$_{t-1}$ * *ROE*$_{t-1}$				-2.29**
				(-2.43)
Promotion_focus$_{t-1}$*CSR_{t-1}			-0.41**	
			(-2.10)	
ROE$_{t-1}$				0.78
				(1.04)
CSR$_{t-1}$			1.07	
			(1.60)	
Market_size$_{t-1}$	0.05*	0.05	0.05	0.07*
	(1.68)	(1.58)	(1.64)	(1.89)
Natural_resource$_{t-1}$	0.03***	0.03***	0.03***	0.03***
	(3.57)	(3.65)	(3.55)	(3.62)
Knowledge_asset$_{t-1}$	-0.00*	-0.00**	-0.00**	-0.00*
	(-1.95)	(-2.10)	(-2.17)	(-1.76)
Top10_shareholder$_{t-1}$	-0.00	-0.00	-0.00	-0.00
	(-0.76)	(-0.48)	(-0.92)	(-0.79)
Prior_experience$_{t-1}$	-0.07	-0.05	-0.04	-0.23*
	(-0.50)	(-0.35)	(-0.28)	(-1.79)
Target_hightech$_{t-1}$	-0.43***	-0.41***	-0.44***	-0.38**
	(-2.95)	(-3.03)	(-3.00)	(-2.45)
Acquirer_hightech$_{t-1}$	0.07	0.08	0.08	0.08
	(0.52)	(0.59)	(0.57)	(0.61)
Contiguity$_{t-1}$	-0.21	-0.24	-0.23	-0.33**
	(-1.41)	(-1.63)	(-1.50)	(-2.03)
WGI$_{t-1}$	-0.30***	-0.30***	-0.30***	-0.30***
	(-2.63)	(-2.76)	(-2.68)	(-2.58)
Same_industry$_{t-1}$	0.23**	0.24***	0.24**	0.23**
	(2.38)	(2.58)	(2.39)	(2.30)
Inst_shareholder$_{t-1}$	0.00	0.00	0.00	0.00
	(0.66)	(0.39)	(0.55)	(0.00)
cut1	0.84	1.47*	1.18*	0.65
	(1.32)	(1.95)	(1.76)	(0.99)
cut2	1.46**	2.09***	1.80***	1.35**
	(2.30)	(2.80)	(2.71)	(2.05)
N	581	581	569	478

The effect of different industries has been controlled by dummy variables.

Z statistics in parentheses * p<0.1 ** p<0.05 *** p<0.01

Table 5 Marginal effects

Explanatory variable	Corresponding hypothesis	Strategic asset seeking motive (*CBMA_motivation*=0)	Mixed purposes motive (*CBMA_motivation*=1)	Non-strategic asset seeking motive (*CBMA_motivation*=2)
Promotion_focus$_{t-1}$	H1	0.04**	-0.00**	-0.03**
		(2.33)	(-2.19)	(-2.27)
Prevention_focus$_{t-1}$	H2	-0.13**	0.02***	0.12**
		(-2.17)	(2.60)	(2.07)
Promotion_focus$_{t-1}$ * *CSR*$_{t-1}$	H3	0.14**	-0.02**	-0.13**
		(2.17)	(-2.11)	(-2.11)
Prevention_focus$_{t-1}$ * *ROE*$_{t-1}$	H4	0.81**	-0.13**	-0.68**
		(2.43)	(-2.15)	(-2.41)

To prove the robustness of our results, the paper then follows up with several robustness checks. First, a new variable *Relative_RF* $_{t-1}$ is generated to describe the relative value of the acquiring firm's regulatory focus and is used to replace the independent variables in the robustness check. *Relative_RF* $_{t-1}$ is the value of *Prevention_focus*$_{t-1}$ divided by *Promotion_focus*$_{t-1.}$ According to columns (1) in Table 6 and 7, we can tell that *Relative_RF* $_{t-1}$ is positively related to the probability of the acquiring firm to pursue non-strategic asset seeking CBMAs, which agrees our hypotheses 1 and 2. The coefficients of interaction terms, *Relative_RF* $_{t-1}$* *ROE*$_{t-1}$ and *Relative_RF*$_{t-1}$* *CSR*$_{t-1}$, coincide with hypotheses 3 and 4.

Second, following Lim and Lee (2016), for the sake of clarity, we exclude CBMA cases with mixed purposes. Columns (2) and (3) from Table 6 and 7 show the results after that, which are also consistent with our original hypotheses. We acknowledge that the financial crisis happened in 2008 may have influenced Chinese acquirers' motives towards CBMA deals as the crisis made some foreign targets become cheaper (Athreye et al., 2021), and some acquirers may have conducted mergers and acquisitions irrationally. Thus, we exclude the deals announced in 2008 for a robustness check, and the regression results are listed in columns (4) and (5) of Table 6 and 7. All robustness

check results are in line with our original hypotheses.

Table 6 Robustness check for Hypothesis 1 and 2

	Relative RF	Excluding mixed group	Excluding mixed group	Excluding financial crisis sample	Excluding financial crisis sample
Relative_RF $_{t-1}$	0.30**				
	(2.28)				
Prevention_focus$_{t-1}$			0.47*		0.35*
			(1.85)		(1.95)
Promotion_focus$_{t-1}$		-0.14**		-0.10**	
		(-2.16)		(-1.98)	
Market_size$_{t-1}$	0.05	0.06*	0.05	0.04	0.04
	(1.60)	(1.65)	(1.48)	(1.42)	(1.38)
Natural_resource$_{t-1}$	0.03***	0.04***	0.04***	0.03***	0.03***
	(3.62)	(2.87)	(2.91)	(3.66)	(3.72)
Knowledge_asset$_{t-1}$	-0.00**	-0.00*	-0.00*	-0.00**	-0.00**
	(-2.05)	(-1.74)	(-1.80)	(-2.15)	(-2.29)
Top10_shareholder$_{t-1}$	-0.00	-0.01*	-0.01	-0.00	-0.00
	(-0.67)	(-1.70)	(-1.21)	(-0.83)	(-0.60)
Prior_experience$_{t-1}$	-0.04	-0.13	-0.10	-0.06	-0.04
	(-0.32)	(-0.76)	(-0.59)	(-0.43)	(-0.32)
Target_hightech$_{t-1}$	-0.42***	-0.45**	-0.43**	-0.41***	-0.40***
	(-3.00)	(-2.52)	(-2.55)	(-2.85)	(-2.91)
Acquirer_hightech$_{t-1}$	0.07	0.05	0.07	0.08	0.09
	(0.52)	(0.26)	(0.35)	(0.59)	(0.65)
Contiguity$_{t-1}$	-0.25*	-0.24	-0.27	-0.29**	-0.33**
	(-1.70)	(-1.01)	(-1.15)	(-1.96)	(-2.18)
WGI$_{t-1}$	-0.31***	-0.33**	-0.34**	-0.29**	-0.29***
	(-2.78)	(-2.31)	(-2.40)	(-2.54)	(-2.66)
Same_industry$_{t-1}$	0.24***	0.33***	0.34***	0.23**	0.23***
	(2.61)	(2.70)	(2.81)	(2.20)	(2.34)
Inst_shareholder$_{t-1}$	0.00	0.01	0.00	0.00	0.00
	(0.44)	(1.64)	(1.28)	(0.69)	(0.44)
_cons		-0.94	-1.82**		
		(-1.32)	(-2.17)		
cut1	1.25*			0.69	1.20*
	(1.85)			(1.08)	(1.76)
cut2	1.86***			1.31**	1.83***
	(2.79)			(2.06)	(2.68)
N	581	460	460	565	565

The effect of different industries has been controlled by dummy variables.

Z statistics in parentheses * p<0.1 ** p<0.05 *** p<0.01

Table 7 Robustness check for Hypothesis 3 and 4

	Relative RF	Excluding mixed group	Excluding mixed group	Excluding financial crisis sample	Excluding financial crisis sample
Relative_RF $_{t-1}$	-0.30				
	(-0.35)				
Relative_RF $_{t-1}$* *ROE*$_{t-1}$	-5.62***				
	(-3.49)				
Relative_RF $_{t-1}$* *CSR*$_{t-1}$	4.07*				
	(1.90)				
Prevention_focus$_{t-1}$			0.70*		0.56**
			(1.86)		(2.03)
Promotion_focus$_{t-1}$		0.03		0.08	
		(0.36)		(0.95)	
Prevention_focus$_{t-1}$ * *ROE*$_{t-1}$			-2.73*		-2.08**
			(-1.72)		(-2.08)
Promotion_focus$_{t-1}$* *CSR*$_{t-1}$		-0.42*		-0.44**	
		(-1.88)		(-1.97)	
ROE$_{t-1}$	0.60		0.82		0.62
	(1.01)		(0.78)		(0.88)
CSR$_{t-1}$	-0.85**	1.23*		1.14	
	(-2.05)	(1.73)		(1.50)	
Market_size$_{t-1}$	0.06*	0.06*	0.08*	0.04	0.07*
	(1.71)	(1.68)	(1.80)	(1.36)	(1.72)
Natural_resource$_{t-1}$	0.03***	0.04***	0.04***	0.03***	0.03***
	(3.59)	(2.82)	(3.00)	(3.64)	(3.70)
Knowledge_asset$_{t-1}$	-0.00*	-0.00*	-0.00*	-0.00**	-0.00*
	(-1.73)	(-1.79)	(-1.80)	(-2.38)	(-1.86)
Top10_shareholder$_{t-1}$	-0.00	-0.01*	-0.01	-0.00	-0.00
	(-0.87)	(-1.79)	(-1.60)	(-1.03)	(-0.81)
Prior_experience$_{t-1}$	-0.19	-0.12	-0.33*	-0.03	-0.23*
	(-1.45)	(-0.71)	(-1.71)	(-0.22)	(-1.77)
Target_hightech$_{t-1}$	-0.43***	-0.48***	-0.40**	-0.43***	-0.36**
	(-2.65)	(-2.63)	(-2.13)	(-2.92)	(-2.32)
Acquirer_hightech$_{t-1}$	0.09	0.06	0.10	0.09	0.10
	(0.64)	(0.30)	(0.48)	(0.64)	(0.71)
Contiguity$_{t-1}$	-0.35**	-0.26	-0.47**	-0.32**	-0.40**
	(-2.14)	(-1.09)	(-2.31)	(-2.07)	(-2.49)
WGI$_{t-1}$	-0.30**	-0.33**	-0.31**	-0.29***	-0.31**
	(-2.52)	(-2.35)	(-2.13)	(-2.58)	(-2.66)
Same_industry$_{t-1}$	0.22*	0.36***	0.33**	0.24**	0.21**
	(1.88)	(2.73)	(2.15)	(2.20)	(2.03)
Inst_shareholder$_{t-1}$	0.00	0.00	0.00	0.00	0.00
	(0.36)	(1.37)	(1.02)	(0.56)	(0.02)

_cons		-1.38*	-0.83		
		(-1.87)	(-1.09)		
cut1	0.12			1.02	0.57
	(0.19)			(1.53)	(0.91)
cut2	0.84			1.65**	1.29**
	(1.30)			(2.50)	(1.99)
N	466	449	364	553	468

The effect of different industries has been controlled by dummy variables.

Z statistics in parentheses * p<0.1 ** p<0.05 *** p<0.01

Last, as we can only observe a firm's CBMA motive when the firm decides to conduct a CBMA, there is a potential sample selection bias which may cause endogeneity. We thus follow the conventional Heckman two-stage procedure to deal with the problem (Heckman, 1979). For the first stage, a probit regression is adopted to predict a firm's probability to conduct CBMA (being selected). We use the acquiring firm's liability ratio, ratio of current assets, leverage ratio, total assets growth ratio, net profit growth ratio, the share proportion of the largest shareholder and top 10 shareholders, the acquirer's industry, and its ownership attribute (state-owned/private firm) as explanatory variables in the first stage. The data we use are from all Chinese listed firms in 2000-2018, and all variables are lagged for one year. Then, we use the inverse Mills ratio produced from the first stage regression result and include it as a regressor in the second stage to control the sample selection bias. The corrected regression results are stated in Table 8. According to the Wald test value, all 4 models have the problem of sample selection, and we find the second-stage regression results from columns (1), (2), and (4) coincide with our hypothesis 1-3, though the interacting term in column (3) is not significant.

Table 8 Regression after correcting the problem of sample selection

Second stage	(1)	(2)	(3)	(4)
Prevention_focus$_{t-1}$		0.34***		0.62***
		(4.27)		(13.19)
Promotion_focus$_{t-1}$	-0.09***		-0.05	
	(-4.12)		(-0.81)	
Prevention_focus$_{t-1}$ * *ROE*$_{t-1}$				-3.43**
				(-2.45)

*Promotion_focus$_{t-1}$*CSR$_{t-1}$*			-0.15	
			(-1.03)	
ROE$_{t-1}$				0.82***
				(4.39)
CSR$_{t-1}$			0.34	
			(1.05)	
Market_size$_{t-1}$	0.00	0.00	0.00	0.00
	(0.85)	(1.13)	(0.84)	(1.11)
Natural_resource$_{t-1}$	0.03***	0.03***	0.03***	0.03***
	(3.92)	(3.56)	(3.94)	(3.59)
Knowledge_asset$_{t-1}$	-0.00***	-0.00***	-0.00***	-0.00***
	(-12.34)	(-16.63)	(-16.91)	(-7.61)
Top10_shareholder$_{t-1}$	-0.00	-0.00	-0.00	-0.00
	(-0.57)	(-0.54)	(-0.60)	(-0.50)
Prior_experience$_{t-1}$	0.02	0.02	0.02	0.03
	(0.27)	(0.32)	(0.45)	(0.66)
Target_hightech$_{t-1}$	-0.48***	-0.47***	-0.48***	-0.48***
	(-23.10)	(-14.83)	(-27.70)	(-17.96)
Acquirer_hightech$_{t-1}$	0.10***	0.12***	0.11***	0.12***
	(13.61)	(18.08)	(6.81)	(13.75)
Contiguity$_{t-1}$	-0.06	-0.07	-0.07*	-0.12
	(-1.51)	(-1.27)	(-1.67)	(-1.08)
WGI$_{t-1}$	-0.28	-0.32*	-0.28	-0.30*
	(-1.49)	(-1.77)	(-1.48)	(-1.77)
Same_industry$_{t-1}$	0.23**	0.26***	0.22**	0.25**
	(2.45)	(2.70)	(2.45)	(2.46)
Inst_shareholder$_{t-1}$	0.00***	0.00***	0.00***	0.00***
	(3.99)	(3.41)	(3.81)	(3.74)
cut1	0.88**	1.21***	0.99***	1.35***
	(2.07)	(3.87)	(2.79)	(4.75)
cut2	1.48***	1.82***	1.60***	1.97***
	(3.29)	(5.26)	(4.22)	(6.28)
First stage				
Liability_ratio$_{t-1}$	0.40***	0.40***	0.40***	0.40***
	(5.16)	(5.39)	(5.19)	(5.43)
Current_assets_ratio $_{t-1}$	-0.24***	-0.25***	-0.24***	-0.25***
	(-19.93)	(-23.25)	(-20.55)	(-25.73)
Retained_earning_ratio $_{t-1}$	0.70***	0.70***	0.70***	0.70***
	(36.97)	(34.65)	(35.78)	(32.94)
Leverage$_{t-1}$	-0.05***	-0.05***	-0.05***	-0.05***
	(-3.02)	(-3.14)	(-3.03)	(-3.15)
Total_assets_growth $_{t-1}$	0.04***	0.04***	0.04***	0.04***
	(9.19)	(9.99)	(9.24)	(9.99)
Net_profit_growth $_{t-1}$	-0.00**	-0.00**	-0.00**	-0.00**

	(-2.57)	(-2.36)	(-2.57)	(-2.37)
1st shareholder $_{t-1}$	-0.01**	-0.01**	-0.01**	-0.01**
	(-2.18)	(-2.21)	(-2.17)	(-2.19)
Top10_shareholder$_{t-1}$	0.01***	0.01***	0.01***	0.01***
	(6.25)	(6.29)	(6.24)	(6.20)
*SOE_* $_{t-1}$	-0.31***	-0.31***	-0.31***	-0.31***
	(-64.47)	(-63.26)	(-64.35)	(-62.75)
_cons	-2.26***	-2.26***	-2.26***	-2.26***
	(-58.45)	(-60.47)	(-58.41)	(-61.65)
athrho	0.21**	0.19***	0.21**	0.22***
	(2.17)	(4.54)	(2.41)	(10.00)
Wald test	4.73	20.65	5.82	99.91
N	23971	23971	23971	23971

The effect of different industries has been controlled by dummy variables.

Z statistics in parentheses * p<0.1 ** p<0.05 *** p<0.01

2.5 Discussion and conclusion

Recent decades have witnessed how EMNEs have gradually become the new powers in international expansions, mainly through CBMAs, while firms' global expansion motives, which were concluded by Dunning and Lundan (2008) in the era when international expansions were dominated by DMNEs, are no longer suitable for EMNEs (Dikova et al., 2019; Gammeltoft et al., 2010; Luo & Tung, 2007). In addition to the country-level determinants of CBMA motives, we notice that firm-level factors, especially the role of leadership characteristics, should also be included, as managers tend to be the core of affecting the intragroup dynamics and the decision-making process (Barkema & Vermeulen, 1998; Buckley, Devinney, et al., 2007; Moghaddam et al., 2014). Our paper enriches the extant literature by testing how EMNEs' CBMA motives are shaped by the acquiring firm's managers' psychological characteristics, and how this relationship is further moderated by situational characteristics of the acquiring firms.

This paper contributes to existent theory in three ways. First, by focusing only on the international expansion motives of emerging market multinational enterprises, our research discusses why and how EMNEs' CBMA motives differ from DMNEs. In

recognizing that, this paper focuses on EMNEs' international expansion motives of strategic asset seeking, market seeking, and natural resources seeking, excluding the motive of efficiency seeking as emerging markets are blessed with abundant domestic low-wage labor (Buckley, Clegg, et al., 2007; Moghaddam et al., 2014). Furthermore, we identify for EMNEs from China that there is another type of CBMA motives. Mixed motives are identified in this paper, which aligns with a study from Lim and Lee (2016) indicating that some acquisitions have more than one purpose. Acknowledging that CBMA's mixed-purpose motives are quite common in practice, current research ignores the existence of multiple CBMA motives. Research papers tend to identify only one CBMA purpose for each CBMA deal (Please see the following research papers: Zhu et al., (2022), Lim and Lee (2016), Pan (2017), Lee (2017), and Elia and Santangelo (2017)). There is a calling for delineating mixed-purpose motives of CBMAs adopting case-based data (Athreye et al., 2021). As a typical CBMA strategy, which takes up more than 20 percent of this chapter's total sample, the importance of mixed-purpose strategies should not be ignored. Thus, we reclassify the EMNEs' CBMA motives into three categories, namely strategic asset seeking, mixed purposes, and non-strategic asset seeking, which differentiates our study from the extant literature and becomes the premises for our further analysis.

Second, embarking on the regulatory focus theory, this paper provides insights illustrating how a firm-level characteristic, i.e., managers' regulatory focus of the acquiring firm, influences CBMA motives. This complements the strand of literature focusing on country-level factors influencing international expansion motives and probes the question from a more granular perspective. According to our theoretical framework, managers with a promotion focus are sensitive to positive stimuli such as growth and opportunities while insensitive or more tolerant of risks (Higgins & Spiegel, 2004). In that way, strategic assets are preferred as they are scarce, uneasily traded, and inimitable. They are expected to generate synergy for a long time and benefit a wide range of stakeholders (Lim & Lee, 2016), even though strategic assets are riskier and more uncertain than tangible market and natural resources. Conversely, managers with

a prevention focus are sensitive to negative stimuli such as safety, responsibility, and security while giving less credit to growth and achievements. They feel they are entrusted by shareholders and should be responsible for them. Thus, during the process of CBMA, they put the firm's financial performance in the first place and tend to seek tangible assets such as market and natural resources because of lower risks and ready-made interests. Our theoretical framework is tested and verified through 658 CBMA deals conducted by Chinese listed firms between 2000 and 2018. Similar to our findings, Gamache et al. (2014) prove a CEO's promotion focus is positively associated with initiating more acquisitions and higher value of acquisitions undertaken as this type of CEO tends to be bolder and adopt eagerness-related strategies when pursuing goals (Crowe & Higgins, 1997). However, the CEO's prevention focus discourages the firm's acquisition-seeking behavior for CEOs of this kind are more vigilant and conservative in decision-making (Higgins & Spiegel, 2004).

Third, considering the regulatory fit phenomenon that happens when the regulatory focus is congruent with salient situational characteristics, our research further incorporates into the above framework the motive impacts of objective situational factors (i.e., CSR performance and financial performance) when fitting with managers' regulatory focus. We hypothesize that the acquiring firm's sound CSR performance strengthens the relationship between managers' promotion focus and strategic asset seeking motives. This is because a good CSR reputation alleviates target stakeholders' concerns about the acquiring firm and relieves the hostility (Hawn, 2021; Yen & André, 2019). For managers with a promotion focus, the regulatory fit happens when the acquiring firm has a promising CSR score, which resonates with those managers' eagerness to gain achievement through CBMAs with strategic assets seeking purpose. We also reckon that the acquirer's bad financial performance reinforces the relationship between managers' prevention focus and non-strategic asset seeking CBMAs. As prevention-focused managers feel entrusted by shareholders, an unsatisfying financial performance of the acquiring firm imposes stress on those managers and thus triggers regulatory fit to acquire tangible and less risky non-strategic

assets as the motive of CBMAs (Crowe & Higgins, 1997; Helwege et al., 2012). Our empirical results confirm our hypotheses about the effect of regulatory fit.

From a practical point of view, we draw two managerial implications for EMNEs seeking to expand internationally. The first managerial implication is to solve the problem that some EMNEs fail to improve their performance after pursuing certain CBMA motives (Aybar & Ficici, 2009; Chen & Young, 2010; Zhang et al., 2020). Strategic assets include technology, R&D, human capital, brand name, buyer-supplier relationship, and management capabilities (Athreye et al., 2021; Luo & Tung, 2018; Teece et al., 1997), which are scarce, uneasily traded, inimitable and durable resources/capabilities (Amit & Schoemaker, 1993; Deng, 2009). The successful acquisition and exploitation of strategic assets are therefore vital to the acquiring firm's long-term performance. Non-strategic assets are ready-made and tangible market shares or natural resources in the host country, which contain financial interest that can be transformed by the acquirer in short-term if successful (Brouthers et al., 2008; Hong et al., 2019). However, a large number of CBMAs conducted by EMNEs generate negative financial performance (Aybar & Ficici, 2009; Bertrand & Betschinger, 2012; Zhu et al., 2017), both in the short term and in the long term (Lebedev et al., 2015). Management characteristics are identified as one of the main factors influencing CBMA performance (Krishnan et al., 1997). The inconsistency between reality and ideal status may be caused by managers who make CBMA decisions solely on their psychological preferences (i.e., regulatory focus), ignoring the acquiring firm's status quo. Some managers may have a strong promotion focus and thus are deeply inclined to seek strategic assets as the motive of a CBMA. However, their vision for the firm to acquire strategic assets and exploit them for future benefits may contradict the fact that the acquiring firm does not have sufficient resources and professionals to absorb those assets, which is an especially salient problem for EMNEs (Anderson et al., 2015; De Beule et al., 2014; Narula, 2012). Thus, we suggest EMNEs find a third-party acquisition consultant who can provide advice when managers' decisions are incompatible with the objectively assessed firm's situation.

Second, we recommend that managers of the acquiring firm acknowledge how situational factors can impact them during their decision-making process and make rational decisions for CBMA motives. Our empirical results prove that the acquiring firm's situational factors, such as CSR performance and financial performance, may strengthen regulatory focus' influence on the tendency to conduct a CBMA out of a particular motive. However, regulatory fit can be a double-edged sword. It may facilitate the process and lead to a willing result, but sometimes it may steer things wrong. For instance, the regulatory fit between the acquiring firm's CSR performance and its managers' promotion focus strengthens the firm's pursuit of strategic asset-seeking CBMAs. The ideal situation is the acquiring firm can benefit from strategic assets in the long term, and the regulatory fit reinforces the firm's determination and confidence to seek these assets. However, suppose the acquiring firm does not possess sufficient capabilities to absorb and exploit strategic assets, in that case, strategic assets may bring more uncertainty to future performance, which is what the acquiring firm wants to avoid (Lim & Lee, 2016; Vermeulen & Barkema, 2001). Therefore, acknowledging how situational factors together with managers' regulatory focus influence the decision on CBMA motives is vital. Managers need calmness to make the most suitable decision considering the firm's current status and future development instead of being fanned by situational characteristics.

Our paper is not without limitations. The most concerning one is our method of identifying CBMA motives. We manually review Chinese listed firms' annual reports and announcements of outward investment and use keywords to classify the motives of CBMAs. However, based on the keywords for judgment, there are 81 deals that we cannot tell their motives, thus being deleted from the sample. It is possible that unclassified CBMAs were undertaken beyond the motives identified in this paper. Implying that in addition to strategic asset seeking, mixed purposes, and non-strategic asset seeking, there may be other motives for EMNEs to expand internationally. Therefore, future study may want to explore other possible CBMA motives for EMNEs and provide better explanations for unknown motives.

Chapter three: Success in completing cross-border mergers and acquisitions by emerging market multinational enterprises: What matters?[3]

Abstract

While cross-border mergers and acquisitions (CBMAs) by emerging market multinational enterprises (EMNEs) have grown rapidly in recent years, many have failed to bring the acquisitions to completion. Compared with acquisitions initiated by acquirers from developed economies, little is known about the possible determinants of completion or abandonment of CBMAs conducted by EMNEs. This paper investigates what contributes to the successful completion of CBMAs by EMNEs. Based on data of 637 announced CBMAs by Chinese firms during 2000-2017, we find that investing firms' self-learning experience from previous acquisitions can significantly increase the completion rate of subsequent related CBMAs, while their industrial spillover experience helps raise the completion rate of unrelated CBMAs. Our findings also show that the value of acquisition experience is significant only when the target firm is domiciled in countries with comparable level of institutional quality. Our results provide new insights into the complexity of the global M&A market and lessons for EMNEs intending to conduct CBMAs in the future.

Keywords: Cross-border mergers and acquisitions; Acquisition experience; Institutional environment; Emerging market multinational enterprises

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The thesis author is the second author of this chapter, and the first author is the thesis author's secondary supervisor. The thesis author undertook the primary workload, including but not limited to establishing the theoretical framework, collecting and analyzing data, and writing and revising. The first author guided and undertook a partial revision workload throughout the publication process.

3.1 Introduction

Although the number of cross-border mergers and acquisitions (CBMAs) by EMNEs has increased substantially (Kumar et al., 2020; Zhou et al., 2016), a significant percentage has failed to proceed beyond the pre-completion period that begins with the announcement date and ends with the resolution date.[4] Compared with findings on completion success in CBMA initiated by firms in developed markets, prior studies on the possible determinants of completion or abandonment of CBMAs conducted by EMNEs have been inconclusive (Zhang et al., 2011). This is an area for which researchers have identified as important and requiring new evidence (Buckley et al., 2016; Lahiri et al., 2014; Lebedev et al., 2015; Sim & Pandian, 2003; Zhu & Zhu, 2016). We are motivated to uncover in this study the factors responsible for influencing whether the CBMA initiatives by EMNEs are completed or abandoned.

One strand of the literature has focused on the role of learning from acquisition experience as the key factor influencing the success of the process of CBMAs (Francis et al., 2014; Haleblian & Finkelstein, 1999; Hayward, 2001; Kim et al., 2011). In the context of whether the CBMA process ends in successful completion or abandonment, the learning perspective reasons that it is the previous acquisition experience that alleviates the difficulty for the completion of CBMA deals. Previous acquisition experience can normally be accumulated via two channels. One is through the accumulation of the acquirer's self-learning from its acquisition experience. Self-learning refers to a process in which acquirers use routine experience with increased effectiveness in similar future events (Nelson & Winter, 1982). When organizations are exposed to new and diverse environment such as engaging in CBMAs, and are confronted with challenges to their existing beliefs and assumptions, they tend to embrace new knowledge produced by the acquirer's self-learning process to improve their future performance (Collins et al., 2009; Dess et al., 2003; Haleblian & Finkelstein, 1999; Hitt et al., 2000). Dutton and Thomas (1984) and Yelle (1979) document that

[4] According to the data from Thomson Reuters, the average failure rate around the world is about 30%. However, cross-border mergers and acquisitions conducted by EMNEs are more prone to failure than the global average (Peng, 2012), and the failure rate of CBMAs by Chinese firms is even higher at 50%.

related experience within a particular domain will make more efficient the acquisition and assessment of information for investment decisions, as well as identifying and exploiting opportunities within familiar areas.

The industrial spillover experience constitutes another type of learning and it is gained through the acquirer's peers in its domiciled industry, who have previously conducted mergers and acquisitions (Bala & Goyal, 1998; Francis et al., 2014; Xie & Li, 2017). As a supplementary channel, the industry where the firm is domiciled in can serve as a pool of acquisition information provided by the acquirer's peers. An acquiring firm has opportunities to recognize, assimilate, transform and exploit the information sourcing from its peers to enhance future performance in CBMAs (Zahra & George, 2002). Almazan et al. (2010) show that industry cluster can promote firms locating in it to conduct successful acquisitions. Yang and Hyland (2006) find that firms are more likely to undertake unrelated acquisitions after their peers in the same industry have succeeded in making such investment. Evidence from these prior studies indicates that acquisition experience acquired through industrial spillovers from other companies according to trait-based learning, with firms referencing practices previously used by other organizations with mutual traits, can be converted into learning gains by acquiring companies in acquisitions (Bala & Goyal, 1998; Francis et al., 2014).

A few studies have empirically tested the value of the acquirer's prior acquisition experience of acquiring firms from developed economies on the completion likelihood of subsequent CBMAs (Collins et al., 2009; Dikova et al., 2010; Muehlfeld et al., 2012; Yan, 2011), but there has been scant research on the industrial spillover learning effect on CBMAs. Also, previous studies have not fully differentiated the type of target firms and might have incorrectly attributed targets in related industries to unrelated ones, causing omissions in the investigation of factors that influence the completion of subsequent unrelated CBMAs. In fact, differentiating analytically the strategies of acquisitions has been considered important and further research into this area called for by prior studies (Markides & Ittner, 1994; Walsh, 1989; Weber, 1996), because M&A

strategies represent "the nature of the acquisitions" (Markides & Ittner, 1994).[5] In particular, related and unrelated M&A strategies are expected to have different impediments in the process of completing acquisition deals. For instance, in related acquisitions, interactions between the cultures of acquiring and target firms are so intensive that can lead to conflicts (Nahavandi & Malekzadeh, 1988), while unrelated acquisitions are blamed for causing high integration costs and producing negligible benefits (Doukas & Travlos, 1988; Singh & Montgomery, 1987).

As such, based on the reasoning of the learning perspective (Collins et al., 2009; Dikova & Rao Sahib, 2013; Dikova et al., 2010; Francis et al., 2014; Haleblian & Finkelstein, 1999; Hayward, 2001; Kim et al., 2011), our study develops an alternative approach to prior studies by focusing on the impacts of two kinds of acquisition experience integrated with different M&A strategies on the completion likelihood of CBMAs by EMNEs. In this context, we are interested in exploring whether acquirers with richer self-learning acquisition experience are more likely to complete related CBMAs compared with those with less self-learning acquisition experience. If such a relation is found, we are also motivated to discover if the relation might be moderated by the institutional quality in the host country. Using a sample of 637 announced CBMAs undertaken by Chinese listed firms from 2000 to 2017, we find that the acquirer's self-learning acquisition experience can significantly increase the completion rate of subsequent related CBMAs, while successful industrial spillover experience is found to be beneficial to raising the completion rate of unrelated CBMAs. This result indicates that only when previous acquisition experience matches with the subsequent acquisition strategy, can the experience be converted into useful knowledge and skills to alleviate difficulties of the chosen M&A strategy in completing CBMAs (Doukas & Travlos, 1988; Nahavandi & Malekzadeh, 1988). Interestingly, we also find that the self-learning effect might only be realized when the target is domiciled in host country with weak institutional quality.

[5] Acquisitions are normally divided into three types: horizontal, vertical and conglomerate (Fan & Yuan, 2002; Liu, 2014, 2017). Since the acquirer and the target in horizontal and vertical acquisition share commonalities in business, we deem them as "related" acquisitions, while conglomerate as "unrelated" acquisition.

This study focuses on samples from China as the author believes that even though China is distinct for its governance systems, which provide the potential for generating conflicting ideological visions during CBMAs (Kolk & Curran, 2017; Saeed et al., 2022), it tends to be a victim in terms of negative institutional images like other emerging markets due to domestic institutional constraints (Bartlett & Ghoshal, 2002; He & Zhang, 2018; Luo & Tung, 2007). The home country's institution is linked to its institutional image, which is a stereotype-driven attribute and can influence the perception of the host country's stakeholders negatively or positively during international activities (Diamantopoulos et al., 2017; Moeller et al., 2013). Negative institutional images cause impediments for acquirers from emerging markets to gain legitimacy in host countries and hence impact acquisition completion (He & Zhang, 2018). Similar institutional images caused by common traits in emerging markets (i.e., having weak corporate governance, operating under relationship-based governance, and being subject to frequent government intervention) indicate that pieces of evidence generated from China's case can be generalized (Li et al., 2017; Zhang et al., 2011).

This paper contributes to the literature in several ways. First, prior studies are primarily focused on investigating the value of acquirer's self-learning acquisition experience on the completion or abandonment of later CBMAs (Collins et al., 2009; Dikova et al., 2010; Lim & Lee, 2016; Zhang et al., 2011). As a supplementary learning channel, the industrial spillover acquisition experience can offer the benefits of learning from the type of experience that the acquirer's self-learning experience lacks. Based on the learning perspective, our study is the first to unveil how industrial spillover experience gained from peers may help to bring a complex and expensive CBMA process into successful completion.

Second, since related and unrelated M&A strategies are expected to cause different impediments in the process of completing acquisition deals, the learning effect of the two distinct kinds of acquisition experience tends to vary in CBMAs with different strategies. The present study focuses on the impacts of these two types of acquisition experience integrated with M&A strategies on the completion likelihood of CBMAs. This also enables our study to more directly address the questions of whether previous

self-learning acquisition experience can help the completion of related or unrelated CBMAs.

Third, although the acquirer's acquisition experience has received considerable research interests in investigating the completion of CBMAs from developed market firms (Collins et al., 2009; Dikova et al., 2010; Lim & Lee, 2016), some studies have questioned the applicability of the conclusions derived from developed market settings in emerging market context (Arya et al., 2019; Bhaumik et al., 2018; Dikova et al., 2010; Liou et al., 2016; North, 1990; Pinto et al., 2017; Rui & Yip, 2008). As such, based on the above framework, we further highlight our focus on the impacts of acquisition experience on CBMAs by EMNEs and incorporate consideration of institutional quality in the host country in our analysis. We adopt the proposition that the influence of organizational learning outcomes should be put under an institutional context (Aguilera & Grøgaard, 2019). Our study attempts to shed some new light on the fledging markets for CBMAs involving target firms in both developed and developing economies and acquiring firms from with an emerging economy, thus covering diverse maturity in their institutional and market settings.

The remainder of the paper is organized as follows. Section 2 reviews the literature and develops our hypotheses to be tested. The research design, data, and methodology are in Section 3. Main results and the robustness tests are presented in Sections 4 and 5, respectively. Section 6 concludes and discusses the implications of the results.

3.2 Literature background and hypotheses development

3.2.1 Literature background

3.2.1.1 M&A strategy and deal completion

M&As are conducted mostly to strengthen the acquiring firm's competitive advantage (Gubbi et al., 2010; Rao-Nicholson & Salaber, 2013), such as acquiring natural resources, advanced technologies and managerial and marketing skills (Chen, 2008; Deng, 2009; Rui & Yip, 2008), a fast entry to foreign markets (Li, 2007) and the seeking of long-term business synergies (Rao-Nicholson & Salaber, 2013). The choice

of M&A strategy between the acquirer and the target is one of the main concerns (Capron, 1999) since different M&A strategies are implemented for different purposes. In particular, related M&A strategy is linked to strategic activities such as realizing economies of scale and taking up foreign market (Barney, 1988; Seth, 1990), and unrelated M&A strategy is endeavored to strategic goals such as realizing diversification (Hayward, 2001), improving operating efficiency and debt capacity and lowering taxes (Berger & Ofek, 1995). As such, M&As with related and unrelated acquisition strategies tend to produce different outcomes (Berger & Ofek, 1995). Lim and Lee (2016) show that acquisition deals adopting related M&A strategy are more likely to be completed than unrelated M&As, and the similar results are shown by some other scholars (Akbulut & Matsusaka, 2010; Slangen, 2006). It might be because investors and market believe unrelated CBMAs may hurt the interest of acquiring firm's shareholders and cause diseconomies in the acquisition (Flanagan, 1996; Zhang et al., 2011). However, Nicholson and Salaber (2013) find the opposite showing that for Chinese acquirers, CBMA deals with unrelated M&A strategy have higher completion rate than related CBMA deals. It has been argued that since the acquirer and the target in a related CBMA share too many traits in common (such as know-how, culture, business model), intensive contacts can lead to frictions during the process of acquisition and can impede its completion (Nahavandi & Malekzadeh, 1988). In this vein, we believe differentiating analytically the strategies of acquisitions in the completion or abandonment of CBMA deals to be worthwhile and much needed.

3.2.1.2 *Acquisition experience, M&A strategy, and deal completion*

On the basis of prior studies discussed above, we consider the possibility that the completion or abandonment of a CBMA deal may be decided by the difficulties in implementing certain type of M&A strategy. A way to resolve these difficulties is through learning (Hayward, 2001; Muehlfeld et al., 2012), since firms are routine-based and path-dependent systems (Nelson & Winter, 1982; Peng & Fang, 2010). From the learning perspective, acquirers can refer to the accumulated experience to develop capabilities and historical perspectives to overcome obstacles and thereby leads to the

completion of acquisition deals (Collins et al., 2009; Vermeulen & Barkema, 2001).

Levitt and March (1988) define organizational learning as an iterative and dynamic process in which firms engage in experiences and draws inferences from them for future reference. In the context of CBMAs, acquisition experience is formed in the acquisition process that covers aspects such as due diligence, deal negotiation, financing, and post-acquisition integration (Finkelstein & Haleblian, 2002; Hitt et al., 2001). It can be gained via two channels: self-learning acquisition experience through the acquirer's "learning by doing" (Collins et al.,2009; Popli & Sinha,2014), and industrial spillover knowledge through peers with mutual traits in the industry (Bala & Goyal, 1998; Francis et al., 2014; Peng & Fang, 2010; Xie & Li, 2017). Firms engaging in different M&A strategies may require different types of acquisition knowledge and skills concerning every detail in these processes (Almazan et al., 2010; Amburgey & Miner, 1992; Finkelstein & Haleblian, 2002; Francis et al., 2014; Haleblian et al., 2006; Hitt et al., 2001). For instance, if previous acquisition experience mainly consists of related acquisitions, it would be difficult to bring any beneficial effect on subsequent unrelated acquisitions (Vermeulen & Barkema, 2001). It is because when prior acquisitions are highly dissimilar from the later ones, acquirers may lack the specific skills to convert precedents to their gains (Hayward, 2001). Therefore, acquisition experience gained from the acquirer's self-learning and the industrial spillover are expected to have diverse effects on the completion of CBMAs with different M&A strategies.

3.2.2 Hypotheses development

3.2.2.1 Self-learning experience and completion of CBMAs

Through conducting M&A deals, firms are found to gradually become routinized to the processes of acquisitions and are subject to inertial pressures (Amburgey & Miner, 1992). When engaging in CBMAs and faced with challenges to existing beliefs and assumptions, they have the tendency of relying more on developed routines from their self-learning process to increase the effectiveness of use in future CBMAs (Collins et al., 2009; Haleblian & Finkelstein, 1999; Hitt et al., 2000; Nelson & Winter, 1982; Pu & Soh, 2018). Previous studies find evidence indicating that the effects of firms'

routines and acquisition experience can affect subsequent acquisition behavior (Amburgey & Miner, 1992; Dikova et al., 2010; Haleblian et al., 2006; Muehlfeld et al., 2012; Zhou et al., 2016). A few studies also stress that acquirers who have made acquisitions belonging to a certain type tend to repeat the same type of acquisitions in the future (Amburgey & Miner, 1992; Baum et al., 2000; Haleblian et al., 2006). In particular, if the acquirer has previously accumulated acquisition experience in its related business field, such experience can offer plausible precedents for future related acquisitions, rather than unrelated acquisitions. It might be because prior related acquisition experience cannot provide unrelated acquisitions with the matched learning experience (Dikova et al., 2010). For example, Haleblian et al. (2006) document that when the acquirer needs to repeat similar acquisitions in the future, the gain in proficiency comes through previous related acquisition experience. Accordingly, we formulate our first hypothesis:

H1: Acquirer's self-learning acquisition experience enhances the likelihood for completion of subsequent related CBMA.[6]

3.2.2.2 Industrial spillover experience and completion of CBMAs

Besides learning from their own experience, firms can gain information and knowledge from their peers across firms and industries in various ways (Griliches, 1979; McKendrick, 2001; Xie & Li, 2017). Firms locating within the same industry share isomorphism of industrial ecology because they face the same environment of constraints (Peng & Fang, 2010). As a result, these firms tend to be homogenous to their peers (DiMaggio & Powell, 1983). When trying to conduct M&A activities, the acquirer tends to deliberately refer to successful M&A practices employed by its peers with mutual traits, especially when "good examples" are in the same industry (Almazan et al., 2010; Bala & Goyal, 1998). Francis et al. (2014) argue that industrial spillovers from acquisitions of industry peers can be converted into gainful learning by the acquirer, which helps raise the completion likelihood of subsequent M&As. Thus,

[6] Self-learning acquisition experience in the present study only refers to experience accumulated on the basis of prior related acquisitions.

industry-wide information spillover is shown to be an effective channel for the acquirer to gain from peers' experience in conducting M&As (Bala & Goyal, 1998; Cai et al., 2011; Delong & Deyoung, 2007; Francis et al., 2014). This industrial spillover is an especially important learning channel for firms in emerging markets like China, as there are only limited experience and exposures to external learning resources compared with firms from developed markets (Francis et al., 2014; Zollo & Singh, 2004).

Depending on the types of prior acquisitions by peers in the same industry, industrial spillover can also be differentiated into related and unrelated experience. Therefore, more specifically, if conducting a related acquisition, the acquiring firm are more likely to benefit from the experience of peers in the same industry conducting related acquisitions (*related industrial spillover*); if conducting an unrelated acquisition, the acquiring firm tends to learn from peers conducting unrelated acquisitions of target in the same industry as its target domiciled in (*unrelated industrial spillover*). In effect, Yang and Hyland (2006) find that firms also tend to conduct more unrelated acquisitions when their peers in the same industry have undertaken unrelated acquisitions. Thus, our second hypotheses are formulated as follows:

H2a: Acquirer's related industrial spillover acquisition experience enhances the likelihood for completion of subsequent related CBMA.

H2b: Acquirer's unrelated industrial spillover acquisition experience enhances the likelihood for completion of subsequent unrelated CBMA.

3.2.2.3 The moderating effect of the institutional quality of host country

The institutional factor has provided an important context for studying CBMAs in prior studies (Gaur et al., 2014; Meyer et al., 2009), with some researchers contending that a more unified theory should be considered under a certain context (Argote & Miron-Spektor, 2011; Brown & Duguid, 1991). It has been shown that higher institutional quality in the host country can reduce the ambiguity and uncertainty of the investment environment (North, 1990; Zhang et al., 2011) and the effect of organizational learning may also be augmented (Brouthers et al., 2007; Surdu et al., 2018).

However, host countries with higher institutional quality tend to enforce stricter anti-trust law in the context of CBMA partly to protect their domestic markets (Matsusaka, 1996), with rigorous scrutiny of acquisitions that are subject to government approval and may lead to termination of acquisition should the deal be considered as breaching the related law and regulations. Moreover, host countries with higher institutional quality are more likely to invoke political interventions to realize more stringent regulatory oversight for purpose such as national security (De Beule & Duanmu, 2012). For example, resource-seeking and technology-seeking acquisitions are more likely to be canceled due to political consideration if host countries have higher institutional quality (De Beule & Van den Bulcke, 2009). Under these circumstances, even if the acquirer is equipped with acquisition experience, the deal may still not be completed as its acquisition experience would cease to matter.

Empirically, some studies contend that firms from emerging markets such as China, in contrast to their counterparts in developed economies, are more experienced in dealing with corruption, dysfunctional institutions, patron-client relationships, and institutional favors, so that they are more capable of navigating around more opaque political constraints (Desai et al., 2004; Kolstad & Wiig, 2012; Morck et al., 2008). When the experience is applied in host countries with lower institutional quality, acquirers from emerging markets may therefore adapt and operate well by being able to leverage effectively their previous acquisition experience.

Taking bribery as an example, Torgler and Schneider (2009) and Henisz (2000) suggest that in a country with weak institutional quality, such as Peru, firms are encouraged or even forced to conduct bribery in order to operate smoothly. Martin et al. (2007) find that country-level political constraints over governmental powers of politicians and lawmakers relate negatively to bribery activity. Therefore, the acquisition experience with bribery might not play a part in host countries with high institutional quality because engaging in bribery according to previous learning may actually bring severe negative consequences (Torgler & Schneider, 2009). But this kind of experience is likely to facilitate the completion process in host countries with low institutional quality. Accordingly, we have our third and fourth hypotheses:

H3: When the target is domiciled in country with high institutional quality, the acquirer's self-learning effect on the completion of related CBMAs is likely to be weakened.

H4a: When the target is domiciled in country with high institutional quality, the acquirer's related industrial spillover effect on the completion of related CBMAs is likely to be weakened.

H4b: When the target is domiciled in country with high institutional quality, the acquirer's unrelated industrial spillover effect on the completion of unrelated CBMAs is likely to be weakened.

The relationship of developed hypotheses is depicted in Figure 3.

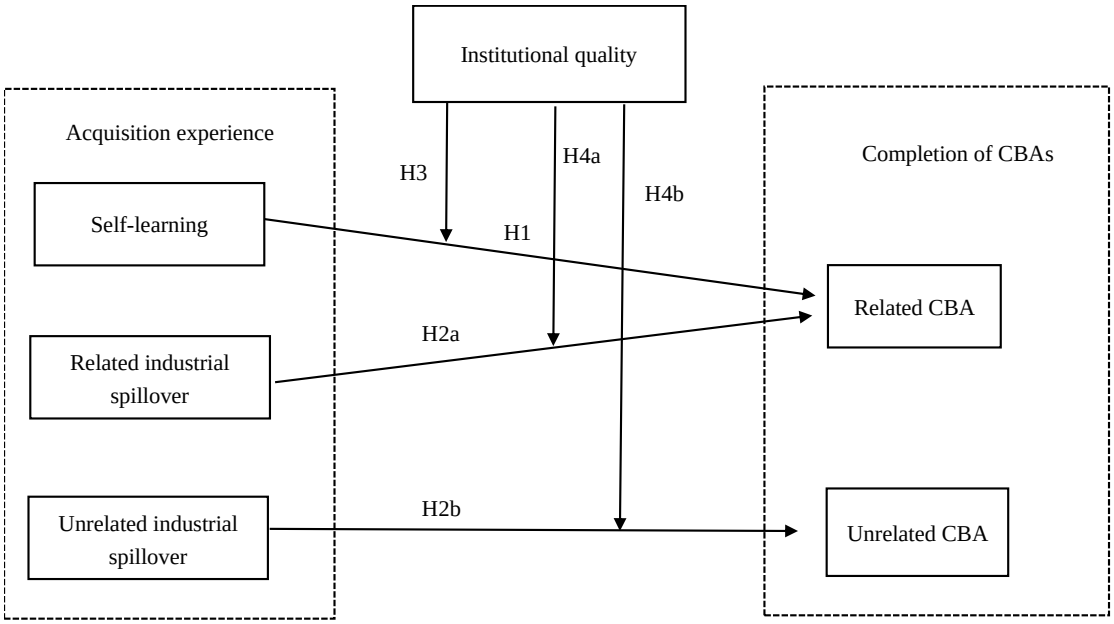

Figure 3 The relationship of developed hypotheses

3.3 Data and method

3.3.1 Sample Description

Data on CBMAs by Chinese listed firms from January 2000 to December 2017 are from the Thomson Reuter's Securities Data Company Platinum (SDC) database. The selection of sample data is based on the comprehensive and complete records in the database. Searching criteria are set as follows:

(1) The acquirer (including its parent company) is a Chinese (mainland) company listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

(2) The target firm (including its parent company) is not a Chinese (mainland) company. The target firm can either be publicly listed or private.

(3) The sample contains data from all industries.

(4) The transaction status excludes transactions with unknown status and rumors.

(5) The acquirer may attempt to gain shares from the same target several times in the same year. The records in the SDC database are based on deal level and each of the deal is independent, which means the completion status of the previous deal between the focal entities does not influence the subsequent deals. Thus, for acquirers who successfully complete some of these deals, we add up the bidding share in deals with the status of "completed".

Using the above scanning and selection criteria, we identify 637 announced CBMAs conducted by Chinese listed firms from 2000 to 2017, covering 75 countries and regions. Figure 4 shows the trend of CBMAs by Chinese listed acquirers from 2000 to 2017. During 2000-2006, the number of CBMAs conducted by Chinese acquirers was very small. Over the following 6 years, the number began to grow at a steady rate. After a short fall between 2012-2014, the number of Chinese listed firms participating in CBMAs saw an explosive growth and reached a peak in 2016. The number of successful cases is 256 out of our sample CBMA cases, with a completion rate of 40.19%.

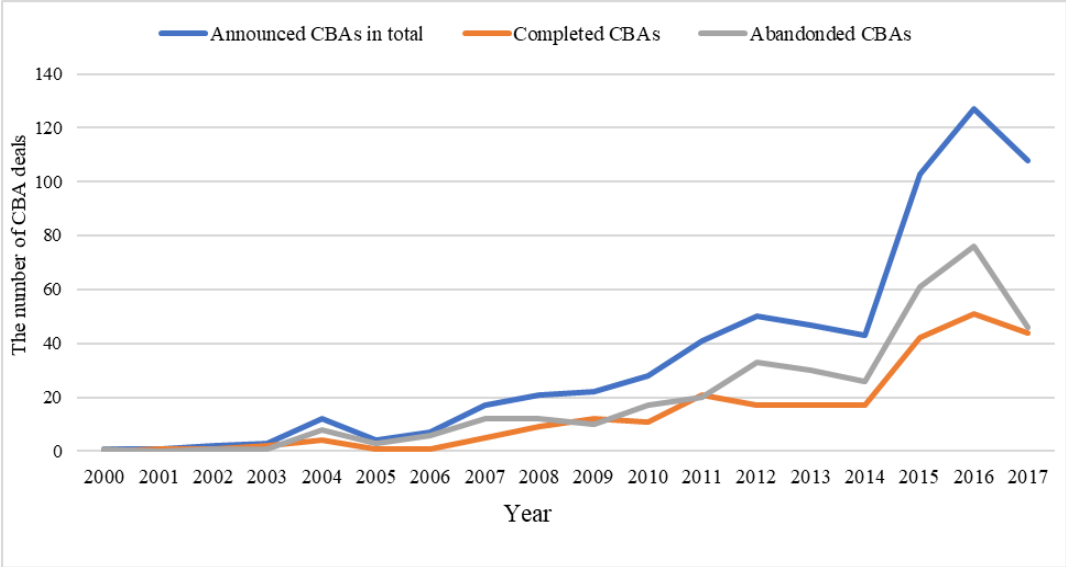

Figure 4 Distribution of CBMAs by Chinese listed firms from 2000-2017

Table 9 shows data on CBMAs sorted by the host country. We define 'Completed' as the number of completed CBMAs within a host country and 'Percentage' as the proportion of completed CBMAs. As is apparent from Table 9, the target countries of CBMAs in our sample are diverse, spanning 75 countries/regions. The two most popular target economies for Chinese listed acquirers are the United States and Hong Kong, with 104 and 94 CBMAs deals successfully completed, respectively. Canada, Italy, Japan, Singapore, France are the other major target countries.

Table 9 Numbers and percentages of CBMA distribution in target nations/regions

Target nation	All CBMA Deals	Completed Deals	Completion (%)
Argentina	4	2	50.00
Australia	43	21	48.84
Austria	1	0	0.00
Azerbaijan	1	1	100.00
Belarus	1	0	0.00
Belgium	4	2	50.00
Botswana	1	0	0.00
Brazil	10	5	50.00
British Virgin	5	2	40.00

Cambodia	4	0	0.00
Canada	29	14	48.28
Cayman Islands	1	0	0.00
Chad	1	0	0.00
Chile	3	1	33.33
Colombia	1	0	0.00
Czech Republic	2	1	50.00
Dem Rep Congo	2	1	50.00
Denmark	5	1	20.00
Dominican Rep	1	1	100.00
Egypt	1	1	100.00
Finland	6	3	50.00
France	16	8	50.00
Gabon	2	0	0.00
Germany	52	28	53.85
Hong Kong	94	30	31.91
India	3	3	100.00
Indonesia	5	2	40.00
Iran	1	0	0.00
Iraq	1	0	0.00
Ireland	1	1	100.00
Israel	7	2	28.57
Italy	27	9	33.33
Japan	25	16	64.00
Kazakhstan	4	1	25.00
Kyrgyzstan	1	0	0.00
Laos	1	0	0.00
Lesotho	1	0	0.00
Lithuania	1	1	100.00

Luxembourg	1	0	0.00
Malaysia	7	3	42.86
Malta	1	1	100.00
Mauritius	1	0	0.00
Mexico	1	1	100.00
Mongolia	5	1	20.00
Nepal	1	0	0.00
Netherlands	11	4	36.36
New Zealand	3	1	33.33
Nigeria	1	0	0.00
Norway	2	0	0.00
Oman	1	0	0.00
Pakistan	4	1	25.00
Philippines	1	0	0.00
Poland	4	3	75.00
Portugal	3	3	100.00
Qatar	1	0	0.00
Russian	7	1	14.29
Saudi Arabia	1	0	0.00
Serbia	1	1	100.00
Singapore	22	10	45.45
Slovenia	1	0	0.00
South Africa	5	0	0.00
South Korea	13	3	23.08
Spain	6	4	67.67
Sweden	4	1	25.00
Switzerland	5	4	80.00
Taiwan	15	5	33.33
Tajikistan	5	2	40.00

Thailand	10	1	10.00
Uganda	1	0	0.00
United Kingdom	15	8	53.33
United States	104	38	36.54
Uruguay	1	1	100.00
United Arab Emirates	1	1	100.00
Uzbekistan	2	0	0.00
Vietnam	2	1	50.00
Sum	637	256	40.19

3.3.2 Variables and model

3.3.2.1 Variables

Dependent variable. The dependent variable is a dummy variable: *status*. The deal status is recorded in the SDC database as "completion", "withdrawn", "pending", "rumor", "status unknown" or "unconditional". We exclude those deals with status of "rumor", "status unknown" and "unconditional", as it is not possible to verify them. Second, we code deals with the status of "completion" as 1 in DV and deals with the status of "withdrawn" and "pending" as 0. The "pending" status is attributed to uncompleted for the following reason. In our sample, the median number of completing acquisition deals is 72.5 days and nearly 94% of acquisition deals is completed within one year. The sample observation time span is specified between 2000 and 2017 and the date we cropped data from the SDC database is on December 31st, 2018, thus deals that were not completed by December 31st, 2018 are treated as uncompleted.

Independent variable. The acquirer's self-learning acquisition experience (*self_learning_exp*) is measured by the number of previous completions of related domestic and cross-border mergers and acquisitions by the acquirer.[7] International acquisitions differ significantly from domestic acquisitions (e.g., formal and informal

[7] Experience accumulated in domestic acquisitions can provide knowledge and routines in acquisition processes from target selection to acquisition integration (Reuer et al., 2004), which can help the acquirer to assess differences of corporate cultures between the two entities in the CBMA context (Nadolska & Barkema, 2007).

institutions), and the former implies greater uncertainty for CBMAs (Gatignon & Anderson, 1988; Markides & Ittner, 1994; Nadolska & Barkema, 2007), especially when the acquiring firm's home country is China, a country that operates under a unique formal institutional environment (Deng, 2009; Liu et al., 2021). The Chinese government involves heavily in Chinese firms' OFDI activities and promotes the "go global" policy for the national interest (Dikova et al., 2016; Luo & Tung, 2018).This provokes hostility from stakeholders in the host country and causes extra hurdles to completing CBMA deals launched by Chinese firms (Hawn, 2021; Yen & André, 2019).Even though the previous domestic acquisition is different from the current CBMA, experience with domestic acquisition is a valuable source of knowledge and routines for firms willing to acquire abroad (Reuer et al., 2004). The acquiring firm learns how to screen, select, take over, and, most importantly, integrate with an already established entity. Domestic acquisition experience allows the acquiring firm to familiarize itself with dealing with potential challenges caused by host country stakeholders during CBMAs, and therefore overcome its negative institutional image (Barkema et al., 1997; Moeller et al., 2013; Yapici & Hudson, 2020). Another vital lesson from previous domestic acquisitions could be gaining the ability to understand and appreciate the cultures of target firms (Nadolska & Barkema, 2007). Even if the acquiring and the target firms operate in the same country for a domestic acquisition, heterogeneity in the firm's culture exists, and learning how to integrate different cultures helps the acquiring firm succeed in future international acquisitions. Compared to the acquirer with a single completed acquisition, the acquirer with experience of multiple acquisitions is deemed to be more proficient in aspects such as compliance with regulations, negotiations on future strategies, avoiding risk of expropriation, and skills in internal and external communication (Clougherty, 2005; Meyer & Altenborg, 2008; Muehlfeld et al., 2012). This variable is sourced from M&As with three considerations for sample selection. First, given the late development of China's stock market with less than a hundred listed companies in the mid-90s, more reliable company data only became available in the early 2000s. Moreover, M&A (CBMA) practices by Chinese firms started in the late 90s with the emergence of M&A waves

just in the past decade (UNCTAD, 2019a). The time period for collecting self-learning acquisition experience is thus set from 1998 to 2016. Second, as the industries of the acquirer might have changed during this period of rapid economic growth and restructuring, only previous acquisitions in which the acquirer's domiciled industry is the same as that in the year prior to completing the CBMA deal are included as the source of the self-learning acquisition experience. Lastly, the acquisition experience prior to any corporate rejuvenation is also excluded.[8] Incidences of corporate rejuvenation where the acquirer may regress back to the growing stage from the mature or recessionary stage will be identified by the change of enterprise life stage. Following Anthony and Ramesh (1992), DeAngelo et al. (2006), and Li et al. (2011), we employ five indicators for identifying an acquiring firm's life stage, including total asset growth rate, net profit growth rate, capital expenditure rate, retained earnings ratio (retained earnings/total equity) and enterprise's age. Based on the method of composite scoring (Anthony & Ramesh, 1992; Zeng et al., 2018), each enterprise is firstly classified to an industry in which its primary business belongs to in the year prior to the CBMA. We score against each of the above-mentioned five indicators within the industry and aggregate the total score of each firm. Then, we rank the firm's total score in descending order within the industry. Following the methodology of prior studies (Anthony & Ramesh, 1992; Koh et al., 2015; Li et al., 2011; Zeng et al., 2018), three equal stages are identified. The top 1/3 of firms with the highest scores in an industry are classified as in the growing stage, the middle 1/3s are in the mature stage, and the last 1/3s are in recessionary stage.[9] Table 10 presents the life stage classification results of all acquirers in our sample.

[8] It is commonly accepted that the development process of products does not always follow the process of irreversible biological life cycles from birth to growth, maturity, and recession (Ayres & Steger, 1985). Instead, under certain conditions (e.g., potential technological change; management flexibility), the product life cycle is able to reverse. Analogously, Dess et al. (2003) and Adenfelt and Lagerström (2006) suggest that with the aim to sustain and improve competitive position, firms can defer or reverse the process of corporate life cycle. This phenomenon is considered as corporate rejuvenation, which can be realized by holistic alterations of structures and processes, strategy and organizational changes (Hurst et al., 1989; Stopford & Baden-Fuller, 1990, 1994). A direct impact of these drastic organizational changes is that experience acquired before rejuvenation is found to be less applicable or valuable to subsequent acquisitions (Levitt & March, 1988).

[9] We combine identical corporate life stages that emerge for two consecutive years and above into one life stage. As for outliers that only show up for once, we merge them with the preceding consecutive life stages.

Table 10 The standard of division for enterprise life stage

Life Stage	Total Asset Growth Rate		Net Profit Growth Rate		Capital Expenditure Rate		Retained Earnings Ratio (RE/TE)		Enterprise's Age	
	Characteristics	Score	Characteristics	Score	Characteristics	Score	Characteristics	Score	Characteristics	Score
Growing Stage	The top 1/3	3	The top 1/3	3	The top 1/3	3	The last 1/3	3	The last 1/3	3
Mature Stage	The middle 1/3	2	The middle 1/3	2	The middle 1/3	2	The middle 1/3	2	The middle 1/3	2
Recession Stage	The last 1/3	1	The last 1/3	1	The last 1/3	1	The top 1/3	1	The top 1/3	1

The industrial spillover acquisition experience (*industrial_spillover_exp*) is measured by the number of previously completed acquisitions in the target's industry that have been made by peer companies in the acquirer's industry. This variable is screened out according to three criteria. First, we include the completed M&A deals that occurred during 1998 and one year prior to the CBMA in question. Second, a prior completed acquisition where the acquirer and the target have the same pair of 3-digits *Standard Industry Classification* (SIC) codes as the present CBMA is considered as a source of industrial spillover experience. Regarding the types of prior acquisitions, the industrial spillover can be differentiated into related and unrelated experience and will be examined respectively in regressions. Lastly, similar to corporate rejuvenation, the experience accumulated before the industry rejuvenation is excluded to ensure the acquisition experience is worthy for reference.[10] Following Zhang et al. (2013), we adopt the industry growth rate classification method to depict dynamic industry life stages, so that we can verify whether the industry has rejuvenation. The growth rate classification method calculates every year's growth rate of all industries and compares it with the GDP growth rate of that year. If the industry's growth rate is higher than the GDP growth rate, we assort it as the growing stage. If the industry's growth rate is lower than the GDP growth rate but greater than zero, we classify it as the mature stage, otherwise the recession stage.[11]

Moderator. Institutional quality is proxied by the World Bank's Worldwide Governance Indicators (WGI). WGI is an index consisting of six sub-indicators: Voice and Accountability, Political Stability and Absence of Violence / Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. This indicator aims to reflect the quality of a country's (region's) regulatory system

[10] Industries could rejuvenate after a radical innovation that can have far-reaching consequences for the industry and cast the industry back into more infant stages (Neffke et al., 2011; Sardá et al., 2005). Regardless of whether the cause is innovations or new rules, the characteristics of the industry will change significantly after the rejuvenation. Therefore, the industry spillover experience accumulated before the rejuvenation is found to have negligible impact for subsequent acquisitions (Levitt & March, 1988).

[11] As most of the industry sectors in China have already been established prior to the start of the period of investigation, we exclude the initial industry life stage and combine identical industry life stages that emerge for two consecutive years and above into one life stage. As for stages that only show up for once, we merge them with the previous consecutive life stages.

including administration and justice. Following Chan et al. (2008) and Yan (2011), we apply the Principal Component Analysis (PCA) to extract a common factor and transform the original indicators from six to one. The higher the score, the more stringent the government regulation and the institutional quality are. For each CBMA, we use the WGI data one year prior to the deal.

Control variables. To rule out alternative explanations, we control for variables that may influence the likelihood of completion of CBMAs at the country level, the firm level, and the deal level. All control variables are sourced one year prior to the CBMA deal. For the country level, we introduce the *gdpgrowth* in the host country to control for the overall host country's market potential and rate of growth (Collins et al., 2009; He & Zhang, 2018). *reer* is the real exchange rate between China's currency and the national currency of the host country, accounting for the effect of exchange rate movements on the likelihood of completing CBMA deals (Collins et al., 2009; Erel et al., 2012; Zhou et al., 2016). The data of *reer* is from Bank of International Settlements. *cultural_similarity* is the cultural similarity between the home and host countries (House et al., 2004; Yan, 2011), measured by a dummy variable equaling 1 if the target is domiciled in a country or region with strong Confucianism tradition or where there is high concentration of ethnic Chinese population, and 0 otherwise.

Return on equity (*roe)*, shareholding of the largest shareholder (*1st_shareholder)*, shareholding held by institutions *(ins_ownership)* and the ratio of separation of control rights over ownership rights (*separate)* as they may influence the acquiring firm's desire or ability to complete a takeover (Kim et al., 2011; Lim & Lee, 2016). *soe* is a dummy variable which equals 1 if the acquirer is owned by the government, and 0 otherwise. Chen and Young (2010) have argued that if an acquirer is a state-owned enterprise, this may induce a principal-principal conflict among investors and harm the CBMA deal. We also take the number of employees in the acquirer (*employee_n*) into consideration. The variable: *beta-coefficient* is a risk index of the acquirer which is used to control the impact of fluctuation in stock price on deal completion.

At the deal level, *sought* is the percentage of ownership stake in the target sought by the acquirer in a transaction, which is considered to influence the acquirer and target

companies' shareholder, and thus may affect the approval procedures (Dikova et al., 2010; Zhang et al., 2011). *acq_tar_advisor* is used to capture whether international financial advisors for the acquirer and the target influence acquisition completion (He & Zhang, 2018; Zhang et al., 2011). It is coded as 1 if the acquirer or target firm hires consulting advisors, and 0 otherwise. *acq_leg_adv_n* represents the number of legal advisors hired by the acquirer during this acquisition. *target_listed* is a dummy variable, equaling 1 if the target firm is a listed company. Some studies suggest that listed target firms are likely to be subject to more regulatory issues throughout all phases of activities and may thus pose barriers to the completion of CBMA deals (Dikova et al., 2010; Weston et al., 2001). *target_high_tech* and *target_resource_industy* represent whether the CBMA deal involves target in high-tech or natural resource industry. Table 11 presents detailed measurement of variables and data sources.

Table 11 Definition of variables and data source

Variable category	Variable name	Measurement	Source
Dependent variable	*status*	Dummy variable, equaling1 if a CBMA activity is completed, and 0 otherwise.	SDC
Independent variable	*self_learning_exp*	The number of previously completed domestic or cross-border related acquisitions of the acquirer	SDC
	industrial_spillover_exp	The number of previously completed acquisitions in the target's industry that have been made by peer companies in the acquirer's industry	
Moderator	*institutional quality*	The value of Worldwide Governance Indicators (WGI) one year before the CBMA	Word Bank
Control	*gdpgrowth*	The real growth rate of the GDP in US dollars	WDI

variable (Country level)	*reer*	The real effective exchange rate of China Yuan	Bank for International Settlements
	cultural_similarity	Dummy variable, equaling 1 if the target is domiciled in a country or region with strong Confucianism tradition or where there is high concentration of ethnic Chinese population, and 0 otherwise	House et al. (2004)
Control variable (firm-level)	*1st_shareholder*	The share proportion of the largest shareholder of the acquirer	CSMAR
	liquidity	Cash and marketable securities/ total assets in acquiring firm	CSMAR
	leverage	Total debt/total assets of the acquirer	CSMAR
	separate	The ratio of separation of two rights of the acquirer	CSMAR
	roe	Return on equity of the acquirer	CSMAR
	employee_n	The number of employees in the acquiring firm	CSMAR
	soe	Dummy variable, equaling 1 if the acquirer is a state-owned company, and 0 otherwise.	CSMAR
	ins_ownership	The sum of percentage of stock holdings by institutions in the acquiring firm	CSMAR
	beta_coefficient	a risk index, used to measure the price fluctuations of individual stocks relative to the entire stock market	CSMAR
Control variable	*target_listed*	Dummy variable, equaling 1 if the target firm is a listed firm, and 0 otherwise.	SDC

(deal level)	*sought*	The percentage of shares that the acquirer is expected to acquire	SDC
	acq_tar_adv	Dummy variable, equaling 1 if the acquirer or the target has an international financial advisor, and 0 otherwise.	SDC
	acq_legal_adv_n	The number of legal advisors hired by the acquirer during this acquisition	SDC
	target_high_tech	Dummy variable, equaling 1 if the target involves in high-tech industries, and 0 otherwise.	SDC
	target_resource_industy	Dummy variable, equaling 1 if the target involves in natural resource industries, and 0 otherwise.	SDC

3.3.2.2 Model setting

We construct a binary logit regression model to study the effect of the above explanatory variables on the probability of completing CBMAs, incorporating the institutional quality in the host country:

$$Completion = \ln(\frac{p}{1-p}) = \alpha + \beta_0 self_learning_exp + \beta_1 industrial_spillover_exp + \beta_2 institutional_quality$$
$$+\beta_3 self_learning_exp \times institutional_quality + \beta_4 industrial_spillover_exp \times institutional_quality$$
$$+\beta_5 control_variables + \varepsilon$$

…… (4)

where p represents the probability of completion of CBMAs. $self_learning_exp \times institutional_quality$ and $industrial_spillover_exp \times institutional_quality$ are interaction terms to examine how the institutional quality in the host country moderates the effect of acquisition experience on the completion likelihood of CBMAs. This regression is further examined by two sub-samples: the related and the unrelated CBMA group for testing H1 and H2. The related CBMA group consists of horizontal and vertical CBMAs

and the unrelated CBMA group consists of conglomerate CBMAs. Following Herger and McCorriston (2016), we choose up to 6 SIC codes for both the acquirer and the target. If at least one pair of the 4-digit SIC codes of the acquirer and target firms is identical, the acquisition is classified as a horizontal M&A (Guardo et al., 2016). For the rest of acquisitions, we use the "V value cut-off method" to distinguish vertical CBMAs from conglomerate CBMAs.[12] Following Fan and Goyal (2002) and Garfinkel and Hankins (2011), if at least one of the vertical correlation coefficients (V) calculated by the 36 pairs of SIC codes from the acquirer and the target is greater than 1%, it is deemed as a vertical CBMA, and otherwise a conglomerate CBMA. The vertical correlation coefficient is determined by $V = \frac{V_{\alpha\beta} + V_{\beta\alpha}}{2}$, where $V_{\alpha\beta}$ is the output contribution of α industry needed to produce 1 dollar output in β industry, and $V_{\beta\alpha}$ is the output contribution of β industry needed to produce 1 dollar output in α industry. $V_{\alpha\beta}$ is defined by $V_{\alpha\beta} = \frac{O_{\alpha\beta}}{O_{\beta}}$, where $O_{\alpha\beta}$ is the contribution of the industry α to industry β, O_{β} is the total output of industry β, $V_{\beta\alpha}$ is defined by the same method. Table 12 lists the measurement and description of the classification of M&A strategy.

Table 12 Classification of M&A strategy

M&A Strategy		Measurement	Description
Horizontal	**Related**	$\alpha, \beta \le 6, \exists \alpha, \beta, SIC_{\alpha}^{A} = SIC_{\beta}^{T}$	If at least one of the 6 pairs of SIC codes of the acquirer and the target is identical, the

[12] "V value cut-off method" refers to determining the M&A strategies by assessing whether there is a strong upstream or downstream relationship between the two industries of the acquirer and the target. Following Alfaro & Charlton (2009) and Alfaro and Chen (2012), the input-output table is used to calculate the vertical correlation coefficients that do not change over time.

			M&A is defined as horizontal.
Vertical		$SIC_{\alpha}^{A} \neq SIC_{\beta}^{T}, \exists \alpha, \beta, V \geq \overline{V}$	If at least one set of the calculated vertical correlation coefficient of the 36 pairs of SIC codes of the acquirer and the target is greater than 1%, the acquisition is defined as vertical.
Conglomerate	**Unrelated**	$SIC_{\alpha}^{A} \neq SIC_{\beta}^{T}, \exists \alpha, \beta, V < \overline{V}$	If there is no identical pair of SIC codes between the acquirer and the target or none of the calculated vertical correlation coefficients of all 36 pairs of SIC codes is greater than 1%, the acquisition is defined as conglomerate.

3.4 Results

3.4.1 Descriptive statistics

Summary of descriptive statistics by two CBMA groups is presented in Table 13. The columns show the names of variables, the numbers of observations, mean values, standard errors, minimal and maximum values accordingly. When calculating

self_learning_exp, we find two acquirers from the related CBMA group, whose industry changes from textile and clothing industry to clothing and other fiber products manufacturing industry. The business scopes of these two industries are intertwined, so that it is problematic to determine whether prior self-learning acquisition experience can be counted according to our methodology, and they have to be dropped from the sample, causing two missing values. Furthermore, eight deals from the related CBMA group lack *industrial_spillover_exp* because of missing values of industrial growth rate to confirm whether these industries had experienced rejuvenation. For control variables, we have 21, 8, 41 and 1 missing values for *gdp_growth*, *ins_ownership*, *sought* and *target_high_tech* respectively. Table 13 shows that for related and unrelated CBMA groups, there is a substantial difference in completion rates, suggesting the necessity to conduct the analysis separately. We can observe from our main explanatory variables: *self_learning_exp* and *industrial_spillover_exp* that their distributions in both groups are similar, with wide range of values.

An analysis of the distribution of the acquirer's industry is presented in Table 14. The results show that acquiring firms spread over 35 industries. The industries with the highest number of acquirers include communication technology; petroleum, chemistry, and plastic products; special equipment manufacturing; and electrical machinery and equipment manufacturing.

Table 13 Descriptive statistics for related and unrelated CBMAs

Variable	n	mean	sd	min	max
Unrelated CBMAs					
status	126	.444	.499	0	1
wgi	126	2.677	1.853	-3.7	4.71
self_learning_exp	126	4.54	5.399	0	26
industrial_spillover_exp	126	50.992	147.023	0	879
gdp growth	122	2.615	2.128	-7.2	9.02
reer	126	114.804	13.706	84.62	129.48
ins_ownership	122	8.032	8.892	.02	71.1
1st_shareholder	126	36.73	17.198	0	85
liquidity	126	.533	.223	0	.96
leverage	126	.465	.218	.02	1.22
separate	126	5.562	7.912	0	32.31

roe	126	.064	.181	-1.49	.38
employee_n	126	12925.59	40348.97	62	400513
soe	126	.278	.45	0	1
target_listed	126	.119	.325	0	1
sought	111	70.995	33.229	3.8	100
acq_legal_adv_n	126	.381	.725	0	5
acq_ tar adv	126	.246	.432	0	1
target_high_tech	126	.19	.394	0	1
cultural_similarity	126	.294	.457	0	1
target_resource_industry	126	.143	.351	0	1
beta_coefficient	126	.85	.477	-.18	1.76
Related CBMAs					
status	511	.382	.486	0	1
wgi	511	2.612	1.802	-3.77	4.66
self_learning_exp	509	3.497	4.122	0	27
industrial_spillover_exp	503	154.726	261.339	0	1125
gdp growth	494	2.605	2.565	-7.8	14.53
reer	511	113.271	13.66	84.62	129.48
ins_ownership	507	8.545	8.841	.03	60.03
1st_shareholder	511	36.025	16.782	0	86.35
liquidity	511	.554	.218	0	.99
leverage	511	.431	.211	0	1.01
separate	511	4.827	7.325	0	39.63
roe	511	.089	.094	-.65	.46
employee_n	511	20182.57	69151.78	0	552810
soe	511	.333	.472	0	1
target_listed	511	.159	.366	0	1
sought	485	64.021	35.184	2.3	100
acq_legal_adv_n	511	.323	.603	0	4
acq & tar adv	511	.252	.435	0	1
target_high_tech	510	.229	.421	0	1
cultural_similarity	511	.282	.45	0	1
target_resource_industry	511	.16	.367	0	1
beta_coefficient	511	.853	.488	0	1.96

Table 14 Industry distribution of acquirers

Industry Category	N	%
Agriculture industry	9	1.41
Fishery industry	5	0.78
Coal mining and washing industry	12	1.88
Oil and gas mining industry	10	1.57

Nonferrous metal mining industry	12	1.88
Mining auxiliary activity	6	0.94
Food processing industry	14	2.20
Food manufacturing industry	6	0.94
Wine, beverage and refined tea manufacturing industry	5	0.78
Textile and apparel industry	15	2.35
Wood processing and wood, bamboo, rattan, palm, grass products industry	4	0.63
Printing and recording media reproduction industry	2	0.31
Culture, sports and entertainment industry	9	1.41
Petroleum, chemistry and plastic products industry	58	9.11
Pharmaceutical manufacturing industry	38	5.97
Nonmetallic mineral products industry	11	1.73
Ferrous metal smelting and rolling industry	19	2.98
Nonferrous metal smelting and rolling industry	30	4.71
Metal products industry	11	1.73
General equipment manufacturing industry	19	2.98
Special equipment manufacturing industry	48	7.54
Motor industry	21	3.30
Transportation equipment manufacturing industry	7	1.10
Electrical machinery and equipment manufacturing industry	43	6.75
Communication technology industry	100	15.70
Instrument manufacturing industry	10	1.57
Other manufacturing industry	11	1.73
Power, heat, gas and water production and supply industry	11	1.73
Construction industry	11	1.73
Wholesale and retail industry	22	3.45
Transportation, warehousing and postal service industry	15	2.35
Financial industry	16	2.51
Real estate industry	14	2.20

Leasing and business service industry	8	1.26
Scientific research and technical service industry	5	0.78
Sum	**637**	**100.00**

3.4.2 Regression results

Our sample shows that 195 acquisitions out of 511 related CBMAs are completed, while for 126 unrelated CBMAs, there are 56 deals completed. This suggests a higher completion rate of the unrelated group (44.44%) than that of the related group (38.16%). Considering that we adopt a rather small sample, we decide to winsorize our variables which may have outliers. For variables: *wgi, gdp_growth, roe* and *openness* we winsorize the top 0.5% and bottom 0.5% of data points, because there are outliers on both sides of the original data. For variables: *self_learning_exp, industrial_spillover_exp, reer, ins_ownership, 1st_shareholder, liquidity, leverage, separate, employee_n, sought, acq_legal_advisor,* and *number_of_acq_legal_adv*, we only winsorize the top 0.5% of data point, since the histograms show there are only outliers on the right side of the original data. The possible reason is examined by regression analysis in Table 15. In the related CBMA group, Column 1 of Table 15 shows that the coefficient of *self_learning_exp* is 0.02, indicating that with the increase of 1 unit of self-learning acquisition experience, the completion likelihood for the subsequent related CBMAs will increase 0.02. The coefficient is significant at the 1% level. Adding control variables, the coefficient of *self_learning_exp* in Column 2 is 0.02 and is also significant at 1% level. However, both coefficients of *industrial_spillover_exp* are insignificant in Columns 1 and 2. This result is consistent with the prediction of H1 but does not support H2a, suggesting that the effect of self-learning experience outperforms industrial spillover experience in related CBMAs. One possible reason is that when firms are exposed to new and diverse investment environment as is likely in CBMAs, they are confronted with challenges to existing beliefs and assumptions. In response, when conducting related CBMAs, they tend to embrace new knowledge produced by their self-learning process instead of learning

from peers to improve performance (Collins et al., 2009; Haleblian & Finkelstein, 1999; Hitt et al., 2000). After all, learning from peers involves more complex processes of acquiring, assimilating, transforming, and exploiting new information (Cohen & Levinthal, 1990; Zahra & George, 2002).

In the unrelated CBMA group, both the coefficients of *industrial_spillover_exp* in Columns 3 and 4 are 0.001, and they are significant at the 5% levels. The coefficient implies that with the accumulation of one more unrelated industrial spillover acquisition experience, the completion likelihood of subsequent unrelated CBMAs will rise by 0.001. H2b is thus supported. Yet, the coefficient of *self_learning_exp* is insignificant as expected in the unrelated CBMA group. This result indicates that if previous acquisition experience mainly consists of related acquisitions, it would be difficult to generate any beneficial effect on subsequent unrelated acquisitions (Vermeulen & Barkema, 2001). It is because if the acquirer's previous experience is too dissimilar to be useful to the later acquisition, the acquirer may lack the specific skills to convert precedents and lessons learned into gains (Hayward, 2001). In such a case, the acquirer may even draw the wrong inferences or misapply those inferences from unrelated acquisition experience (Dikova et al., 2010; Haleblian & Finkelstein, 1999; Vermeulen & Barkema, 2001).

Table 15 Logistic regressions for related and unrelated CBMAs

	The Related CBMA Group		The Unrelated CBMA Group	
Variables	Without Control Variables	With Control Variables	Without Control Variables	With Control Variables
self_learning_exp	0.02***	0.02***	-0.00	-0.00
	(2.98)	(3.22)	(-0.60)	(-0.42)
industrial_spillover_exp	0.00	-0.00	0.001**	0.001**
	(0.83)	(-0.12)	(2.07)	(2.27)
acq_legal_adv_n		0.21***		0.23***
		(6.27)		(3.83)
leverage		-0.34***		-0.30
		(-3.31)		(-1.57)
1st_shareholder		0.00		-0.00
		(0.64)		(-0.86)
separate		0.00		0.00
		(0.75)		(0.53)
target_high_tech		0.13***		0.23**
		(2.65)		(2.43)

cultural_close		0.02		0.02
		(0.44)		(0.17)
target_resource_ind		0.00		0.14
		(0.03)		(1.21)
Obs.	501	500	126	126
Correct classified rate	60.48%	69.80%	60.32%	66.67%

Note: Z-value in parentheses. *** p<0.01, ** p<0.05, * p<0.1

We also incorporate in the regressions the interaction terms of *self_learning_exp * wgi* and *industrial_spillover_exp * wgi*, where *wgi* indicates the institutional quality of host country and is measured by the value of Worldwide Governance Indicators. Column 1 of Table 16 shows a significant coefficient of *self_learning_exp* (0.03) when excluding control variables. After adding control variables to the regression model, Column 2 of Table 16 shows the coefficient of *self_learning_exp* is also 0.03 and it is significant at the 1% level, which is consistent with our H1. The coefficient of *self_learning_exp * wgi* in column 2 is -0.01 and it is statistically significant at the level of 10%. This result affirms that institutional quality in the host country negatively moderates the effect of the acquirer's self-learning acquisition experience on the likelihood of successful completion for later related CBMAs, and our H3 is supported. The result may seem counterintuitive, because higher host institutional quality consists of clear laws and regulations to reduce uncertainty and environment complexity (North, 1990), and would thus augment the function of organizational learning (Surdu et al., 2018). However, this reasoning might only hold to DMNE acquirers (Brouthers et al., 2007). In fact, the high institutional quality in host country may also pose hurdles for the acquirer. For example the acquirer may have to navigate stricter institutional governance, law enforcement (Deng & Yang, 2015), and the challenges of political intervention (De Beule & Duanmu, 2012). Even if the acquirer is endowed with rich acquisition experiences, meeting the compliance requirements in highly developed and more transparent regulatory environment will restrict how experiences can be effectively used. Kolstad and Wiig (2012) shows that for firms from emerging markets like China, lower host institutional quality is more attractive when pursuing outward foreign direct investment. Similarly, Morck et al. (2008) find that Chinese companies are experienced in "navigating complex patron-client relationships and personal and institutional favors in relatively opaque and difficult business environments" and in "dealing with burdensome regulations and navigating around opaque political constraints". As such, it is possible for acquirers from emerging markets to operate better in host countries with lower host institutional quality. Our results provide new evidence to support the argument that the influence of organizational learning outcomes

should be placed in an appropriate institutional context (Aguilera & Grøgaard, 2019). As for the unrelated CBMA group, the coefficient for the cross-terms are not significant as expected.

Table 16 Logistic regressions for related and unrelated CBMAs with the moderator

	The Related CBMA Group		The Unrelated CBMA Group	
Variables	Without Control Variables	With Control Variables	Without Control Variables	With Control Variables
self_learning_exp	0.03**	0.03***	0.01	0.01
	(2.36)	(3.06)	(0.41)	(0.77)
industrial_spillover_exp	0.00	0.00	0.00	0.00
	(0.47)	(0.44)	(0.24)	(0.75)
wgi	0.04**	0.03	0.09**	0.09**
	(2.21)	(1.63)	(2.45)	(2.47)
self_learning_exp wgi*	-0.00	-0.01*	-0.00	-0.01
	(-1.19)	(-1.79)	(-0.82)	(-1.14)
industrial_spillover_exp wgi*	-0.00	-0.00	0.00	0.00
	(-0.11)	(-0.58)	(0.89)	(0.45)
acq_legal_adv_n		0.21***		0.19***
		(6.33)		(3.03)
leverage		-0.34***		-0.17
		(-3.31)		(-0.90)
1st_shareholder		0.00		-0.00

		(0.73)		(-1.01)
separate		0.00		0.00
		(0.68)		(0.92)
target_high_tech		0.13***		0.22**
		(2.60)		(2.25)
cultural_similarity		0.02		-0.04
		(0.41)		(-0.41)
target_resource_industry		0.01		0.12
		(0.11)		(1.06)
Obs.	501	500	126	126
Correct classified rate	60.48%	69.20%	65.87%	73.02%

Note: Z-value in parentheses. *** p<0.01, ** p<0.05, * p<0.1

3.5 Robustness check

First, as an alternative test of the effect of learning, we introduce another dependent variable, *processing_duration,* measured by the number of days between the announcement date and the completion date (effective date) of CBMAs. A negative binominal regression is conducted. Since only CBMA deals with the final status of "completed" can be used to calculate deal processing duration, our observations are reduced. Although some information about uncompleted deals is missing, we thought using this alternative dependent variable could provide new insight in discussing the impact of our independent variables. Our findings suggest that not only can the acquirer's self-learning acquisition experience promotes the completion of related CBMAs, but also it can reduce the deal completion time for this type of CBMAs. For industrial spillover acquisition experience, it can also accelerate the completion process of unrelated CBMAs, and the institutional quality in the target country weakens this relationship.

Table 17 Robustness check- negative binomial regression of substituting DV

	The Related CBMA Group		The Unrelated CBMA Group	
Variables	Without Control Variables	With Control Variables	Without Control Variables	With Control Variables
self_learning_exp	-8.76*	-15.60***	13.95***	17.04***
	(-1.76)	(-2.74)	(5.77)	(6.72)
industrial_spillover_exp	0.08	0.06	-0.37***	-0.27***
	(0.92)	(0.72)	(-5.14)	(-4.27)
wgi	-6.74	-16.10*	15.69***	15.68***
	(-0.80)	(-1.93)	(4.08)	(3.98)
self_learning_exp wgi*	1.01	2.59	-5.22***	-6.03***
	(0.67)	(1.61)	(-5.84)	(-6.60)
industrial_spillover_exp wgi*	-0.03	-0.01	0.24***	0.19***
	(-0.86)	(-0.40)	(5.85)	(5.20)
acq_tar_adv		56.39***		24.03***
		(2.60)		(5.00)
soe		51.88**		55.36***
		(1.98)		(7.21)
leverage		25.34		11.90

		(0.42)		(0.87)
employee_n		-0.00**		-0.00***
		(-2.02)		(-5.26)
target_resouce_industry		29.20		-47.64***
		(1.01)		(-5.87)
ins_ownership		2.74***		-5.13***
		(2.61)		(-6.70)
beta_coefficient		18.79		28.68***
		(0.84)		(4.78)
Obs.	192	190	56	55

Note: Z-value in parentheses. *** p<0.01, ** p<0.05, * p<0.1

The second robustness check is to conduct grouping according to *wgi* and then run regression for different groups. We use the median value of *wgi* as the criteria for grouping. If *wgi* is higher than the median value, we put this sample into one group, otherwise another group. The results of grouping regressions are presented in Table 18. For the related CBMAs, the results show that the coefficients of *self_learning_exp* are 0.02 and 0.01 in Columns 1 and 3, respectively, and are significant at the level of 5%. Likewise, the coefficients of *self_learning_exp* in Columns 2 and 4 with control variables exhibit the same trend when institutional quality in the host country increases (from 0.018, significant at 1 % level, to 0.017, significant at the 5% level). By comparing Column 1 with 3, and Column 2 with 4, we find that even though the coefficients of *self_learning_exp* are all significant in these regressions, the ones in the high *wgi* group are slightly smaller than those in the low *wgi* group, confirming the robustness of H3.

For unrelated CBMAs, results show that the coefficient of *industrial_spillover_exp* is 0.001 in the low *wgi* group (Column 5) and it is significant at 10% level, while the coefficient is not significant in the high *wgi* group (Column 7). Also, this coefficient changes from 0.002 in Column 6 (significant at 1% level) to 0.001 in Column 8 (not significant) when the institutional quality in the host country rises. The regression results from Columns 5 to 8 indicate that the industrial spillover effect holds for unrelated CBMAs in countries with low institutional quality.

Table 18 Robustness regression of grouping

	The Related CBMA Group				The Unrelated CBMA Group			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Variables	Low *wgi*	Low *wgi*	High *wgi*	High *wgi*	Low *wgi*	Low *wgi*	High *wgi*	High *wgi*
self_learning_exp	0.02**	0.018***	0.01**	0.017**	0.00	0.01	-0.03*	-0.04**
	(2.10)	(2.51)	(1.96)	(2.27)	(0.44)	(0.66)	(-1.74)	(-2.41)
industrial_spillover_exp	0.00	-0.00	0.00	0.00	0.001*	0.002***	0.00	0.001
	(0.29)	(-0.03)	(1.36)	(0.80)	(1.79)	(3.01)	(1.23)	(0.99)
acq_legal_adv_n		0.21***		0.20***		0.36***		0.17
		(4.50)		(3.92)		(2.80)		(1.59)
sought		0.00***		0.00		0.00*		0.00
		(3.31)		(0.73)		(1.87)		(0.12)
1st_shareholder		-0.00		0.00		-0.00		-0.00
		(-0.06)		(1.17)		(-1.11)		(-0.12)
soe		-0.01		0.04		0.33*		-0.11
		(-0.09)		(0.54)		(1.93)		(-0.74)
seperate		0.00		-0.00		0.01		-0.01

		(0.50)		(-0.14)		(1.19)		(-0.80)
employee_n		-0.00		-0.00*		-0.00		-0.00
		(-1.61)		(-1.79)		(-1.59)		(-0.37)
reer		-0.00		-0.00**		-0.01		0.01
		(-0.49)		(-1.78)		(-1.09)		(1.48)
target_high_tech		0.12*		0.22***		0.24*		0.61***
		(1.81)		(3.03)		(1.77)		(2.94)
cultural_similarity		0.08		-0.01		0.04		0.04
		(1.13)		(-0.11)		(0.21)		(0.35)
target_resource_industry		-0.04		0.01		0.12		0.41**
		(-0.45)		(0.06)		(0.67)		(2.17)
Obs.	251	235	250	239	62	53	64	58
Correct classified rate	64.54%	72.34%	57.20%	66.11%	62.90%	77.36%	64.06%	82.76%

Note: Z-value in parentheses. *** p<0.01, ** p<0.05, * p<0.1

The third method for robustness check is by substituting *wgi* with another indicator of the institutional quality in the host country to avoid one-sidedness. We use American Heritage Foundation's Global Economic Freedom Index (*efi*) as an alternative to measure an economy's trade policies, government financial burdens, government intervention in the economy, monetary policy, capital flows and foreign investment, financial services, wages and prices, property rights protection, government regulations, and information markets. The results are shown in Table 19. We find that the coefficients of *self_learning_exp* efi* are both -0.001, and they are significant at the 5% level in Columns 1 and 2. The results also affirm the robustness of H3 that the institutional quality (*efi*) in the host country negatively moderates the effect of *self_learning_exp* on the completion rate of subsequent related CBMAs.

Table 19 Robustness regression of substituting *wgi* for *efi*

	The Related CBMA Group		The Unrelated CBMA Group	
Variables	Without Control Variables	With Control Variables	Without Control Variables	With Control Variables
self_learning_exp	0.09***	0.09***	0.01	0.03
	(2.56)	(2.87)	(0.28)	(0.77)
industrial_spillover_exp	0.00	0.00	0.00	-0.00
	(1.13)	(0.85)	(0.34)	(-1.11)
efi	0.00*	0.00	0.00	0.00
	(1.84)	(0.98)	(0.55)	(0.74)
self_learning_exp efi*	-0.001**	-0.001**	-0.00	-0.00
	(-2.15)	(-2.40)	(-0.44)	(-0.89)
industrial_spillover_exp efi*	-0.00	-0.00	-0.00	0.00
	(-1.01)	(-0.92)	(-0.02)	(1.37)
acq_legal_adv_n		0.21***		0.24***
		(6.36)		(4.34)
leverage		-0.36***		-0.28
		(-3.46)		(-1.46)
1st_shareholder		0.00		-0.00

		(0.80)		(-0.81)
separate		0.00		0.00
		(0.78)		(0.73)
target_high_tech		0.13***		0.22**
		(2.72)		(2.30)
cultural_similarity		0.04		-0.02
		(0.82)		(-0.20)
target_resource_industry		-0.01		0.12
		(-0.12)		(1.07)
Obs.	501	500	125	125
Correct classified rate	61.48%	70.40%	59.20%	69.60%

Note: Z-value in parentheses. *** p<0.01, ** p<0.05, * p<0.1

As the observed sample period includes the Global Financial Crisis, we conduct a separate examination by excluding observations from 2008 to 2009 in our regressions to check the robustness of our results. Table 20 and Table 21 show that after excluding observations during the Global Financial Crisis, the results are qualitatively unchanged with the results in Table 15 and Table 16, and as such, H1, H2b and H3 are supported.

Table 20 Robustness regression of excluding the US sub-prime impact (without moderator)

	The Related CBMA Group		The Unrelated CBMA Group	
Variables	Without Control Variables	With Control Variables	Without Control Variables	With Control Variables
self_learning_exp	0.01***	0.02***	-0.01	-0.00
	(2.70)	(3.19)	(-0.62)	(-0.50)
industrial_spillover_exp	0.00	-0.00	0.001**	0.001**
	(1.09)	(-0.03)	(2.04)	(2.25)
acq_legal_adv_n		0.23***		0.22***
		(6.66)		(3.48)
leverage		-0.35***		-0.27
		(-3.33)		(-1.35)
1st_shareholder		0.00		-0.00
		(0.75)		(-1.09)
separate		0.00		0.00
		(0.35)		(0.49)
target_high_tech		0.15***		0.27***
		(2.99)		(2.74)

cultural_close		0.01		0.02
		(0.16)		(0.20)
target_resource_ind		-0.01		0.12
		(-0.09)		(0.96)
Obs.	462	461	122	122
Correct classified rate	61.04%	69.63%	59.84%	66.39%

Note: Z-value in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 21 Robustness regression of excluding the US sub-prime impact (with moderator)

	The Related CBMA Group		The Unrelated CBMA Group	
Variables	Without Control Variables	With Control Variables	Without Control Variables	With Control Variables
self_learning_exp	0.03**	0.03***	0.01	0.01
	(2.48)	(3.34)	(0.44)	(0.84)
industrial_spillover_exp	0.00	0.00	0.00	0.00
	(0.63)	(0.63)	(0.28)	(0.85)
wgi	0.04**	0.03	0.09***	0.10***
	(2.23)	(1.62)	(2.56)	(2.75)

self_learning_exp wgi*	-0.01	-0.01**	-0.01	-0.01
	(-1.44)	(-2.04)	(-0.88)	(-1.28)
industrial_spillover_exp wgi*	-0.00	-0.00	0.00	0.00
	(-0.16)	(-0.76)	(0.83)	(0.35)
acq_legal_adv_n		0.23***		0.17***
		(6.83)		(2.66)
leverage		-0.36***		-0.12
		(-3.39)		(-0.65)
1st_shareholder		0.00		-0.00
		(0.87)		(-1.31)
separate		0.00		0.01
		(0.30)		(1.00)
target_high_tech		0.15***		0.26***
		(2.99)		(2.61)
cultural_similarity		0.01		-0.04
		(0.19)		(-0.49)
target_resource_industry		-0.00		0.09

		(-0.01)		(0.79)
Obs.	462	461	122	122
Correct classified rate	61.26%	69.85%	63.93%	72.95%

Note: Z-value in parentheses. *** p<0.01, ** p<0.05, * p<0.1

We conduct robustness checks using unbalanced panel data to control the effect of time and industry in our analyses. To prepare the data for panel analysis, for acquirers who has conducted multiple stages of the same acquisitions within the same calendar year, we randomly drop the redundant deals and keep only one deal for that year to avoid the artificial selection of samples. As a result, 542 observations are used to verify our models' robustness.

Besides, we also conduct robustness checks using non-financial firms only. The results of Table 22 and 23 are qualitatively unchanged with Tables 15 and 16, proving the robustness of our models.

Table 22 Robustness check of controlling the time and industry effect

Variables	The Related CBMA Group		The Unrelated CBMA Group	
self_learning_exp	0.10***	0.17***	-0.03	0.10
	(3.05)	(3.36)	(-0.53)	(1.08)
industrial_spillover_exp	0.00	0.00	0.004*	0.01
	(0.99)	(0.99)	(1.67)	(1.08)
wgi		0.11		0.86**
		(0.98)		(2.54)
self_learning_exp wgi*		-0.03*		-0.06
		(-1.68)		(-1.27)
industrial_spillover_exp wgi*		-0.00		0.00
		(-0.68)		(-0.40)
acq_legal_adv_n	1.15***	1.17***	1.43**	1.44*
	(4.61)	(4.69)	(2.54)	(1.95)
leverage	-1.71***	-1.77***	-1.49	-0.76
	(-3.03)	(-3.08)	(0.81)	(-0.38)
1st_shareholder	0.01	0.01	0.00	-0.01
	(1.08)	(1.20)	(0.15)	(-0.24)

separate	-0.00	-0.00	0.01	0.01
	(-0.22)	(-0.22)	(0.17)	(0.28)
target_high_tech	0.70***	0.73***	2.95***	3.17***
	(2.70)	(2.71)	(4.00)	(3.85)
cultural_similarity	0.09	0.10	0.55	0.28
	(0.38)	(0.40)	(0.81)	(0.39)
target_resource_industry	0.18	0.19	1.30*	1.84**
	(0.47)	(0.48)	(1.69)	(2.16)
year_effect	Yes	Yes	Yes	Yes
industry_effect	Yes	Yes	Yes	Yes
Obs.	446	446	96	96
Correct classified rate	71.30%	72.20%	75.00%	76.04%

Note: Z-value in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 23 Robustness check for non-financial firms only

Variables	The Related CBMA Group		The Unrelated CBMA Group	
self_learning_exp	0.02***	0.03***	-0.00	0.01
	(3.05)	(3.13)	(-0.38)	(1.06)

industrial_spillover_exp	-0.00	0.00	0.001**	0.00
	(-0.24)	(0.45)	(2.26)	(1.01)
wgi		0.03		0.09***
		(1.45)		(3.03)
self_learning_exp wgi*		-0.01*		-0.01
		(-1.69)		(-1.55)
industrial_spillover_exp wgi*		-0.00		0.00
		(-0.66)		(0.35)
acq_legal_adv_n	0.22***	0.22***	0.23***	0.19***
	(5.70)	(5.79)	(3.65)	(2.71)
leverage	-0.25**	-0.25**	-0.29	-0.15
	(-2.28)	(-2.26)	(-1.45)	(-0.78)
1st_shareholder	0.00	0.00	-0.00	-0.00
	(0.58)	(0.70)	(-0.84)	(-0.96)
separate	0.00	0.00	0.00	0.00
	(0.45)	(0.41)	(0.53)	(0.95)
target_high_tech	0.13***	0.13***	0.23***	0.22**

	(2.65)	(2.60)	(2.59)	(2.22)
cultural_similarity	0.03	0.02	0.01	-0.04
	(0.54)	(0.47)	(0.15)	(-0.43)
target_resource_industry	-0.02	-0.01	0.14	0.12
	(-0.29)	(-0.20)	(1.15)	(0.99)
Obs.	486	486	125	125
Correct classified rate	69.75%	69.34%	66.40%	72.80%

Note: Z-value in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Lastly, regardless of the distinct choice of M&A strategy, acquiring firms maintain the similarity in their common pursuit of the competitive advantages and benefits from cross-border mergers and acquisitions as a winning strategy. Related M&A strategy is linked to strategic objectives such as realizing economies of scale and establishing a presence in a foreign market (Barney, 1988; Seth, 1990), while unrelated M&A strategy may aim to attain strategic goals such as realizing diversification (Hayward, 2001), improving operating efficiency and debt capacity, and lowering taxes (Berger & Ofek, 1995). There is no evidence to suggest that these acquirers take into consideration the notions of related or unrelated acquisitions due to the likelihood of completion of CBMAs. That distinction is the analytical device for this study to explain the determinants of success in CBMA completions. Therefore, in that context we argue that endogeneity is not a major concern.

3.6 Conclusions

We highlight in the present study the importance of accumulated acquisition experience in both the acquirer and the nature of the industry. By integrating in our conjectures and analysis the impacts of distinct types of acquisition experience, this paper offers a new learning perspective to examine an often overlooked but important component in the investment process for CBMAs by EMNEs.

Using a sample of 637 announced CBMAs undertaken by Chinese listed firms during the period 2000-2017, we examine the impacts of acquisition experience on the completion likelihood of CBMAs with different M&A strategies. The findings show that, as expected, the acquirer's self-learning acquisition experience can significantly increase the completion rate of subsequent related CBMAs, while unrelated industrial spillover acquisition experience is likely to raise the completion rate of later unrelated CBMAs. This confirms our proposition that only when previous acquisition experience matches in the M&A strategy with the subsequent acquisition, will the experience be converted into useful knowledge and skills to alleviate potential conflicts caused by mismatched M&A strategies in completing CBMAs. Interestingly, despite the potential

positive impact brought by higher institutional quality in host country (Brouthers et al., 2007; Surdu et al., 2018), we find that the value of the acquirer's self-learning acquisition experience might only take effect when the target is domiciled in countries with weak institutional quality. This result is probably due to the acquirer's learning outcomes accumulated in emerging markets being weakened by the disruption of stronger and more extensive regulatory oversight and compliance requirements in countries with high institutional quality.

This study makes contributions to the literature by offering a more nuanced perspective for investigating what drives EMNEs' success in completing CBMAs and offering practical insights on how experiences and strategy interact in the investment decision process. More specifically, our study differentiates the impacts of acquirer's self-learning experience and experience accumulated in the industry on completing CBMAs with different M&A strategies. Furthermore, demonstrate the importance of incorporating institutional quality of the host country in our analysis to highlights the context and characteristics of CBMAs by EMNEs.

From a more practical viewpoint, the study provides some managerial implications and valuable insights for strategic guidance for EMNEs intending to implement CBMAs. First, managers from the acquiring firm need to recognize different M&A strategies can bring up disparate issues in the acquisition completion process, and related acquisition experience can help to mitigate these obstacles. Before conducting a CBMA, it is necessary for managers to figure out the proposed M&A strategy, thereby enabling the acquirer to utilize the matched acquisition experience to expedite the deal completion. Second, the life stage of the firm and the industry may rejuvenate to an earlier stage due to drastic changes in structures, processes, and strategy. A direct consequence is that acquisition experience accumulated prior to the rejuvenation would therefore lose its value for later cases. Thus, managers should exercise care in assessing the firm and the industry that the firm is in against possible life cycle changes and reversals to ensure the effectiveness of the appropriate experience. Lastly, the acquisition experience should be used carefully and judiciously by EMNEs in the host

country especially where the host has high institutional quality, since our results show that an EMNE's learning effect might only work in countries with weak institutional quality.

We recognize that the present study only considers the moderating impact of formal institutional factor on the learning effect, without considering the potential impact of informal institutional factors such as culture as it is beyond the scope of this study to fully address this multi-faceted issue. Formal institutions are constraints with stable characteristics (Dikova et al., 2010; North, 1990), consisting of clear laws and regulations that stipulate the behavioral norms of companies in CBMAs (Yan, 2011). By mainly focusing on formal institutional factors, we propose that breaching any formal institutional constraints will trigger heightened supervision and intervention by the host country government, and may thereby more directly contribute to failure to conclude CBMA deals (Deng & Yang, 2015; Peng et al., 2008). In contrast, informal institutions derived from information transmitted by society, social customs and ethics (North, 1990; Scott, 2008; Zhang et al., 2011) are shown to be more pronounced in the effectiveness of management in a new environment (Hofstede, 2001). Thus, we propose that informal institutions may have more impacts on the long-term acquisition integration phase and examining this could be an important and worthy topic for future research.

Chapter four: Managers as the link: How cultural friction influences the integration of cross-border mergers and acquisitions by emerging market multinational enterprises?

Abstract

Differing from the existing research that takes as a default the impact of cultural differences on the integration of cross-border mergers and acquisitions (CBMAs), the present study highlights that it is the managers of the acquiring firm that perceive the cultural friction between the CBMA entities and choose appropriate managerial culture to complete various managerial tasks during the CBMA integration, resulting in different performance. By incorporating the comparative capitalisms (CC) approach with the regulatory focus theory in the setting of CBMAs, we theorize a curvilinear relationship between the configuration of the country- and deal- level cultural friction and CBMA performance and further hypothesize how this curve is shaped by managers' regulatory focus, a firm-level trait. Using a sample of 304 completed CBMAs conducted by Chinese listed firms, our empirical results verify the U-shaped relationship between managers' perceived cultural friction level and the CBMA integration performance. More interestingly, our results show that the curvilinear relationship appears to be flattened in acquirers with prevention-oriented managers.

Keywords: cultural friction; acquirer's managers; regulatory focus; cross-border merger and acquisition performance; emerging market multinational enterprises

4.1 Introduction

Despite the booming trend of the dramatic increase of cross-border merger and acquisition (CBMA) volumes conducted by emerging market multinational enterprises (EMNEs) in the past decade (Athreye & Kapur, 2009; Chari & Acikgoz, 2016; Gubbi et al., 2010; Kumar et al., 2020; Nicholson & Salaber, 2013; Zhou et al., 2016)[13], studies about the determinants of the success of these CBMAs are relatively scarce (Cooke et al., 2018; Rao-Nicholson & Salaber, 2013; Von Eije & Wiegerinck, 2010). Many factors have been identified to influence the success of the integration and performance of CBMAs by acquirers from developed countries (Ahammad et al., 2016; Basuil & Datta, 2017; Bettinazzi & Zollo, 2017; Cheng & Yang, 2017; Popli et al., 2017), one of which is cultural factor that leads to the achievement of operational synergies (Birkinshaw et al., 2000; Björkman et al., 2007; Chakrabarti et al., 2009; Larsson & Lubatkin, 2001; Morosini et al., 1998; Reus & Lamont, 2009; Shenkar, 2001; Zhang et al., 2011).

This cultural stream of literature has mainly adopted cultural distance as the measure to capture the differences of culture between two countries (Dikova & Rao Sahib, 2013; Kogut & Singh, 1988; Li et al., 2016; Malhotra et al., 2011a; Reus & Lamont, 2009) for it is simple and standardized. Yet, although cultural distance focuses on "a more multi-dimensional view of how institutions shape MNEs" (Jackson & Deeg, 2019), the effects of institutions are treated as isolated, and the measure ends in simple additive effects on MNEs (Hall & Gingerich, 2004; Jackson & Deeg, 2008). Moreover, its measurement of "how far apart given entities are" (Luo & Shenkar, 2011) is decontextualized as it casts the acquiring and target firms as "strangers who are never set to meet"(Fuad & Gaur, 2019; Koch et al., 2016; Popli et al., 2016; Shenkar, 2012). Hence, bypassing the complexities and intricacies of culture (Luo & Shenkar, 2011), the mere use of cultural distance is argued to be narrow and inaccurate (Chakrabarti et al., 2009; Jackson & Deeg, 2008; Tihanyi et al., 2005).

The comparative capitalism (CC) approach was initially adopted to examine how

[13] According to the World Investment Report 2019 (UNCTAD, 2019b), acquirers from emerging economies have accomplished CBMA deals worth 48,208 million dollars in 2018, accounting for more than 54% of the world's acquiring volume.

institutions across several economic domains interact to form distinct national constellations of capitalism (Amable, 2003; Crouch & Streeck, 1997; Hall & Soskice, 2001; Whitley, 2000). The essence of the CC approach is that it does not treat institutional diversity in terms of its distance from the norms of an MNE's home country or ideal-typical liberal markets (Jackson & Deeg, 2008, 2019). In other words, the CC approach does not treat institutional diversity in the form of distance and considers it a constraint. Instead, it stresses how interactions between particular home and host country institutions shape MNE's strategies (Sorge, 2005). The perspective of the CC approach is in line with this paper's, which thinks beyond the cultural distance construct - a relatively "thin" view (Jackson & Deeg, 2008) that adopts summary indicators and approaches institutions as unidimensional variables and further emphasizes detailed interactions between institutions of focal CBMA entities - a "thicker" description of institutions (Redding, 2005). Therefore, through the fusion of the CC approach to the IB realm, the present study differs from the existing literature by building a more contextualized measure of cultural friction than cultural distance to quantitatively capture the country- and deal-level "actual cultural contacts"(Luo & Shenkar, 2011), and further looking up its impacts on the post-integration performance of CBMAs by EMNEs.

Further, this study argues that the impacts of cultural friction on the CBMA performance cannot be taken for granted. It is, however, the managers of the acquiring firm that perceive the friction between the CBMA entities and choose specific managerial culture in the integration process to complete different managerial tasks. We theorize a curvilinear relationship between cultural friction and CBMA performance, and further hypothesize this curve is shaped by managers' regulatory focus, a firm-level trait.

Our empirical analysis based on a sample of 304 CBMA deals by Chinese listed firms verifies the U-shaped curve and suggests that this curve is flattened in acquirers with prevention-oriented managers. The uniqueness and similarity of institutional background between Chinese acquirers and acquirers from other emerging markets are

expected to be discussed for generalization purposes. Unlike many emerging markets, the major participants in internationalization activities in China are SOEs (Boateng et al., 2022; Deng & Zhang, 2018). SOEs are undoubtedly surrogates of the Chinese government (Zhang et al., 2011). Therefore, they benefit but also suffer from their close relationship with the home country's formal institutions during internationalization in post-acquisition integration process (Benito et al., 2016; Du & Boateng, 2015; Huang et al., 2017; Levine et al., 2020). Recent research indicates that SOEs in emerging markets, especially in China, have transformed to market-oriented and enjoy more autonomy in decision-making and daily operation than they used to (Boateng et al., 2022; Stan et al., 2014). Hence, the author speculates the impact of formal institutions on Chinese firms' post-acquisition performance are less salient, making China comparable to other emerging markets. Besides, informal institutions of the home country are also argued to influence CBMA performance (Zhu et al., 2017). The home culture is a leading influential informal institution (Rao-Nicholson & Salaber, 2013), and each country has distinct cultural background. For instance, China, as well as some East Asian countries' prevailing culture is Confucianism, which is quite different from the dominating culture in India as the latter is a former British colony and was influenced by western culture (Buckley et al., 2014; Hill, 2006). Hence, a case-based perspective on the impact of home countries' informal institutions on CBMA performance is necessary, which aligns with the construct of cultural friction in this paper.

This study contributes to the literature in the following ways. First, by deepening the use of the CC approach into an attractive topic of CBMA integration, we develop a contextualized measure of cultural friction to quantitatively capture the country- and deal-level cultural differences on a case-to-case basis in the CBMA setting. Differing from the commonly-used cultural distance that bypasses the complexities and intricacies of culture in cross-country studies (Li et al., 2019; Luo & Shenkar, 2011; Popli et al., 2016; Shenkar, 2001), this newly-built measure broadens institutional views by emphasizing why multi-level institutions between the CBMA entities must be

analyzed in the context of a particular case as part of broader and non-random configurations of institutions.

Second, the previous studies often take the impacts of cultural differences on the integration of CBMAs for granted (Dikova & Rao Sahib, 2013; Haspeslagh & Jemison, 1991; Meyer & Altenborg, 2008; Slangen & Van Tulder, 2009), neglecting the importance of managers who oversee the firm's daily operation (Chatterjee et al., 1992; Dong & Glaister, 2007; Ma et al., 2016). The present study stresses that it is the managers of the acquiring firm that perceive the cultural friction between the two CBMA entities and choose appropriate managerial culture to complete various managerial tasks during the CBMA integration, resulting in different performance. As such, motivated by the regulatory focus theory, this study conceptualizes a framework that shows how managers' psychological traits (i.e., promotion and prevention focus), a firm-level factor, link the impacts of the case-based cultural friction on the post-acquisition integration and performance. This framework incorporates multi-level institutional configurations integrating with the firm-level traits and thus provides a more comprehensive conceptual framework to explain CBMA practices by EMNEs.

In terms of managerial implications, this paper suggests managers from the acquiring firm think about cultural differences not only from the commonly mentioned cultural distance perspective but also include granular perspectives. Cultural friction, for example, as a case-based measurement for cultural differences, captures multi-level institutions in a more contextualized setting and reflects the real cultural contacts during the CBMA process. Besides, it is worth noticing how cultural friction can be a double-edged sword to CBMA integration performance that managers from the acquiring firm should discreetly oversee. Another interesting managerial contribution is the discovery of how managers' psychological traits can moderate the relationship between cultural friction and CBMA performance, which helps the acquiring firms understand the power of managers in the integration process.

The structure of this study is organized as below. Section 2 reviews relevant literature and develops hypotheses to be tested. The sample description, variables and

modeling, and corresponding methods are shown in Section 3. Empirical results and robustness tests are presented in Sections 4. Last but not least, Section 5 concludes the study with a comprehensive discussion based on the empirical results.

4.2 Literature review and hypothesis development

4.2.1 Cultural differences and CBMA performance: from a narrower to a broader view

It is widely acknowledged that culture is complex, intangible, subtle, and extremely hard to conceptualize and scale (Boyacigiller et al., 1996). However, the influence of culture has been intensively stressed in aspects such as innovation, organizational transformation, technology transfer, and, most significantly, foreign direct investment (Shenkar, 2001). How culturally different two entities interact with each other during internationalization, especially what impact cultural differences have on CBMA performance, is widely discussed (Björkman et al., 2007; Chakrabarti et al., 2009; Dikova & Rao Sahib, 2013; Morosini et al., 1998; Reus & Lamont, 2009; Shenkar, 2001; Zhang et al., 2011). Cultural difference is an umbrella word indicating differences between complex, intangible, and subtle cultures (Shenkar, 2001). Cultural distance, a measurement of the extent to which cultures are similar or different, provides a seemingly simple and standardized measure of cultural differences (Shenkar, 2001). Although discussed intensively in the past two decades (Ahammad et al., 2016; Morosini et al., 1998; Reus & Lamont, 2009; Slangen, 2006; Stahl & Voigt, 2008), its impact on CBMA performance is inconclusive (Chakrabarti et al., 2009; Tihanyi et al., 2005). Some researchers argue that cultural distance raises transaction costs in cross-border businesses and ultimately leads to disappointing performance (Barkema et al., 1996; Gaur & Lu, 2007; Stahl & Voigt, 2008; Zeng et al., 2013), while others find evidence to support the promoting effect of cultural distance on CBMA performance (Chakrabarti et al., 2009; Morosini et al., 1998). Moreover, a group of literature reports moderating variables can help in explaining these inconsistent findings. (Dikova & Rao Sahib, 2013; Malhotra et al., 2011b).

Notwithstanding the construct of cultural distance is standardized and

straightforward, bypassing the complexities and intricacies of culture (Kogut & Singh, 1988; Shenkar, 2012), Jackson and Deeg (2008, 2019) point that the institutions of the home and host countries are seen in terms of distance, ignoring the fact that they are interacting with each other to shape the acquiring firm's strategies. Cultural distance focuses on developing broad summary measures to cover heterogeneous institutional differences (Sartori, 1991), and therefore approaches institutions as unidimensional variables (Jackson & Deeg, 2008). It is indistinguishable from the variation in host countries' cultural profiles (Van Hoorn & Maseland, 2016), making it a narrow and decontextualized view of institutions. Other scholars also argue the premise that cultural distance merely focuses on "how far apart given entities are" and casts the acquiring and target firms as "strangers who are never set to meet" (Luo & Shenkar, 2011). This country-level cultural measure ignores corporate cultures' heterogeneity (Allen, 2013; Hofstede et al., 1990) and cannot depict how two entities intertwine in a CBMA. Also, the assumption of cultural distance stability is challenged as cultures change over time (Shenkar, 2001; Shi et al., 2017) and may play different roles at the strategic choice and operational phases (Brown et al., 1989).

To look beyond the above-mentioned "thin" view of cultural distance (Jackson & Deeg, 2008), we embark on the CC approach to emphasize detailed cultural interactions between the acquiring and target firms and describe cultural differences from a "thick" perspective (Redding, 2005). The CC approach was initially adopted to examine how institutions across several economic domains interact to form distinct national constellations of capitalism and then applied within the field of international business (Amable, 2003; Crouch & Streeck, 1997; Hall & Soskice, 2001; Whitley, 2000). The CC approach does not treat institutional diversity in terms of distance from the norms of an MNE's home country or ideal-typical liberal markets (Jackson & Deeg, 2008, 2019). Instead, it stresses how interactions between particular home and host country institutions shape MNE's strategies (Sorge, 2005), which views institutions as interdependent (Jackson & Deeg, 2019). As a result, the CC approach is incorporated to build a broader view of cultural differences by emphasizing how institutions must be

analyzed in the context of a particular "case" as part of broader, non-random configurations of institutions that shape MNEs' strategies (Jackson & Deeg, 2008). The process of CBMA integration involves country- and deal-level institutions, and the configuration of these institutions has an interdependent effect on integration outcomes (Aoki, 2001; Shi et al., 2017). To capture these multi-level institutional configurations, Shenkar (2001) puts forward the "cultural friction" metaphor and highlights interactions between focal entities in the context of international business activities. This lens claims that only when organizations engage in actual contacts can culture differences yield meaningful effects (Fuad & Gaur, 2019; Popli et al., 2016; Shenkar & Arikan, 2009), which responses to the call of contextualization in the CC literature (Jackson & Deeg, 2019). Inspired by physics laws, Luo and Shenkar (2011) develop a theoretical formula to quantitatively measure cultural friction in the IB context, which has the nature of multidisciplinary in scope and interdisciplinary in content and methodology (Liu et al., 2021; Verbeke et al., 2017). This construction consists of three components- friction coefficient, pressure value, and the contact surface.

A few empirical studies also attempt to capture cultural friction quantitatively. For example, Koch et al. (2016) use separate dimensions from the GLOBE leadership study to measure cultural friction by assuming uniformity within one culture. However, it seems to downplay the importance of heterogeneity in culture. The isomorphic assumption is questionable (Hofstede et al., 1990; Lee et al., 2008) since firms from the same country differ from their organizational practices to their personnel. Also, adopting part of the formula provided by Luo and Shenkar (2011), Li et al. (2019) contribute to constructing a proxy for cultural friction between Chinese firms and relevant economies along the "Belt route", in which the value of "Stage(G)" is treated as 0 in all transactions, overlooking the differences in transaction stages.

Therefore, instead of separately focusing on each institutional feature and simply obeying a similar logic across institutional domains, the present study deepens the use of the CC approach into the IB realm by paying attention to the joint effects of multi-level institutional configurations: the country-level ambient institutions between the

acquiring and target countries and the CBMA entities' deal-level institutions, on the CBMA integration. These joint effects are quantitatively captured by a multi-level proxy for a rarely discussed culture friction that is interpreted in detail as below.

4.2.2 A multi-level proxy for cultural friction in CBMAs on a contextualized basis

The in-depth contextualized view on institutions can be reflected by the metaphor of cultural friction that is decomposed into three components-friction coefficient, pressure value, and the contact surface (Luo & Shenkar, 2011). Cultural friction contains cultural differences in both country level and deal level. Each friction component is interpreted in the CBMA setting as follows:

First, the friction coefficient encompasses three aspects: (1) ambient condition, referring to cultural distance that captures social and political conflicts between the two countries in CBMAs; (2) starting speed, indicating how fast the acquirer experiences expansions in the start-off phase. Although cultural friction can be buffered by the acquirer's adaptability to external conditions (Luo & Shenkar, 2011), its adaptability is not commensurate with the drastic expansions in the early stage (Denison & Mishra, 1995), leading to increased culture friction (Constance, 1969; Luo & Shenkar, 2011). (3) stage of moving, suggesting whether the acquirer conducts a CBMA for the first time (an object moves from stationary status). If it does, the acquirer appears to lack relevant knowledge and experience to operate in a brand-new environment (Barkema et al., 1997), resulting in a high cultural friction between two CBMA entities (Chang, 1995; Welch & Luostarinen, 1988).

Second, pressure value stands for the "weight" of an acquisition, captured by the degree of integration and workflow interdependence in the CBMA setting. In one way, the integration degree is represented by the percentage of successfully acquired shares in an acquisition. During the CBMA integration process, two entities need to engage with each other regarding routine operations and daily decisions (Gatignon & Anderson, 1988). As the acquiring shares increase, more comprehensive facets and functions are engaged, and cultural interactions become more frequent and complicated (Schneider, 1988). Luo and Shenkar (2011) contend that an increase in the scope of operational and

managerial blending is more likely to cause intensive friction in culture. In another way, the workflow interdependence is characterized by the industrial relatedness between the two entities, indicating the extent to which resources are contributed by interacting parties (Luo & Shenkar, 2011; Zhou et al., 2021). With the increase of industrial tightness, two parties are more likely to bear heavier loads and thus cause more cultural friction in an acquisition.

Finally, the contact surface refers to the number of multiple cultures the acquirer contacts simultaneously. When the acquirer conducts more than one CBMAs in different target countries, it is hard for the acquirer to cope with each of the culturally different target well, and the cultural friction heightens due to cultural norms heterogeneity (Baskerville, 2003). Also, sub-cultures differ across locations, industries, firms, and individuals within the target country (Schwartz, 1999). With more intensive interactions between the acquirer and other firms in the target country simultaneously, the contact surface expands and leads to more cultural friction.

4.2.3 Hypothesis development

4.2.3.1 The potential U-shaped effects of cultural friction on CBMA performance

The previous studies often take the impact of culture on post-acquisition integration and performance for granted (Dikova & Rao Sahib, 2013; Haspeslagh & Jemison, 1991; Meyer & Altenborg, 2008; Slangen & Van Tulder, 2009), neglecting the importance of managers who oversee the firm's daily operation (Chatterjee et al., 1992; Dong & Glaister, 2007; Ma et al., 2016). In fact, according to Ma et al. (2016), in the global integration process for multinational enterprises and their subsidiaries, three types of managerial tasks emerge: operational, local, and people task. Research in international management has proven the validity of contingency fit, meaning managerial tasks can be better completed when correctly aligned with contextual factors (Bartlett & Ghoshal, 2002; Nohria & Ghoshal, 1994), which in our case are managerial cultures. Managerial cultures speak for philosophies, beliefs, and practices regarding appropriate ways of doing business in a specific regulative, economic, social, and cultural context (Kostova & Roth, 2002). As such, when discussing the role of culture

on post-acquisition integration and performance, managers of the acquiring firm should be stressed as they are the people who perceive the culture friction and take further actions to deal with various managerial tasks by choosing the appropriate managerial culture (Chatterjee et al., 1992; Dong & Glaister, 2007; Ma et al., 2016). Each managerial task shows different dependencies on the perceived cultural friction, leading to different adoption of managerial culture.

First, operational task refers to the general processing of information, technology, production, quality control, and internal procedures (Ma et al., 2016). Since there are always objective criteria and clear rules and technical laws to follow, contextual factors (i.e., managerial cultures) interfere less with operational tasks. An excellent example to prove this is the successful implementation of the Six Sigma rules for quality control almost everywhere globally, even if it was developed in the US (Yu & Zaheer, 2010). For acquirers from emerging markets, there may be two possible situations: when the target comes from a developed host country, the better managerial culture is likely the host's as the acquirer intends to seek advanced approaches for operational tasks through CBMA, and the efficiency of operational task is maximized with the target's managerial culture (Buckley & Munjal, 2017; Dikova et al., 2019; Ma et al., 2016); while if the target comes from an emerging host country that may be inferior to the acquirer, the home managerial culture would be a better choice (Szulanski & Jensen, 2006; Yu & Zaheer, 2010). Therefore, because operational task is to stick to stipulated rules and criteria "down to the last detail," the choice of managerial culture to fit with operational task barely changes regardless of the perceived different level of cultural friction (Jensen & Szulanski, 2004; Winter & Szulanski, 2001).

The second task is local task, which is managerial activities dealing with local stakeholders such as local customers and governments (Ma et al., 2016). As for the local customers, the best tactic to satisfy them is "to do as Romans do" by applying the host managerial culture (Ma et al., 2016). A study focusing on a Japanese acquirer and a Chinese target suggests that Chinese customers possess more substantial bargaining power, thus requiring the firm to comply with them pragmatically, while the Japanese

firm treats customers with professional courtesies and tends to have stable customer relationships for decades (Turnbull et al., 1992). In fact, adapting to the host (Chinese) managerial culture ensures the Japanese firm succeeds in dealing with local customers, even if these two firms have apparent cultural differences. Also, in some host countries, local governments are mighty and have a wide range of discretion, so forming good relationships with local governments guarantees successful businesses to a large extent (Bertrand et al., 2016; Zhang, 2008). As such, adapting to the host managerial culture to cope with the local governments might be superior. Hence, the perceived culture friction between two CBMA entities also appears to be negligible to the adoption of managerial culture to cope with local task.

The last is people task, referring to the employment, training, career development, promotion, incentives, and coordination of employees (Ma et al., 2016). In reality, "M&As are surrounded by an aura of conquest" (Cartwright & Cooper, 1993; Huang et al., 2017), indicating that the acquiring firm's managers and employees may enter into the CBMA integration process identifying themselves as conquerors (Larsson & Lubatkin, 2001). Besides, people task involves "the need to satisfy the global competition" (Ma et al., 2016), developed in the acquiring firm's ambitious global expansion with an invincible home managerial culture. Thus, for CBMA entities that generate a low level of cultural friction in the integration process, the acquiring firm's managers' confidence and the supreme feeling of home managerial culture prevail, resulting in the adoption of home managerial culture and the expectation for the target firm to obey and compromise in its managerial culture (Huang et al., 2017; Wade-Benzoni et al., 2002).

However, as the cultural friction level increases, the utter adoption of home managerial culture is increasingly insufficient to solve people task, and thereby tend to hinder the CBMA integration. For example, acquirer individuals may be disrespectful to target individuals and tend to ignore and bypass their opinions and give direct orders instead (Huang et al., 2017), while target individuals, in response, tend to react negatively to, or even openly resist, acquirer individuals' subordinating behaviors

(Leung et al., 2001; Nahavandi & Malekzadeh, 1993). An incident during the integration of people task between a Japanese acquirer and a Dutch target indicates our opinion. The Dutch engineer in the subsidiary described his Japanese manager as "a dictator who gave orders in a very unpleasant manner and expected me to react like a robot," and the Dutch employee adopted a rejective strategy towards the personnel integration (Ybema & Byun, 2009). Apparently, when cultural differences between the acquiring and the target increase, meaning there are more aspects involved in personnel integration, it is reasonable to infer that the result of people task gets worse. Therefore, if the acquirer insists to adopt its home managerial culture to deal with people task during the conquest stage, the post-acquisition performance, which directly reflects the effect of integration, goes down as the cultural friction increases. As the perceived culture friction arrives at a specific high level, managers from the acquiring firm realize people task cannot be achieved by arbitrarily using home managerial culture as more and more failures and unfitness emerge (Ma et al., 2016). It is the time when managers from the acquiring firm relinquish their status of "conquerors" and seek cooperation with the target firm to create an integrated managerial culture. An integrated managerial culture promotes people task in terms of coordinating global business units, managing human resources, and dealing with cultural conflicts (Brewster et al., 2008; Caligiuri & Colakoglu, 2007; Prahalad & Doz, 1987). As the culture friction further increases, the acquiring firm's managers are more inclined to create an integrated managerial culture with the target firm to deal with increasingly more complex people task, resulting in better post-integrated performance.

Taken as a whole, people task among three managerial tasks is considered as the one that is sensitive to the perceived cultural friction between the CBMA entities. To complete this task, managers from the acquiring firm need to choose appropriate managerial culture based on different cultural friction level. Figure 5 below shows the relationship between the perceived cultural friction level and the CBMA post-acquisition performance.

Hypothesis 1: The CBMA performance declines as the perceived cultural

friction between the acquirer and the target increases to a certain point and then rises after that point.

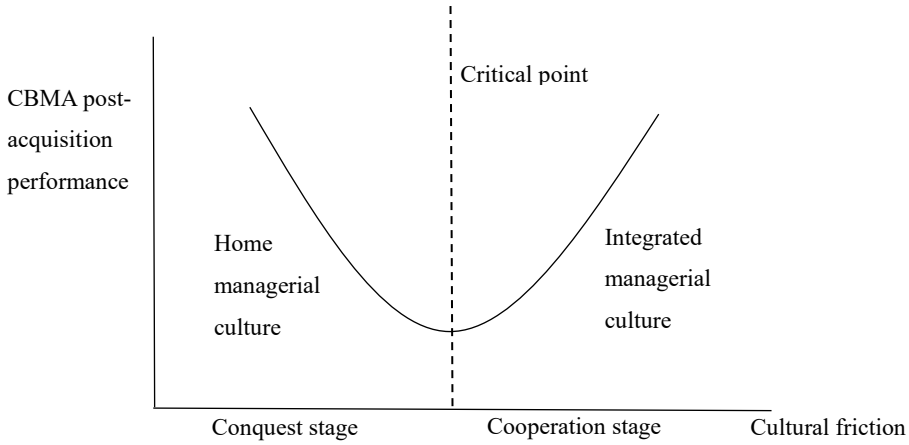

Figure 5 The effect of cultural friction on CBMA performance

4.2.3.2 The moderating role of managers' regulatory focus

So far, we have stressed that it is the managers of the acquiring firm that perceive the extent of culture friction and take further actions to deal with various managerial tasks by choosing the appropriate managerial culture. However, even towards the same level of cultural friction, managers with different psychological characteristics may have distinctive understandings and thus act differently. The newly-increasing regulatory focus theory brought up by Higgins (1998) explains how individuals view their goals differently (having different orientations) and why specific actions are adopted when trying to accomplish them (Brockner et al., 2004). The foci can be classified as promotion and prevention (Amodio et al., 2004; Johnson et al., 2015). Specifically, people bearing promotion focus concentrate on growth, advancement, aspiration, and accomplishment (Higgins & Spiegel, 2004), just like Tom Preston-Werner, the cofounder of GitHub, who once said, "When I am old and dying, I plan to look back on my life and say 'wow, that was an adventure,' not 'wow, I sure felt safe." What matters the most to them are gains and non-gains (Liao & Long, 2018), leading to the adoption of ambitious strategies to maximize gains and minimize non-gains (Crowe & Higgins, 1997). Comparably, people with a strong prevention focus are

responsive to the presence and absence of safety, responsibility, and security (Gamache et al., 2014; Higgins, 1998). Warren Buffet, the chairman and CEO of Berkshire Hathaway once said: "I do not look to jump over seven-foot bars. I look around for one-foot bars that I can step over." Apparently, these people tend to adopt vigilant strategies to reduce vulnerability and uncertainty and avoid "making mistakes" while accomplishing their goals (Crowe & Higgins, 1997; Gamache et al., 2014).

Therefore, in the present study, we argue managers with different regulatory focus tend to treat cultural friction differently and thus affect their eagerness of adoption of managerial culture in coping with managerial task in the post-acquisition process. By doing so, the present study aims to look into how managerial characteristics (the firm-level trait) moderates the U-shaped relationship between culture friction and CBMA performance.

The moderating effect of promotion focus

As we have discussed, there are two stages for the acquiring firm to complete people task: conquest and cooperation. During the conquest stage, when cultural friction level is relatively low, promotion-focused managers who are likely to view culture friction as a thruster tend to prefer eagerness-related strategies while pursuing goals (Crowe & Higgins, 1997). They are more confident in exercising the home managerial culture for people task as it is an excellent opportunity to realize their ambition of cultural conquest during global expansions (Huang et al., 2017; Li et al., 2020; Riad & Vaara, 2011). On the other hand, promotion-focused managers naturally are careless and tolerable of potential risks and damages (Higgins & Spiegel, 2004; Johnson et al., 2015), making unfitness and unsuccessful integration of employees slighted in the conquest stage. As for the cooperation stage, when the cultural friction level is high, these managers are more eager to facilitate the generation of integrated managerial culture because they look at the bright side of cultural friction and treat differences in cultures as the source of synergies form a rapport managerial culture (Birkinshaw et al., 2000; Sarala, 2010; Very et al., 1997; Yildiz, 2014). Overall, the nature of seeking gains, opportunities, and accomplishments, while ignoring potential

losses drives promotion-focused managers to sharpen the relationship between cultural friction and CBMA performance (Figure 6).

Hypothesis 2: The acquirer's managers' promotion focus sharpens the U-shaped curve between cultural friction and CBMA performance

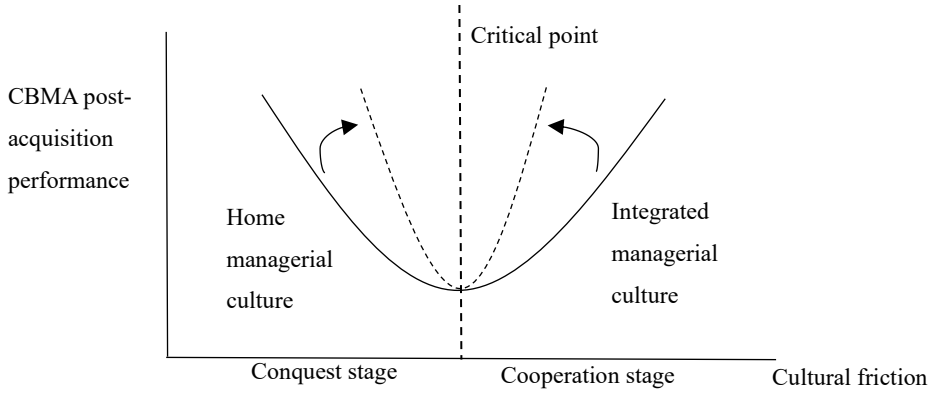

Figure 6 The moderating effect of the acquiring managers' promotion focus

<u>The moderating effect of prevention focus</u>

In contrast, managers with prevention focus tend to see the dark side of cultural friction and are primarily concerned with reducing integration difficulties, costs, and management problems during the CBMA integration process (Morosini et al., 1998; Stahl & Voigt, 2004; Wowak & Hambrick, 2010). At the conquest stage, vigilant prevention-focused managers treat cultural friction discreetly as they want to fulfill duty and responsibilities while avoiding making mistakes (Crowe & Higgins, 1997; Gamache et al., 2014). Therefore, the increasing cultural friction extent discourages their conqueror's minds, and allows them to create a safer atmosphere for conflicts and unsuccessful fits in people task (Das & Kumar, 2010; Higgins & Spiegel, 2004). In the cooperation stage, due to the fear of potential losses, these managers may see more challenges and difficulties in integrating different cultures (Brockner et al., 2004; Johnson et al., 2015). The eagerness for them to adopt an integrated managerial culture becomes weak. Overall, in both the conquest and cooperation stage, managers' prevention focus is reckoned to flatten the relationship between cultural friction and CBMA performance (Figure 7).

Hypothesis 3: The acquirer's managers' prevention focus flattens the U-shaped

curve between cultural frictions and CBMA performance.

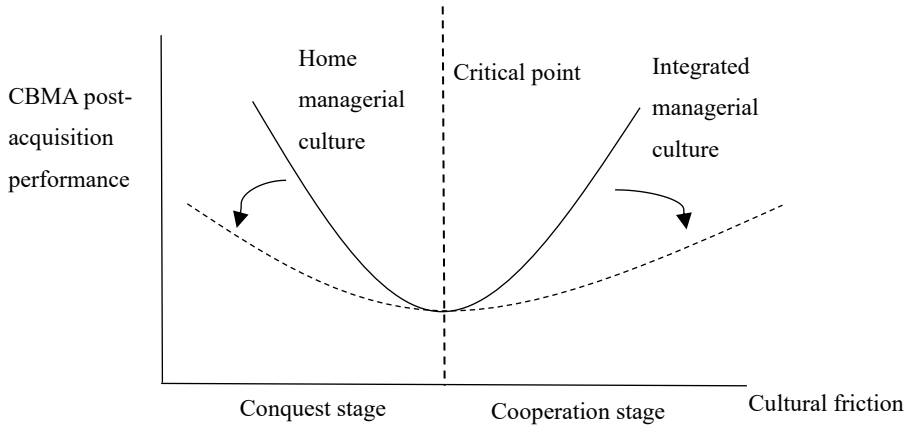

Figure 7 The moderating effect of the acquiring managers' prevention focus

Based on the country- and deal-level institutional configurations of cultural friction, we conceptualize how managers' perceived cultural friction influences the choice of managerial culture, and thereby constitutes the contingency to complete managerial tasks in the CBMA integration process. Further, motivated by the regulatory focus theory, we incorporate managers' psychological traits, a firm-level feature of the acquirer, to moderate the relationship between cultural friction and CBMA performance. Consequently, Figure 8 presents our theoretical framework showing the simultaneous impacts of the configuration of multi-level factors on the post-acquisition integration and performance by EMNEs.

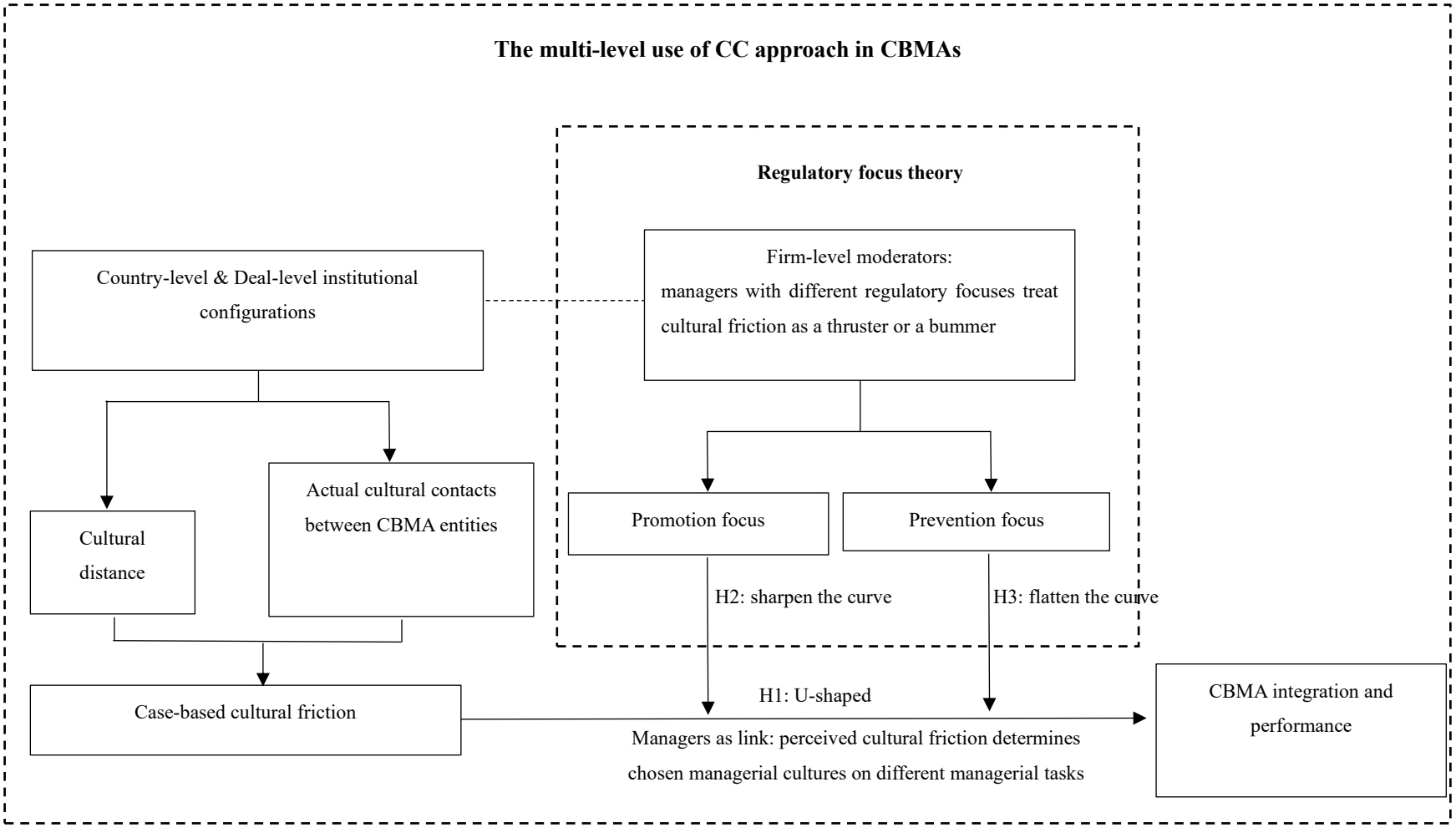

Figure 8 Theoretical framework

4.3 Data and method

4.3.1 Sample Description

We select a sample of CBMAs conducted by Chinese listed firms for the period 2000-2018. Information on CBMA announcements and dealing process are extracted from the Thomson Reuter's Securities Data Company Platinum database (SDC), which provides comprehensive and complete records of worldwide acquisitions (Aybar & Ficici, 2009; Levine et al., 2020). Searching criteria are set as below.

(1) The acquirer (including its parent company) is a Chinese (mainland) company listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

(2) The target firm (including its parent company) is not a Chinese (mainland) company. The target firm can either be publicly listed or private.

(3) Only observations with the status of "completion" are included.

(4) Observations with unclear shares acquired are excluded.

To avoid "shell" operations, we exclude observations with target nations of Bermuda, the Bahamas, the British Virgin Islands, and Puerto Rico (Chakrabarti et al., 2009). Then, we exclude observations from target nations (regions) that are not provided with cultural dimensions by Hofstede. Finally, 304 CBMA deals conducted by Chinese listed firms satisfy our searching criteria, covering 41 countries (regions). As shown in Table 24, the footprints of Chinese acquirers spread widely around the world for the period of 2000 to 2018. The two most popular destinations are the United States and Hong Kong, accounting for 18.42% and 11.18% of the total acquisition volume. Australia, Canada, Germany, Singapore, Italy, Japan, and the United Kingdom are also major destinations for Chinese acquirers. Table 25 reveals more information from CBMAs by Chinese listed acquirers. It shows that three-quarters of our sample deals are settled by non-cash payment, significantly different from developed market acquirers (Chakrabarti et al., 2009). Most of the deals are conducted in a friendly atmosphere. Besides, Chinese acquirers tend to favor unlisted target firms. What also worth noticing is Chinese acquirers with state ownership play leading parts in this activity, making up nearly half of the total CBMA volume.

Table 24 CBMAs sorted by the host countries

Target nation	Completed deals	Percent (%)
Argentina	4	1.32
Australia	24	7.89
Austria	1	0.33
Belgium	2	0.66
Brazil	8	2.63
Canada	21	6.91
Chile	1	0.33
Croatia	1	0.33
Czech Republic	1	0.33
Denmark	3	0.99
Finland	2	0.66
France	12	3.95
Germany	21	6.91
Hong Kong	34	11.18
Hungary	2	0.66
India	4	1.32
Indonesia	3	0.99
Italy	15	4.93
Japan	11	3.62
Lithuania	1	0.33
Luxembourg	2	0.66
Malaysia	4	1.32
Malta	1	0.33
Mexico	1	0.33
Netherlands	3	0.99
New Zealand	2	0.66
Pakistan	1	0.33
Poland	3	0.99
Russian	2	0.66
Serbia	1	0.33
Singapore	17	5.59
South Korea	1	0.33
Spain	8	2.63
Sweden	2	0.66
Switzerland	4	1.32
Thailand	2	0.66
Turkey	3	0.99
United Kingdom	17	5.59
United States	56	18.42
United Arab Emirates	1	0.33
Vietnam	2	0.66

Sum	304	100.00

Table 25 Summary description of characteristics of CBMAs in 2000-2018

	Number	Percent (%)
Cash	76	25.00
Non-cash	228	75.00
Friendly	287	94.41
Hostile/neutral	17	5.59
Target listed	69	22.70
Target not listed	235	77.30
SOE acquirer	129	42.43
Non-SOE acquirer	175	57.57
Total	304	100.00

4.3.2 Variables and model

4.3.2.1 Variables

Dependent variable. To examine whether the CBMA has a persistent impact on the performance over periods, we use buy-and-hold abnormal returns (BHARs) as the dependent variable. BHARs are abnormal returns for the acquiring company deducting the expected returns from the realized returns when an investor purchases the shares and holds for a few months (Chakrabarti et al., 2009). Following Chakrabarti et al. (2009) and Francis et al. (2014), the calculation of BHARs is based on the market-adjusted method. Since 131 deals (43.09%) in our sample are conducted by repeat acquirers, stock returns covering a longer time could be affected by other acquisitions (Dikova & Rao Sahib, 2013). We thus use ***BHAR_3*** as the dependent variable in the main regression analyses that indicates the observation window starts from the month when the acquisition is completed to three months after the completion date. We also calculate ***BHAR_6*** and ***BHAR_9*** covering a longer period of BHARs after the acquisition for robustness check purposes. Shown in Table 26 are statistic summaries for BHARs following acquisitions.

Table 26 Statistic summaries for BHARs

	BHAR_3	**BHAR_6**	**BHAR_9**
Obs	304	298	294
Mean	-0.02	-0.03	-0.08

Medium	-0.03	-0.03	-0.08
Maximum	1.17	3.10	2.60
Minimum	-1.00	-2.09	-1.71
Std dev.	0.22	0.39	0.42
Skewness	0.46	1.53	0.77
Kurtosis	8.04	20.40	9.92

Independent variable. Deepening the use of the CC approach in CBMAs, we adopt the angle of cultural friction to assess the differences of culture covering multi-level institutional configurations: the country-level ambient institutions between the acquiring and target countries and the deal-level institutions. Based on Luo and Shenkar (2011)'s prior work, cultural friction in CBMAs is constructed as below.[14]

$$Cultural_Friction = \mu * N = [e^{V(1-G)} * \frac{CD}{10}] * [\frac{\sum L_i}{N_L} + \frac{\sum S_i}{N_S}]$$

where μ is the friction coefficient, and N represents the influence of pressure value and contact surface. To be specific, friction coefficient (μ) is further decomposed by three factors, in which (1) V represents the acquirer's entrance speed, measured by the time interval between the announcement date and the focal CBMA completion date; (2) G shows the acquirer's stage of international expansions, captured by the acquirer's acquisition experience before the focal CBMA; and (3) CD is an ambient condition, representing the sum of cultural distance in terms of six cultural dimensions (i.e. power distance, individualism, uncertainty avoidance, masculinity, long-term orientation and indulgence vs. restraint) between China and the target's domiciled country.

Pressure value (L) represents the "weight" of an acquisition proxied by the percentage of successfully biding shares of the acquirer and the CBMA entities' industrial relatedness. Following Di Guardo et al. (2016) and Herger and McCorriston (2016), the industrial relatedness is assigned with the maximum value of vertical

[14] We change the original formula: $Cultural_Friction = [e^{V(1-G)} * \frac{CD}{10}] * [\frac{\sum L_i}{N_L} * \frac{\sum S_i}{N_S}]$, because we realize that if $\sum L_i$ or $\sum S_i$ equals 0, cultural friction will be 0, no matter what the ambient condition is and what frictions are caused by other aspects. We deem that both *Load* and *Surface* have independent influences on cultural friction.

correlation coefficient between industries of the acquiring and target firms. First, we choose up to 6 SIC codes for both entities in a CBMA. Then, the vertical correlation coefficient is determined by $V = \frac{V_{\alpha\beta} + V_{\beta\alpha}}{2}$, where $V_{\alpha\beta}$ is the output contribution of the α industry needed to produce 1 dollar output in the β industry, and $V_{\beta\alpha}$ is defined similarly. The output contribution of a particular industry is sourced from the input-output table that has been widely-used in literature such as Alfaro and Charlton (2009), Alfaro and Chen (2012), Fan and Goyal (2006) and Garfinkel and Hankins (2011).

Contact surface (S) is designated as the number of surfaces that the acquirer may contact one year before and after the focal CBMA. It is constructed by two indexes: (1) the number of target countries where the acquirer conducts other CBMAs one year before and after the focal CBMA; and (2) the number of other acquisitions conducted by the acquirer in the same target country as the focal CBMA in the same period.

Moderator. The study of managers' regulatory focus is a challenging endeavor (Gamache et al., 2014). Previous studies have manifested the validity of linguistic approaches to capture CEO's psychological traits by using letters to shareholders from annual reports (Fanelli et al., 2008; Gamache & McNamara, 2018; Kaplan, 2008). However, the letter to shareholders is only a discretionary disclosure requirement in China. For Chinese listed firms, the management discussion and analysis (MD&A) is a mandatory component in annual reports, which covers the managers' analysis and evaluation of the company's past performance, status, and future development. In this regard, MD&As seem to be reasonable materials to explain managers' regulatory focus that conveys their psychological attributes rooted in company's operations. Following Gamache et al. (2014) and Kashmiri et al. (2019), ***Promotion_focus*** and ***Prevention_focus*** are measured by the percentage of promotion- and prevention-related words in MD&As, respectively. Promotion- and prevention-related words can be found in the regulatory focus dictionary constructed and verified by previous scholars (Gamache & McNamara, 2018; Gamache et al., 2014; Kashmiri et al., 2019). To verify its validity and accuracy in MD&A content in Chinese characters, this original dictionary is translated into Chinese and then English by using back-translation model

(Brislin, 1970, 1976). Also, unlike English makes up sentences using independent words, Chinese words come together continuously in sentences except for the intervention of punctuations. There is a need to segment Chinese words for natural language processing (NLP). Then, the count of regulatory-focus-related words and the proportion calculation are processed by Python.

Control variables. To rule out alternative explanations, we control for variables that may influence the CBMA performance. All control variables are sourced one year before the completion of the focal CBMA deal.

The post-acquisition integration is influenced by formal institutional differences between the home and host countries (Ahammad et al., 2016; Capron & Guillén, 2009; Chakrabarti et al., 2009). This influence is captured by the differences in the dimension of "the rule of law" from the Worldwide Governance Indicators (WGI) between the home and host countries (***Rule_of_law_diff***) in the present study. The state ownership of firms, especially for Chinese firms, is an important instrument used by the government to achieve political goals (Tian & Estrin, 2008). The natural association between the SOE and the government may increase political sensitiveness and public concern (Globerman & Shapiro, 2009) and result in a negative impact on the CBMA performance. We introduce a dummy variable (***SOE)*** to represent the acquirer's ownership status, equaling 1 if the acquirer is owned by the government and 0 otherwise. Some studies provide evidence supporting that listed target firms are subject to more regulatory issues and tend to bring more difficulties in the post-acquisition integration (Barbopoulos et al., 2012; Draper & Paudyal, 2006). Thus, we set ***Target_listed*** as a dummy variable, which equals 1 if the target firm is a listed company and 0 otherwise. Since the influence of legal advisors is massive and concerning every detail in the process of acquisitions (Krishnan & Masulis, 2013; Westbrock et al., 2018), the number of target firm's legal advisors (***Tar_leg_adv_n***) is also included as a control variable. Whether a CBMA is friendly or hostile has been known as a deal characteristic that impacts the success of CBMA (Chakrabarti et al., 2009). A dummy variable (***Deal_attitude***) is introduced, which equals 1 for a friendly deal and others 0. Other

factors also include the GDP per capital of the target country (***GDP_per_capita***), the acquirer's age (***Acquirer_age***), the acquirer's size (***Size***), and the payment method (***Cash***) (Barbopoulos et al., 2012; Dikova & Rao Sahib, 2013; Lebedev et al., 2015; Moeller et al., 2004; Rabbiosi et al., 2012; Yang et al., 2019).

Detailed descriptions for all selected variables are listed in Table 27.

Table 27 Variable description

Variable category	Variable name	Measurement	Source
Dependent variable	*BHAR_3*	Buy-and-hold abnormal returns of the acquirer, starting from the month when the acquisition is completed to three months after the completion date	CSMAR
Independent variable	*Cultural_friction*	$Cultural_Friction = \mu * N = [e^{V(1-G)} * \frac{CD}{10}] * [\frac{\sum L_i}{N_L} + \frac{\sum S_i}{N_S}]$	SDC & www.geerthofstede.com
Moderator	*Promotion_focus*	The percentage of promotion-related words in MD&A	Annual Report
	Prevention_focus	The percentage of prevention-related words in MD&A	
Control variable	*GDP_per_capita*	The GDP per capita of the target country	World Bank
	Rule_of_law_diff	Differences in the dimension of the rule of law from the Worldwide Governance Indicators between the home and host countries	WGI
	SOE	Dummy variable. It equals 1 if the acquirer has state ownership and 0 otherwise	CSMAR
	Target_listed	Dummy variable. It equals 1 if the target firm is a listed firm and 0 otherwise	SDC
	Tar_leg_adv_n	The number of target firm's legal advisors for the focal CBMA	SDC
	Deal_attitude	Dummy variable. If the focal CBMA deal is friendly, we assign 1 to it and otherwise 0	SDC

	Acquirer_age	The acquirer's age adopts year as the unit, and two decimals are reserved	CSMAR
	Size	The natural logarithm of the acquirer's market value of equity	CSMAR
	Cash	Dummy variable, 1 for full cash payment and 0 for otherwise	CSMAR

4.3.2.2 Model settings

As hypothesized in Section 2, a U-shaped curve is expected to describe the relationship between cultural friction and CBMA performance, which is verified by a quadratic model on a basis of cross-sectional analysis: [15]

$$BHAR = \partial_1 Cultural_friction + \alpha_2 Cultural_friction^2 + \alpha_3 Cultural_friction^2 * Regulatory_focus + \alpha_i Control_variables + \alpha + \varepsilon$$

…… (5)

In the above model, *BHAR* is the dependent variable, indicating the acquiring firm's post-acquisition performance. The primary explaining variable is the square form of cultural friction. The interacting term of the squared cultural friction and regulatory focus is set to test the moderating effect of the acquirer's managers' regulatory focus on the relationship between cultural friction and CBMA performance.

4.4 Results

4.4.1 Descriptive statistics

Table 28 presents descriptive statistics of variables. It shows that the CBMA performance measured by ***BHAR_3*** is statistically proved as unfavorable, besides only a slight fluctuation is observed. ***Cultural_friction*** varies alongside different CBMA deals, with a minimum value of 0.04 and a maximum value of 7.02. It is noted that for Chinese firms acquiring targets domiciled in the same country, cultural friction values

[15] Some firms are repetitive acquirers in CBMA activities (Dikova & Rao Sahib, 2013), so scholars use panel data to control the influence of time and industries. However, in our sample, we only find 131 cases are conducted by repetitive acquirers. Thus, adopting panel analysis would cost a lot of information, so we choose to use cross-sectional analysis.

for these deals are distinct from each other. For example, in 2008, the friction value generated by the acquisition between *Ningbo Shanshan* and *Heron Resources*, an Australian company, was 3.25. This value of the acquisition between *Henan Yuguang Gold & Lead* and an Australian company called *Kimberley Metals* was realized as 1.88 in the same year. The culture distance, however, is estimated the same if using a summary indicator, which verifies the use of a case-based cultural friction to proxy for multi-level institutional configurations in a contextualized setting. Except for ***GDP_per_capita***, ***Acquirer_age***, ***Size***, ***and Cultural_friction***, other variables are relatively stationary.

An analysis of the distribution of the acquirer's industry is presented in Table 29. The results show that both acquiring and target firms spread over 35 industries, among which 29 industries are overlapped. The industries with the highest number of acquirers include electronic and electrical equipment, machinery, and metal and metal products. Electronic and electrical equipment and machinery industries are the top two most acquired industries, and the mining industry comes to the third.

Table 28 Descriptive statistics

Variable	Obs.	Mean	Std. dev	Min	Max
BHAR_3	304	-0.021	0.222	-0.996	1.169
Cultural_friction	304	1.570	1.092	0.042	7.018
Prevention_focus	304	0.004	0.003	0.000	0.028
Promotion_focus	304	0.027	0.009	0.004	0.064
GDP_per_capita	304	40492.680	16134.640	1028.441	110162.100
Rule_of_law_diff	304	1.766	0.698	-0.531	2.494
SOE	304	0.424	0.495	0.000	1.000
Target_listed	304	0.227	0.420	0.000	1.000
Tar_leg_adv_n	304	0.464	0.847	0.000	1.000
Deal_attitude	304	0.944	0.230	0.000	1.000
Acquirer_age	304	16.024	5.923	3.830	33.080
Size	304	16.750	1.499	13.300	21.290
Cash	304	0.250	0.434	0.000	1.000

Table 29 Industry distributions of acquiring and target firms

Industry Category	**Acquirer**		**Target**	
	N	**%**	**N**	**%**
Agriculture, Forestry, and Fishing	4	1.32	4	1.32

Transportation and Shipping	8	2.63	12	3.95
Amusement and Recreation Services	0	0.00	2	0.66
Business Services	17	5.59	22	7.24
Chemicals and Allied Products	18	5.92	12	3.95
Commercial Banks, Bank Holding Companies	19	6.25	15	4.93
Communications Equipment	9	2.96	5	1.64
Computer and Office Equipment	1	0.33	2	0.66
Construction Firms	4	1.32	2	0.66
Drugs	17	5.59	13	4.28
Electric, Gas, and Water Distribution	3	0.99	8	2.63
Electronic and Electrical Equipment	40	13.20	39	12.83
Food and Kindred Products	14	4.61	14	4.61
Health Services	1	0.33	3	0.99
Hotels and Casinos	1	0.33	1	0.33
Insurance	2	0.66	0	0.00
Investment & Commodity Firms, Dealers, Exchanges	4	1.32	19	6.25
Leather and Leather Products	1	0.33	0	0.00
Machinery	37	12.17	24	7.89
Measuring, Medical, Photo Equipment; Clocks	9	2.96	10	3.29
Metal and Metal Products	23	7.57	8	2.63
Mining	17	5.59	25	8.22
Miscellaneous Manufacturing	0	0.00	2	0.66
Miscellaneous Retail Trade	2	0.66	2	0.66
Motion Picture Production and Distribution	2	0.66	0	0.00
Oil and Gas; Petroleum Refining	5	1.64	6	1.97
Paper and Allied Products	1	0.33	0	0.00
Prepackaged Software	7	2.30	8	2.63
Radio and Television Broadcasting Stations	0	0.00	2	0.66
Real Estate; Mortgage Bankers and Brokers	4	1.32	5	1.64
Retail Trade	3	0.99	2	0.66
Rubber and Miscellaneous Plastic Products	6	1.97	3	0.99
Sanitary Services	0	0.00	1	0.33
Social Services	0	0.00	1	0.33
Soaps, Cosmetics, and Personal-Care Products	1	0.33	0	0.00
Stone, Clay, Glass, and Concrete Products	1	0.33	0	0.00
Telecommunications	0	0.00	1	0.33
Textile and Apparel Products	11	3.62	8	2.63
Transportation Equipment	8	2.63	12	3.95
Wholesale Trade	2	0.66	10	3.29
Wood Products, Furniture, and Fixtures	2	0.66	1	0.33
Sum	304	100	304	100

4.4.2 Regression results

First, we conduct a regression to examine the curvilinear relationship between our explanatory variable, *Cultural_friction*, and our dependent variable, *BHAR_3*. The result is shown in Table 30 below. The coefficient of $Cultural_friction^2$ in the first column is 0.011; it is statistically significant at the level of 5 percent, suggesting a potential "U-shaped" relationship between cultural friction and the CBMA performance. However, a significant coefficient with an expected sign is insufficient to establish a quadratic relationship (Haans et al., 2016). Following Lind and Mehlum (2010), we compute the turning point of *Cultural_friction* (turning point=3), which locates within our data range of 0.04 to 7.02. Also, we split the sample data based on the empirically determined turning point and check whether two linear regressions cut off by this point have slopes consistent with our quadratic curve (Haans et al., 2016). Columns (2) indicates that the coefficient of *Cultural_friction* is significantly negative for our linear regression using data below the turning point, while this coefficient is significantly positive in the group that above the turning point of cultural friction (Column (3)). This verifies the "U-Shaped" effect of cultural friction on CBMA performance. This finding is in line with the "neutral" characteristic of cultural difference that has been realized in MNEs by several studies, such as Malhotra et al. (2011) suggest that cultural difference has a curvilinear relationship with the equity participation in CBMAs; Koch et al. (2016) find that when cultural differences in leadership beliefs are less central to the host nation's cultural identity, it will lead to synergies; otherwise, disruption if differences are in culturally central leadership beliefs; Dikova and Rao Sahib (2013) find moderation effect can reconcile the conflicting positive and negative effects of cultural distance on acquisition performance; Reus and Lamont (2009) prove that the combination of moderation and mediation effect is why cultural difference is a double-edged sword to acquisition performance.

Next, we incorporate the interaction terms of $Cultural_frction^2$*$Promotion_focus$ and $Cultural_friction^2$*$Prevention_focus$ to examine the moderating role of managers' regulatory focus (Table 31). The results show that the coefficient of $Cultural_friction^2$

is 0.013 in Column (4), and it is statistically significant at the 5 percent level. In contrast, the coefficient of *Cultural_friction*^{2}**Prevention_focus* is significantly negative (-0.778), indicating that the quadratic effect of cultural friction on CBMA performance is weakened when the acquiring managers' prevention focus becomes stronger. That is, the "U shaped" curve tends to be flattened by managers' prevention focus. Also, we split the sample based on the mean value of prevention focus and check the differences of CBMA performance regressed on the squared cultural friction. The result of Columns (5) and (6) in Table 31 indicates that the coefficient of the squared term is 0.012 and significant at 10 percent level in the low prevention-focused group, however, it is 0.009 but insignificant in the high counterpart. This confirms that the quadratic performance effect of cultural friction is more prominent in acquirers with less prevention-focused managers; this effect could even be diminished as the managers' prevention focus gets stronger.

Yet, our empirical results of Table 31 fail to support the moderating role of managers' promotion focus. We speculate that the significant state ownership of Chinese acquirers may be the reason behind. It is noted that nearly 43% of our sampled acquirers are state-owned. The state-owned enterprises (SOEs) not only represent an ownership structure or a form of corporate governance but also are products of the institutional environment (Bruton et al., 2014; Shi et al., 2021; Tao et al., 2017). As these state-owned acquirers tend to gain preferential treatment and resources from the government to improve their value, raising the post-acquisition performance is not a matter of concern (Tian & Estrin, 2008). Thus, even though the acquirer's managers have strong promotion focus, these CBMAs are politically-motivated other than performance-oriented CBMAs (Bai et al., 2006; Reddy et al., 2016), which might not fit with the hypothesized moderating role of promotion focus in this study.

Table 30 The relationship between cultural friction and CBMA performance

	(1)	(2)	(3)
	Hypothesis 1	Below the turning point	Above the turning point
$Cultural_friction^2$	0.011**		
	(2.34)		

Cultural_friction	-0.065**	-0.039**	0.076**
	(-2.31)	(-2.15)	(2.29)
Tar_leg_adv_n	0.033**	0.035*	0.044**
	(2.13)	(1.88)	(2.66)
Acquirer_age	-0.001	-0.001	0.007
	(-0.27)	(-0.50)	(1.11)
GDP_per_capita	0.000	0.000	-0.000
	(0.39)	(0.56)	(-0.31)
Rule_of_law_diff	-0.024	-0.025	0.037
	(-0.79)	(-0.80)	(0.24)
Size	-0.007	-0.007	-0.065*
	(-0.80)	(-0.75)	(-1.94)
SOE	0.044	0.027	0.303**
	(1.64)	(0.95)	(2.27)
Target_listed	0.047	0.038	0.186
	(1.27)	(1.02)	(1.55)
Deal_attitude	0.089	0.079	0.311*
	(1.55)	(1.30)	(1.94)
Cash	-0.023	-0.030	0.131
	(-0.80)	(-0.97)	(1.67)
_cons	0.070	0.082	0.183
	(0.45)	(0.48)	(0.41)
N	304	274	30

t statistics in parentheses; * p<0.1, ** p<0.05, *** p<0.01

Table 31 The moderating effect of managers' regulatory focus

	(1) Moderator - promotion focus	(2) Low promotion focus	(3) High promotion focus	(4) Moderator- prevention focus	(5) Low prevention focus	(6) High prevention focus
$Cultural_friction^2$	0.012**	0.009	0.016	0.013**	0.012*	0.009
	(2.22)	(1.46)	(1.64)	(2.24)	(1.68)	(1.09)
$Cultural_friction^2 * Promotion_focus$	-0.073					
	(-0.47)					
$Cultural_friction^2 * Prevention_focus$				-0.778*		
				(-1.90)		
Cultural_friction	-0.063**	-0.047	-0.093*	-0.061**	-0.057	-0.071
	(-2.23)	(-1.29)	(-1.81)	(-2.05)	(-1.52)	(-1.47)
Tar_leg_adv_n	0.033**	0.022	0.041**	0.033**	0.045**	0.021
	(2.14)	(0.87)	(2.22)	(2.12)	(2.34)	(0.72)
Acquirer_age	-0.001	-0.001	0.001	-0.001	-0.000	-0.003
	(-0.32)	(-0.27)	(0.33)	(-0.41)	(-0.11)	(-0.62)
GDP_per_capita	0.000	-0.000	0.000	0.000	-0.000	0.000
				(0.45)	(-0.06)	(1.29)
Rule_of_law_diff				-0.024	-0.006	-0.084
				(-0.79)	(-0.17)	(-1.45)
Size				-0.008	-0.010	-0.002
				(-0.87)	(-0.90)	(-0.18)
SOE				0.044	0.051*	0.054
				(1.64)	(1.67)	(1.06)
Target_listed				0.050	0.123**	-0.060
				(1.36)	(2.44)	(-1.02)

Deal_attitude	0.092	0.078	0.115
	(1.59)	(1.31)	(0.88)
Cash	-0.024	-0.045	0.015
	(-0.84)	(-1.18)	(0.29)
_cons	0.076	0.100	-0.009
	(0.49)	(0.54)	(-0.03)
N	304	182	122

t statistics in parentheses; * p<0.1, ** p<0.05, *** p<0.01

4.4.3 Robustness check

For further robustness purposes, first, the dependent variable *BHAR_03* is substituted with *BHAR_06* and *BHAR_09*, which measure CBMA performance for different periods. The results of Table 32 support the curvilinear relationship of cultural friction and performance and the moderating role of prevention focus, although the coefficients for both interaction terms are not statistically significant.

Table 32 Robustness check-substituting dependent variable

	(1)	(2)	(3)	(4)
	BHAR_06	*BHAR_09*	*BHAR_06*	*BHAR_09*
$Cultural_friction^2$	0.017*	0.017**	0.019*	0.020**
	(1.88)	(1.97)	(1.92)	(2.23)
$Cultural_friction^2 * Prevention_focus$			-0.802	-1.103
			(-1.30)	(-1.63)
Cultural_friction	-0.096*	-0.094*	-0.092	-0.088
	(-1.69)	(-1.73)	(-1.58)	(-1.58)
Tar_leg_adv_n	0.042*	0.087**	0.042*	0.087**
	(1.86)	(2.37)	(1.85)	(2.37)
Acquirer_age	-0.006	0.001	-0.007	0.000
	(-1.43)	(0.21)	(-1.49)	(0.10)
GDP_per_capita	0.000	0.000	0.000	0.000
	(1.22)	(0.04)	(1.25)	(0.08)
Rule_of_law_diff	-0.084	-0.064	-0.084	-0.064
	(-1.57)	(-1.03)	(-1.57)	(-1.03)
Size	-0.006	-0.035*	-0.007	-0.036*
	(-0.40)	(-1.68)	(-0.44)	(-1.71)
SOE	0.114**	0.125**	0.114**	0.125**
	(2.40)	(2.36)	(2.39)	(2.35)
Target_listed	0.081	0.041	0.084	0.045
	(1.35)	(0.64)	(1.41)	(0.72)
Deal_attitude	0.061	0.091	0.064	0.094
	(0.66)	(0.98)	(0.68)	(1.02)
Cash	-0.103**	-0.040	-0.104**	-0.042

	(-2.02)	(-0.56)	(-2.05)	(-0.59)
_cons	0.186	0.512*	0.192	0.521*
	(0.69)	(1.67)	(0.72)	(1.69)
N	298	294	298	294

t statistics in parentheses; * p<0.1, ** p<0.05, *** p<0.01

Second, among the components of cultural friction construction, "*G*" showing the acquirer's stage of international expansion can be represented by different kinds of acquisition experience. Thus, we reconstruct *Cultural_friction_abroad* and *Cultural_friction_finished* to substitute explanatory variable in Model (1), in which "*G*" represents the acquirer's acquisition experience coming from non-Chinese targets and successfully acquired non-Chinese targets, respectively. The results are presented in Table 33, which also validate our main results in Table 30 and 31.

Table 33 Robustness check-substituting explanatory variable

	(1)	(2)	(3)	(4)
$Cultural_friction_abroad^2$	0.010**	0.012**		
	(2.20)	(2.18)		
$Cultural_friction_finished^2$			0.010**	0.012**
			(2.05)	(2.13)
$Cultural_friction_abroad^2 * Prevention_focus$		-0.698*		
		(-1.92)		
$Cultural_friction_finished^2 * Prevention_focus$				-0.666**
				(-1.98)
Cultural_friction_abroad	-	-0.057*		
	0.061**			
	(-2.09)	(-1.86)		
Cultural_friction_finished			-0.060**	-0.057*
			(-1.98)	(-1.83)
Tar_leg_adv_n	0.034**	0.033**	0.034**	0.033**
	(2.15)	(2.12)	(2.15)	(2.13)
Acquirer_age	-0.000	-0.001	-0.000	-0.001
	(-0.20)	(-0.35)	(-0.20)	(-0.36)
GDP_per_capita	0.000	0.000	0.000	0.000
	(0.35)	(0.41)	(0.39)	(0.43)
Rule_of_law_diff	-0.024	-0.024	-0.025	-0.025
	(-0.80)	(-0.80)	(-0.86)	(-0.85)
Size	-0.008	-0.008	-0.007	-0.008
	(-0.90)	(-0.92)	(-0.84)	(-0.88)
SOE	0.044	0.044	0.044	0.044
	(1.64)	(1.64)	(1.63)	(1.65)
Target_listed	0.047	0.050	0.047	0.050
	(1.26)	(1.35)	(1.27)	(1.37)
Deal_attitude	0.091	0.093	0.090	0.093
	(1.57)	(1.61)	(1.55)	(1.61)
Cash	-0.023	-0.024	-0.022	-0.023

	(-0.82)	(-0.84)	(-0.78)	(-0.81)
_cons	0.078	0.077	0.070	0.073
	(0.50)	(0.49)	(0.45)	(0.47)
N	304	304	304	304

t statistics in parentheses; * p<0.1, ** p<0.05, *** p<0.01

Third, outliers in data are dealt through winsorizing. For variables: *BHAR_03*, *Acquirer_age*, *GDP_per_capita,* and *Size*, we winsorize the top 1% and bottom 1% of data points because there are outliers on both ends of the original data. For variables: *Cultural_friction*, *Cultural_friction_abroad*, *Cultural_friction_finished*, *Prevention_focus* and *Tar_leg_adv_n*, we winsorize at the top 1% point as box plots show outliers on the right side of the original data. For *Rule_of_law_diff*, only data below the bottom 1% are winsorized. The regression results after processing outliers are shown in Table 34. The main results are qualitatively unchanged.

Table 34 Robustness check- winsorization

	(1)	(2)	(3)	(4)	(5)	(6)
Cultural _ friction^2	0.013**			0.021***		
	(2.12)			(3.29)		
Cultural _ friction _ abroad^2		0.012**			0.017***	
		(2.15)			(3.05)	
Cultural _ friction _ finished^2			0.011*			0.017***
			(1.93)			(2.93)
Cultural _ friction^2 **Prevention _ focus*				-1.570***		
				(-3.19)		
Cultural _ friction _ abroad^2 **Prevention _ focus*					-1.204***	
					(-2.74)	
Cultural _ friction _ finished^2 **Prevention _ focus*						-1.248***
						(-3.18)
Cultural_friction	-0.070**			-0.079***		
	(-2.27)			(-2.61)		
Cultural_friction_abroad		-0.065**			-0.068**	
		(-2.15)			(-2.30)	
Cultural_friction_finished			-0.060**			-0.066**
			(-1.97)			(-2.20)
Tar_leg_adv_n	0.028**	0.029**	0.029**	0.029**	0.029**	0.029**
	(2.07)	(2.11)	(2.10)	(2.14)	(2.14)	(2.12)
Acquirer_age	-0.000	-0.000	-0.000	-0.001	-0.001	-0.001

	(-0.10)	(-0.04)	(-0.05)	(-0.42)	(-0.31)	(-0.36)
GDP_per_capita	0.000	0.000	0.000	0.000	0.000	0.000
	(0.74)	(0.65)	(0.69)	(0.93)	(0.78)	(0.85)
Rule_of_law_diff	-0.034	-0.032	-0.034	-0.035	-0.033	-0.035
	(-1.13)	(-1.10)	(-1.15)	(-1.18)	(-1.13)	(-1.21)
Size	-0.006	-0.007	-0.006	-0.007	-0.007	-0.006
	(-0.73)	(-0.84)	(-0.75)	(-0.85)	(-0.88)	(-0.80)
SOE	0.051**	0.050**	0.050**	0.053**	0.052**	0.051**
	(2.04)	(2.03)	(2.00)	(2.11)	(2.07)	(2.05)
Target_listed	0.036	0.036	0.036	0.041	0.040	0.042
	(1.08)	(1.07)	(1.09)	(1.25)	(1.22)	(1.27)
Deal_attitude	0.080	0.083	0.082	0.085	0.088	0.089
	(1.45)	(1.49)	(1.47)	(1.53)	(1.57)	(1.57)
Cash	-0.028	-0.028	-0.027	-0.031	-0.030	-0.028
	(-1.04)	(-1.05)	(-0.99)	(-1.17)	(-1.11)	(-1.06)
_cons	0.051	0.059	0.047	0.073	0.066	0.057
	(0.36)	(0.41)	(0.33)	(0.51)	(0.46)	(0.40)
N	304	304	304	304	304	304

t statistics in parentheses; * p<0.1, ** p<0.05, *** p<0.01

Last, we realize that an acquirer's CBMA performance can be observed through its buy-and-hold abnormal return only when the deal is chosen to be completed. As such, whether a CBMA deal is completed is an endogenous choice for the acquirer, raising a potential concern that our regression results may suffer from sample selection bias (Cui, 2016; Heckman, 1974; Heckman, 1979). Hence, we adopt the Heckman two-step estimation to correct this potential bias. In the first stage, we run a selection model using Chinese listed companies that publicly initiated CBMAs from 2000 to 2018 as all observations to predict the likelihood that an acquirer chooses to complete a CBMA. Then, we calculate the inverse Mills ratio from the first stage's results and apply it as a control variable in our second step regression. Table 35 presents regression results after the correction of sample selection bias, and the results are consistent with previous ones.

Table 35 Regression results after the correction of sample selection bias

	(1)	(2)
	Hypothesis 1	Hypothesis 3
Cultural_friction^2	0.009**	0.011**
	(2.15)	(2.12)
Cultural_friction^{2*}*Prevention_focus*		-0.815**
		(-2.08)
Cultural_friction	-0.056**	-0.053**
	(-2.24)	(-1.96)
Tar_leg_adv_n	0.063***	0.061***
	(2.83)	(2.69)
Acquirer_age	0.001	0.000
	(0.22)	(0.05)
GDP_per_capita	0.000	0.000
	(0.79)	(0.84)
Rule_of_law_diff	-0.036	-0.036
	(-1.36)	(-1.35)
Size	0.001	0.001
	(0.16)	(0.10)
SOE	0.055**	0.055**
	(2.18)	(2.18)
Target_listed	0.087*	0.089*
	(1.79)	(1.83)
Deal_attitude	0.076	0.079
	(1.35)	(1.41)
Cash	-0.006	-0.008

	(-0.22)	(-0.27)
_cons	-0.273	-0.262
	(-1.22)	(-1.12)
N	304	304

t statistics in parentheses; * p<0.1, ** p<0.05, *** p<0.01

Taken as a whole, the robustness checks give credence to the double-edged effect of cultural friction on CBMA performance. It suggests that in the beginning, the CBMA performance declines with an increase of cultural friction level until a certain point; after that, the performance rises along with cultural friction. Moreover, this U-shaped relationship appears to be weakened by managers' prevention focus.

4.5 Conclusion and discussion

Differing from the existing literature that normally adopts cultural distance, a relatively narrow view of institutions, the present study constructs a broader and more contextualized metaphor of cultural friction by deepening the use of the CC approach into the CBMA realm. This metaphor emphasizes the case-based interplays caused by country- and deal-level institutional configurations between focal acquiring and target firms. When discussing the impact of culture on the post-acquisition performance, this study stresses the often neglected but important role of managers of the acquiring firm who react to different types of managerial tasks in the process of acquisition integration based on the perceived cultural friction level. Furthermore, inspired by the regulatory focus theory, we conceptualize how the perceived cultural friction works with the managers' regulatory focus in determining the CBMA performance. As such, this theoretical framework incorporates a multi-level analysis to hypothesize the simultaneous impacts of the configuration of the country, firm and deal level factors on post-acquisition integration and performance by EMNEs. Using 304 completed CBMAs launched by Chinese listed firms from 2000 to 2018, the empirical results show an observed U-shaped curve between the acquirer's post-acquisition performance and cultural friction. That is, the CBMA performance declines as cultural friction between the acquirer and the target increases to a certain point, and then the performance rises after that point.

More interestingly, we find this U-shaped relationship between cultural friction and performance is flattened by the acquiring managers' prevention focus, a firm-level character of the acquirer. It might be because managers with a more vital prevention regulatory focus values losses and non-losses (Higgins & Spiegel, 2004) other than

gains and non-gains, leading to an orientation of fulfilling duties and responsibilities (Higgins, 1998). During the CBMA integration, these managers are more likely to see the dark side of cultural friction and treat it as a threat to their completion of managerial tasks. In the conquest phase of integration, they are less aggressive in adopting the home managerial culture to "conquer" the target, while in the cooperation phase they are more indifferent about the potential gains and are less eager to choose integrated managerial culture to ensure the integration process. As a result, the U-shaped curve tends to be flattened. Yet, due to the significant state ownership of Chinese acquiring firms, the moderating role of promotion focus of their managers fails to be proven by our empirical analysis.

Besides theoretical contributions, this study also provides practical managerial implications, especially for EMNEs. First, for managers in the acquiring firm, the advice is to change what they used to think of cultural differences. They may need to pay more attention to the fact that cultural distance between the acquiring and target countries only represents macro-level differences of institutions, while CBMA integration encompasses the interplays of multi-level institutions in a more contextualized setting. Also, cultural friction is never static but can differ in stages, even for the same pair of acquiring and target firms. Hence, compared to casting cultural differences as a summary cultural distance between two countries, using the metaphor of cultural friction seems to be a better choice in CBMAs. Second, noticing the "neutral" attribute of cultural friction in practice is essential. We prove that cultural friction has a U-shaped relationship with CBMA performance, which reminds managers to treat cultural friction prudently as it can be a double-edged sword. Finally, the acquiring firm may want to consider its managers' composition, for managers' psychological attributes can affect the post-acquisition integration. Although the moderating role of prevention focus is evident in our study, the effect of promotion focus is minute due to the institutional context of Chinese acquiring firms fit in. As such, we recommend managers from other acquiring countries take organizational contexts and regulatory fit into account when considering the influence of the regulatory focus.

We recognize this study also has some limitations. For example, we only discuss how cultural friction between the acquiring and target firms influences the acquirer's post-acquisition performance, treating cultural friction as an independent variable. Shenkar (2001, 2012) proposes that cultural friction can also be a dependent variable, and topics such as how previous acquisition experiences influence the evolution of cultural friction are rarely discussed in the area of CBMAs. Besides, we use MD&As as a compromise to analyze the regulatory focus of acquirers' managers, which may lack accuracy to explicitly capture the regulatory focus of each manager. Future research would be benefited from getting in touch with them through a measurable questionnaire covering the proxies for their regulatory foci.

Chapter five: Conclusions

Chapters two to four answer research questions raised in chapter one accordingly. The first question is what factors influence EMNEs' CBMA motives and the mechanisms? Chapter two provides explanations from the perspective of the acquiring firm's managers. Essentially, the author argues that besides often-discussed macro-level influential factors, EMNEs' CBMA motives are also triggered by managers' regulatory focus, a firm-level factor. The second question is what determines whether a CBMA deal conducted by EMNEs is closed or not, and how? Chapter three embarks on a learning perspective and identifies two learning channels for EMNEs to gain acquisition experience, self-learning and industrial spillover. Besides, the author illustrates how acquisition experience sourced from different channels facilitates the completion of related/unrelated CBMAs. The last question is what differentiates DMNEs and EMNEs in the process of post-acquisition integration, and for EMNEs, how is post-acquisition performance influenced? From the perspective of cultural differences, chapter four introduces a contextualized case-based measure of cultural friction to better capture cultural differences between the EMNE acquirer and the target firm and explains how cultural friction affects post-acquisition performance through managers' perception. Therefore, by answering the above questions, this thesis delves into the three-stage CBMA process undertaken by EMNEs and provides theoretical and managerial contributions.

In this chapter, the main research findings will be summarized first, and then detailed theoretical and managerial implications will be discussed. Finally, limitations and future orientations of the thesis will be analyzed for the author to keep working.

5.1 Main research findings and discussions

The dataset used in chapters two and four and chapter three is different. To be more specific, chapters two and four use Chinese listed firms' CBMA data from 2000 to 2018, while the time for chapter three is 2000-2017. Since this research is limited to relatively small samples, the author wanted to include as many sample numbers as possible for

robust and valid results. The author started by discussing how EMNE's CBMA completion is affected first, followed by figuring EMNE' CBMA performance and motives. Therefore, when the author worked on chapter three, Chinese firms' CBMA data for 2018 was unavailable.

Chapter two delves into what factors influence the choice of CBMA motives for acquirers from emerging markets. This chapter discusses the question mentioned above from a salient but rarely discussed firm-level aspect: the acquiring firm's managers' regulatory focus. This chapter comes to the following findings using the sample of 658 CBMAs undertaken by acquirers from China. First, EMNEs' CBMA motives are reclassified into three types in this chapter, namely strategic asset seeking, mixed purposes which include both strategic asset seeking and one of the non-strategic asset seeking motives, and non-strategic asset seeking which consists of market seeking and natural resources seeking motives. The first finding differentiates EMNEs' CBMA motives from traditional CBMA motives mainly developed based on DMNEs (i.e., strategic asset seeking, market seeking, natural resource seeking, and efficiency seeking). Second, based on the reclassification, the empirical results show that the acquiring firm's managers' promotion focus is positively related to strategic asset seeking motives. In contrast, managers' prevention focus powers the seeking of non-strategic asset seeking motives. The rationale behind the data is based on incorporating the regulatory focus theory into the CBMA setting. The regulatory focus theory states that people have two different ways to get things done while pursuing goals. Promotion-focused people are sensitive to positive stimuli such as growth and opportunities, while prevention-focused people sense more negative stimuli such as security and responsibility. Therefore, strategic assets are especially valued by promotion-focused managers for they represent scarce, uneasily traded, and inimitable resources that are good for the firms' stakeholders and secure long-term growth. Non-strategic assets are ideal for managers with a prevention focus as they stand for the instant, low-risk interest and guarantee the acquiring firm's financial performance, which is attached importance to these managers as they have a strong sense of responsibility for their role. The last

finding of this chapter comes from the moderating effect of the acquiring firm's performance. It is indicated in this chapter that the acquiring firm's sound CSR performance strengthens the relationship between managers' promotion focus and the seeking of strategic assets as a CBMA motive. Also, the acquiring firm's strong financial performance is proved to weaken how managers' prevention focus encourages the seeking for non-strategic assets. A regulatory fit phenomenon is applied to explain the moderating effect, which happens when situational factors are in accordance with the regulatory focus. A sound CRS validates the acquirer and reduces hostility from the host country, making the acquisition of strategic assets more effortless and amplifying promotion-focused managers' eagerness to seek strategic assets. Nevertheless, the poor financial performance of the acquiring firm acts as a warning to managers with a prevention focus, and it reinforces their desire to acquire tangible and less risky non-strategic assets.

Chapter three decodes factors running behind the scenes that impact the completion of EMNEs' CBMAs. This chapter classifies M&A strategies of CBMAs into related and unrelated types and distinguishes the acquirer's acquisition experience into self-learning and industrial spillover experience. The empirical results show that: firstly, the acquirer's self-learning acquisition experience can boost the successful completion of subsequent related CBMAs, and secondly, the acquirer's industrial spillover acquisition experience is beneficial for subsequent unrelated CBMAs to complete. The critical takeaway is that only when the previous acquisition experience type matches the current M&A strategy will the acquisition experience be converted into practical knowledge and skills to alleviate potential conflicts in completing CBMAs. In line with previous studies, the results support the idea that the acquirer can learn from its previous acquisition experience and do better in subsequent acquisitions (Collins et al., 2009; Dikova et al., 2010; Pu & Soh, 2018; Zhou et al., 2016). What is beyond this is that the author discusses a supplementary learning channel, and this industrial spillover acquisition experience allows the acquiring firm to learn from its peers in the same industry. It turns out that acquisition experience from peers provides

precious information for the acquirer to get involved in unrelated CBMAs, which are entirely new business areas the acquirer cannot navigate smoothly on its own. Nevertheless, peers' acquisition experience is not the primary concern for the acquirer when it comes to related CBMAs, for the acquirer tends to refer to its own self-learning experience. Another finding derived from the results is specific for acquirers from emerging markets and somehow counter-intuitive. This chapter reckons that sound formal institutional quality in the host country is harmful to the acquiring firm to learn from its self-learning acquisition experience. A plausible explanation lies in different institutions in home countries. DMNEs grew up experiencing clear laws and regulations are more likely to adapt to institutions in developed markets and make full use of their acquisition experience in familiar environments. However, EMNEs are undereducated in good institutions and may find it easier to navigate and apply acquisition experience in countries with poor institutions (Brouthers et al., 2007; Kolstad & Wiig, 2012; Morck et al., 2008).

Chapter four is dedicated to exploring the post-acquisition integration process and finding out what matters to the EMNEs' CBMA performance. A multi-level construct, cultural friction, is developed theoretically and empirically in this chapter, including country and deal level factors to capture actual cultural interactions between the acquiring and the target firms. By focusing on managers of the acquiring firm, this chapter reckons that the perceived cultural friction level by those people triggers the choices of managerial culture, which is applied to deal with managerial tasks emerging in the CBMA integration process. Different managerial tasks show different dependencies on the perceived cultural friction, with people tasks showing the highest while operational and local tasks showing the least, therefore, leading to the adoption of various managerial cultures. An "U-shaped" relationship between cultural friction and CBMA performance is theorized and observed, revealing that cultural friction between the two CBMA entities can be a double-edged sword to the post-acquisition integration. More interestingly, empirical results show that the relationship between cultural friction and CBMA performance is flattened by the acquiring firm's managers'

prevention focus. Prevention-focused managers value losses and non-losses while thinking less of gains and non-gains when pursuing goals, and therefore tend to see the dark side of cultural friction and ignore its potential contributions to the CBMA integration process (Higgins & Spiegel, 2004). A more secure atmosphere and a positive attitude to deal with conflicts are likely to be provided during integration to reduce potential damages (Das & Kumar, 2010), however, a careless attitude and less effort are likely to be observed for creating high performance (Brockner et al., 2004; P. D. Johnson et al., 2015). Nonetheless, the results fail to support the hypothesis that managers' promotion focus strengthens the relationship between cultural friction and CBMA performance. This chapter assumes managers with a promotion focus value gains and non-gains during the post-acquisition integration process and thus are bolder and more confident when facing the challenges and opportunities brought by cultural friction, which is argued to strengthen the U-shaped relationship (Huang et al., 2017; Li et al., 2020; Riad & Vaara, 2011). This chapter infers that because of the large proportion of state-owned Chinese acquirers in our sample, CBMAs are politically motivated rather than performance oriented (Bai et al., 2006; Reddy et al., 2016). Therefore, managers with a promotion focus are less sensitive to positive performance stimuli.

5.2 Theoretical contributions and implications

CBMAs have always been a talking point in the realm of international business. Starting from a time when most CBMAs were conducted by firms from developed markets to recent two decades when the number of CBMAs undertaken by firms from emerging markets surged, the status of EMNEs has gradually changed from insignificant to indispensable players in the field of OFDI (Athreye & Kapur, 2009; Gubbi et al., 2010; Kumar et al., 2020; Zhou et al., 2016; Zhou et al., 2021). Undeniably, compared to DMNEs, EMNEs are unique in many ways, such as firm-specific assets, international experience, and formal and informal institutional environment (Ahsan et al., 2021; Luo & Tung, 2007, 2018; Yu et al., 2015), making CBMAs conducted by

EMNEs and DMNEs very different. Therefore, to provide better explanations for CBMAs conducted by EMNEs, it is necessary to consider the uniqueness of acquirers from emerging markets and build theoretical frameworks that apply to them. This thesis contributes to the current literature by discussing factors that matter in the three-stage process of CBMAs specifically undertaken by EMNEs. In each stage, EMNE acquirers' particular traits are considered in the theoretical framework building block and examined empirically, in response to the call for exclusive lenses for EMNEs (Buckley & Munjal, 2017; Luo & Tung, 2007, 2018; Pereira et al., 2021).

Chapter two focuses on the pre-acquisition stage of CBMAs conducted by EMNEs and investigates factors that drive EMNEs to undertake CBMAs for particular purposes. The first theoretical contribution of this chapter is it distinguishes different CBMA motives between acquirers from developed and emerging markets and then reclassifies EMNEs' CBMA motives into three types. Traditionally, a four-type CBMA motivation is mainly considered in the context of CBMAs (Dunning & Lundan, 2008). A strand of literature indicates that for EMNEs, strategic asset seeking is a significant motive while efficiency seeking is not (Buckley & Munjal, 2017; Dikova et al., 2019; Luo & Tung, 2018). On the contrary, strategic asset seeking seems less critical for DMNEs, but efficiency seeking is a major driving force (Buckley, Clegg, et al., 2007; Moghaddam et al., 2014). Moreover, it is observed in this chapter that more than 20 percent of total CBMAs undertaken by Chinese acquirers have a mixed purpose, which consists of strategic asset seeking and non-strategic asset seeking motives. However, although CBMA's mixed-purpose motives are quite common in practice (i.e., from the acquiring firm's annual report and announcement of outward investment), current research ignores the existence of multiple CBMA motives. Instead, research papers tend to identify only one CBMA purpose for each CBMA deal (Please see the following research papers: Zhu et al., (2022), Lim and Lee (2016), Pan (2017), Lee (2017), and Elia and Santangelo (2017)). Simply classifying mixed-purpose motives into single-purpose motives is not reasonable as this is inconsistent with the acquiring firm's real intention. There is a calling for delineating mixed-purpose motives of CBMAs adopting

case-based data (Athreye et al., 2021). Therefore, this chapter contributes to the current literature by differentiating EMNEs' CBMA motives from their counterparts from developed markets and, to the author's best knowledge, identifying EMNEs' mixed-purpose CBMA motives, which allows the following holistic examination of factors that trigger EMNE's CBMAs, beyond CBMAs with only single motives.

The second theoretical contribution from chapter two is that the author develops a framework embarking on the regulatory focus theory, which further explains how firm-level characteristic can influence EMNEs' choice of CBMA motives. Previous studies discuss factors that matter to CBMA motives from an aggregated country level, for instance, the influence of market size, resources endowment, and knowledge endowment of the host country (Chari & Acikgoz, 2016; Dunning et al., 2007; Lee, 2017; Yu et al., 2015). Nevertheless, this chapter notices that CBMA motives are also decisions made on micro levels, stressing the necessity of looking into firm-specific factors (Barkema & Vermeulen, 1998; Buckley, Devinney, et al., 2007; Moghaddam et al., 2014). Expressly, from a salient but rarely investigated firm-level viewpoint, it is worth highlighting the role of leadership characteristics in the firm's internationalization motivation (Cui et al., 2014; Luo & Tung, 2007, 2018; Rui & Yip, 2008). By incorporating the regulatory focus theory into the realm of CBMAs, this chapter contributes to the literature on EMNEs' CBMA motives from a granular level, discussing how managers' psychological characteristics drive the choice of CBMA motives. The extant literature on how regulatory focus influences the possibility for firms to conduct mergers and acquisitions is thus taken to a further step (Gamache et al., 2014).

The last theoretical contribution derived from chapter two is the introduction of situational factors (i.e., performance), which triggers the regulatory fit phenomenon and shows managers with a particular regulatory focus may act differently when different situations are perceived (Gamache et al., 2014; Higgins, 2000; Pham & Chang, 2010). Two situational factors, CSR and financial performance of the acquiring firm are incorporated into the framework. In particular, the CSR score is included considering

the negative institutional image of EMNE acquirers for a sound CSR score is handy for EMNEs to reduce hostility from stakeholders of the host country and realize their CBMA motives (He & Zhang, 2018; Moeller et al., 2013).

Chapter three looks into the intermediate stage of CBMAs conducted by EMNEs, and the theoretical contributions are listed below. First, this chapter identifies a learning channel, industrial spillover, which enables acquirers to learn from their peers' acquisition experience and raise the completion rate of CBMAs. The industrial spillover is deemed a supplementary channel besides self-learning. The latter is a widely-acknowledged way of learning for firms to rely on developed routines for the effectiveness of subsequent CBMAs (Collins et al., 2009; Haleblian & Finkelstein, 1999; Hitt et al., 2000; Nelson & Winter, 1982; Pu & Soh, 2018). The industrial spillover channel is vital for acquirers from emerging markets as EMNEs lack acquisition experience (Francis et al., 2014; Zollo & Singh, 2004) but get the chance to learn from each other. Based on the learning perspective, this study contributes to the literature by establishing a comprehensive framework including two learning channels: self-learning and industrial spillover and discusses how each channel assists in facilitating the completion of CBMAs undertaken by EMNEs.

Second, to the author's best knowledge, the chapter is the first to align different acquisition experiences (i.e., self-learning and industrial spillover experiences) with the completion of CBMAs with different M&A strategies (i.e., related and unrelated M&As). Different M&A strategies can cause different hurdles to the completion of CBMAs (Almazan et al., 2010; Amburgey & Miner, 1992; Finkelstein & Haleblian, 2002; Francis et al., 2014; Haleblian et al., 2006; Hitt et al., 2001). This chapter builds a theoretical framework discussing how acquisition experience gained from different sources addresses these difficulties specifically. The effectiveness of the self-learning acquisition experience on the completion of related CBMAs is verified. Especially the mystery of how the obstacles to completing unrelated CBMAs are dealt with is revealed through the industrial spillover acquisition experience, which provides new insights into the extant literature.

Third, the particularity of acquirers from emerging markets is further considered by introducing the formal institutional quality of the host country as the moderator into the theoretical framework. Current literature generally acknowledges that good formal institutional quality in the host country reduces ambiguity and uncertainty of the investment environment therefore strengthens the effect of organizational learning (Brouthers et al., 2007; Surdu et al., 2018; Zhang et al., 2011). However, for EMNEs, this chapter reckons on the opposite as EMNEs generally have bad formal institutions at home, which makes it hard to adapt to strict regulations and rules in the host country even with sufficient learned acquisition experience (De Beule & Duanmu, 2012; Matsusaka, 1996). In fact, poor host institutions are proven to be the environment needed by EMNEs to navigate for they are experienced in dealing with corruption, dysfunctional institutions, patron-client relationships, and institutional favors (Desai et al., 2004; Kolstad & Wiig, 2012). The counter-intuitive finding of how sound host country formal institutional quality weakens the relationship between acquisition experience and the completion of CBMAs merits the current literature.

Chapter four delves into the post-acquisition integration stage and investigates factors that matter to the CBMA performance conducted by EMNEs. The author reckons the first theoretical contribution is the development of the contextualized measurement of cultural differences between the acquiring and the target firms, cultural friction. Culture, known as an informal institution, plays a significant role in the integration process of CBMAs (Chakrabarti et al., 2009; Reus & Lamont, 2009; Zhang et al., 2011). A commonly used construct to capture cultural differences in international business literature is cultural distance, a measurement from the country level (Ahammad et al., 2016; Dikova & Rao Sahib, 2013; Zeng et al., 2013). The construct of cultural friction partially includes the widely acknowledged cultural distance. Beyond that, embarking on the comparative capitalism approach, cultural friction includes deal-level traits of CBMAs, which responds to the call of analyzing institutions in a particular "case" as part of broader, non-random configurations of institutions (Jackson & Deeg, 2008; Shenkar, 2001, 2012). The inclusion of deal-level factors

enables a closer look at the characteristics of CBMAs conducted by EMNEs.

Second, the previous studies often take the impacts of cultural differences on the integration of CBMAs for granted (Dikova & Rao Sahib, 2013; Haspeslagh & Jemison, 1991; Meyer & Altenborg, 2008; Slangen & Van Tulder, 2009), neglecting the importance of managers who oversee the firm's daily operation (Chatterjee et al., 1992; Dong & Glaister, 2007; Ma et al., 2016). This chapter stresses that it is the managers of the acquiring firm that perceive the cultural friction between the two CBMA entities and choose appropriate managerial culture to complete various managerial tasks during the CBMA integration, resulting in different performance. This chapter develops the theoretical framework based on this perspective and provides novel and nuanced understanding of how cultural differences influence CBMA integration performance.

Last, noticing how managers are influential and powerful in the integration outcome of two firms, this chapter includes a rarely discussed but effective firm-level factor: regulatory focus as the moderating term in the framework. The inclusion of managers' regulatory focus completes our theoretical framework by adding firm-level characteristics to the country and deal-level construction. This chapter thus provides clarity in explaining how managers' psychological characteristics strengthen or weaken the relationship between cultural friction and post-acquisition integration of CBMAs undertaken by EMNEs.

5.3 Managerial implications

This thesis focuses on CBMAs conducted by EMNEs throughout the three-stage process. In addition to theoretical contributions, practical managerial implications are provided for acquiring firms from emerging markets in each CBMA stage.

Throughout the pre-acquisition stage, the author raises two managerial implications. Given the importance of managers' regulatory focus to the acquiring firm, there is a concern that when decisions are made by managers who pursue goals solely of their will with the firm's real situations being ignored, the consequences can be fatal. A large number of EMNEs may fail to improve their performance after pursuing certain

CBMA motives and incur further financial losses (Aybar & Ficici, 2009; Chen & Young, 2010; Zhang et al., 2020). However, if successfully conducted, both strategic and non-strategic CBMA motives are expected to raise the acquiring firm's long-term and short-term financial performance, respectively (Cui et al., 2014; Kammerlander et al., 2015). Management characteristics are identified as one of the main factors that influence CBMA performance (Krishnan et al., 1997). Therefore, the first piece of advice to managers of the acquiring firm is they need to make sure their decisions on CBMA motives are fully assessed against the firm's current status. Third-party acquisition consultants may be ideal candidates for providing objective advice. Besides, managers of the acquiring firm should acknowledge how situational factors can impact them during their decision-making process. Essentially, empirical results from chapter two indicate that the effect of managers' regulatory focus on the choice of CBMA motives can be amplified or reduced by the acquiring firm's current situation. The acquiring firm's sound CSR performance is expected to facilitate the impact of managers' promotion focus on the seeking of strategic assets through CBMAs. However, suppose the acquiring firm does not possess sufficient capabilities to absorb and exploit strategic assets, in that case, strategic assets may bring more uncertainty to future performance, which is what the acquiring firm wants to avoid (Lim & Lee, 2016; Vermeulen & Barkema, 2001). The regulatory fit can be a double-edged sword, if identified correctly, it facilitates the acquiring firm to achieve CBMA goals, but if followed blindly, it may lead to harm in CBMA performance. Thus, a calm and lucid mindset to make proper decisions considering the firm's current status and future development is necessary instead of being fanned by situational characteristics.

To help acquiring firms get through the intermediate phase of CBMAs, three managerial suggestions are provided. First, according to the empirical results from chapter three, it is beneficial for acquiring firms to learn and apply acquisition experiences from different channels so that they can cope with obstacles when trying to complete a particular type of M&A strategy. Correctly identifying M&A strategy and dealing with problems in the intermediate phase with corresponding acquisition

experience may be a way for EMNE acquirers to avoid massive failures. Second, managers need to pay attention to the fact that life stages of firms and industries may rejuvenate itself to earlier stages. For instance, firms with a mature life stage can gradually show signs of a growth life stage or earlier, and the same applies to industries. When drastic changes happen in firms' and industries' structures, processes, and strategies, acquisition experiences accumulated before the rejuvenation may lose their value for later CBMAs (Adenfelt & Lagerström, 2006; Dess et al., 2003; Neffke et al., 2011) . Therefore, making sure the acquiring firm applies up-to-date acquisition experience is a point worth noticing. The last piece of advice would be the wise usage of acquisition experience under the consciousness of how the host country's institutions may intervene. Given the poor institutional environment of emerging markets, sound institutional quality in the host country can instead trip the acquirer up even with sufficient acquisition experience. Hence, it is possible that EMNEs' acquisition experience may only work out in host countries with poor institutional quality.

Three managerial tips are concluded for the post-acquisition stage of CBMAs. First and most importantly, managers of the acquiring firm need to think beyond the widely acknowledged cultural distance construct when considering cultural differences during CBMAs. To gauge actual cultural interactions between the acquiring and target firms, managers may need to include traits besides country level and acknowledge the heterogeneity of each CBMA deal. Especially for acquirers from EMNEs, a multi-level construct of cultural friction enables the consideration of the particularity of these firms, which differentiates them from their counterparts from developed markets. Second, it is worth noticing how cultural friction can be a double-edged sword to CBMA integration performance that managers from the acquiring firm should discreetly oversee. Last, managers should notice how their psychological characteristics can moderate the integration process. Especially, managers who value loss and non-loss while achieving goals may soften how cultural friction influences CBMA performance.

5.4 Limitations and future orientations

The thesis, without doubt, has its limitations. In this section the author discusses

limitations of each chapter and provides orientations for future studies.

The limitation of chapter two may be caused by the method of identifying CBMA motives. The author manually reviews Chinese listed firms' annual reports and announcements of outward investment and use keywords to classify the motives of CBMAs. However, based on the keywords for judgment, there are 81 deals that we cannot tell their motives, thus being deleted from the final sample. It is possible that unclassified CBMAs were undertaken beyond the motives identified in this paper. Implying that besides strategic asset seeking, mixed purposes, and non-strategic asset seeking, there may be other motives for EMNEs to expand internationally. Institutional escapism may provide a plausible explanation for unidentified CBMA motives (Deng & Zhang, 2018; Liou & Rao-Nicholson, 2019; Wu & Deng, 2020). EMNEs have been intensively invested in mature markets, and scholars attribute the motives behind these activities to the deficiency of home country institutions. Generally, firms from emerging markets, especially POEs, are constrained by the home country's institutions and find it difficult to survive, let alone thrive (Deng & Zhang, 2018; Shi et al., 2013). The home country institution may trigger EMNEs to conduct CBMAs in mature markets, access better financial resources, and obtain non-discriminative treatments (Kurlantzick, 2016). However, the motive of institutional escape is not decent and appropriate to be mentioned in the acquiring firm's annual reviews/announcements of outward investment. Coincidentally, in our sample, a large proportion of CBMA deals cannot identify motives targeted at mature markets, and their reasons for acquiring are vague. Therefore, a future study based on this chapter may want to explore whether escaping from the disadvantageous home country institution is another motive for acquiring EMNEs, especially in mature markets.

In chapter three, the author focuses on how the host country's formal institutional quality moderates the relationship between the acquirer's acquisition experience and the completion of CBMAs. However, the impact of informal institutional quality of the host country is not included in the theoretical framework. The author argues that the breach of formal institutions triggers heightened supervision and intervention from the

host country's legal system, therefore, directly contributes to the failure of the intermediate phase of CBMAs (Deng & Yang, 2015; Peng et al., 2008). Informal institutions are "softer" rules of games and expected to play vital parts in the stage afterward and reckoned less decisive for the completion or abandonment of CBMAs (Hofstede, 2001; Scott, 2008; Zhang et al., 2011).

Chapter four discusses how cultural friction between the acquiring and target firms during the CBMA process can influence the acquirer's post-acquisition performance, treating cultural friction as the independent variable in this topic. The future orientation may focus on treating cultural friction as the dependent variable and delve into the question such as how cultural friction evolves during the CBMA process (Shenkar, 2001, 2012). Besides, a more accurate way to gauge the acquiring firm's regulatory focus may be sending each manager a questionnaire and then calculating the average score. This may be feasible in future study if a certain number of acquiring firms' managers are willing to respond. However, in this chapter, due to the limitation of resources and time, the author uses MD&As from the acquiring firm's annual report which represents the thoughts and will of managers as a whole.

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