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Abstract

The purpose of this paper is to review and summarize earlier studies analyzing the determinants of cross-border mergers and acquisitions (M&As). We primarily describe the motives of cross-border acquisitions and present the market performance for corporate control transactions over the period 1994-2013. Then, we illustrate the factors affecting cross-border investments and acquisitions in various taxonomies, namely deal-specific factors, firm- and industry-specific attributes, organizational learning and prior-acquisition experience, and country-specific factors. We draw special attention to the country-specific taxonomy for various reasons include economic and financial markets environment, institutional and regulatory framework, political situation (including corruption), tax system, accounting and valuation matters, geographical factors and cultural issues. We also provide a synopsis of earlier studies addressing the diversification motive in M&A decision. We thus propose that a host-country's institutional laws and regulatory system, accounting and tax provisions, economic performance, financial markets development, investor protection, geographical, political and cultural factors distinctly affect cross-border acquisition's completion. Lastly, we outline contemporary issues in M&A research, and suggest promising areas for future exploration.

JEL Classification: G34

Keywords: Literature review; Cross-border mergers and acquisitions; Internationalization; Foreign market entry strategies; International diversification; Foreign direct investment; International business research.

1. Introduction

The field of mergers and acquisitions (M&As) has attracted a mass of disciplines that remarkably explored in management literature. In particular, the stream of cross-border M&As is found to be a promising area for prospect research due to international setup across borders in the world economy. While drawing attention to the market for overseas acquisitions not only in developed countries but also in developing countries, this paper aims to review and summarize previous studies addressing the determinants of cross-border M&As in different institutional settings. In this vein, we find very few review papers referring to cross-border acquisitions for various reasons, namely global and regional perspectives (Hopkins, 1999), stylized reviews on theoretical foundations (Chapman, 2003; Shimizu, Hitt, Vaidyanath, & Pisano, 2004), and post-merger integration issues (Öberg & Tarba, 2013). On the other hand, we also come across studies reviewing the M&A stream largely through accounting and finance lens (e.g., Martynova & Renneboog, 2008a; Tuch & O'Sullivan, 2007), and bibliometric papers (e.g., Ferreira, Santos, de Almeida, & Reis, 2014; Reddy, 2015b). Albeit, we propose that a comprehensive review of factors affecting cross-border investments and acquisitions is missing in the literature.

With this in mind, we spotlight on design of this review in various taxonomies, such as, theoretical backdrop, the 21st Century of market for cross-border M&As, and determinants of investment, or acquisition that adhere to deal-, firm- and industry-specific, organizational learning and previous acquisition experience, and country-specific factors. Further, we also provide a summary of studies on diversification motive in M&A strategy. Thereafter, we present contemporary research issues in M&As and other international business (IB) streams that deserve further research. Importantly, the exhaustive review of earlier studies and research directions will certainly help scholars in driving future explorations that accountable for international strategy, comparative management and organizational knowledge.

2. Theoretical backdrop: Cross-border M&As

In the extant IB literature, it is referred as a most aggressive and "one of the fastest ways to enter a foreign market" (Alba, Park, & Wang, 2009). Simply, a merger or acquisition involves at least two companies from two different nations (Buckley & Casson, 1976;

Pablo, 2009). In the international management context, cross-border acquisitions are those involving "an acquirer firm and a target firm whose headquarters are located in different home countries" (Shimizu et al., 2004). They characterize higher valuation, acquirers with deep pockets and often involve cash payment and hostile deals, together, create a complex process among acquirer and target firm (Hopkins, 1999; Moeller & Schlingemann, 2005). Further, cross-border deals can be either inward or outward transaction. A host economy receives direct investment when a local firm acquired by foreign MNC is referred as cross-border inward acquisition. Conversely, when a local company acquires a firm located in foreign country result in investment outflow is termed as cross-border outward acquisition. In the economics perspective, inward (outward) deals referred as sales (purchases) (Kang & Johansson, 2000). In the strategy and IB literature, it is found that the most common determinants of cross-border M&As include firm-level factors (e.g., firm size, financial resources, multinational experience, local experience, product diversity, and international strategy), industry-level factors (e.g., technological intensity, advertising intensity, and sales force intensity), and country-level factors (market growth in the host country, cultural distance, exchange rate, GDP change, political uncertainty, institutional laws) (Boateng, Naraidoo, & Uddin, 2011; Collins, Holcomb, Certo, Hitt, & Lester, 2009; Shimizu et al., 2004).

On the other hand, negotiation or transaction cost for cross-border deals is significantly higher than the cost for domestic deals due to international setting and border laws relating to taxation, legal fee and investor protection (Barkema & Schijven, 2008; Boeh, 2011; Bris & Cabolis, 2008; Chen, Huang, & Chen, 2009; Geppert, Dörrenbächer, Gammelgaard, & Taplin, 2013; Reddy, Nangia, & Agrawal, 2014a; Reddy, 2015c, 2015d). In particular, they "trigger additional taxation of the target's income in the form of non-resident dividend withholding taxes and acquirer-country corporate income taxation" (Huizinga, Voget, & Wagner, 2012). In this vein, di Giovanni (2005) found that M&A activity increases due to policy development of capital tax treaties between home and host countries. Similarly, overseas acquisition activities increase with proportion to openness of the host economy subjected to world economy conditions (Moskalev, 2010). Regarding value creation, a survey by KPMG reported that "only 17% of cross-border acquisitions created shareholder value, while 53% destroyed it" (as cited in Shimizu et al., 2004, p. 308). As commenting on layoffs following cross-border deals, Krug and Nigh (2001, p. 85) found that 31% of executives had terminated after acquisition while a great extent of these executives left within two years of the deal and 75% of the top-level officials leave by fifth year of the deal. In fact, termination of executives following cross-border deals about 35%, which is significantly higher than the domestic deals about 24%.

Further, host country's economic system, economic indicators, legal protection, intellectual property rights and political environment influence the selection of entry mode decision (Luo, 2001), besides internal factors (transaction, product, resource). The determinants of FDI or acquisition mode include policy-perspective (e.g., openness, product-market regulation, corporate tax rates and infrastructure) and non-policy perspective (e.g., market size, distance, factor proportions, political stability and economic stability) (Fedderke & Romm, 2006). The risk factors relating to foreign market entry include general stability risk, ownership/control risk, operating risk, transfer risk, and investment and contractual risk (as cited in Rasheed, 2005).

Foreign investment, indeed, leads to a change in the ownership of existing production facilities, instead of a relocation of economic activity. On the other hand, an acquisition involves the transfer of an asset between two owners who are taxed differently, which generates taxable income (Becker & Fuest, 2010). Indeed, choice of acquisitions is one of the prospective market entry modes in the internationalization process (Andersen, 1997). Of course, acquisitions provide a rapid means to get access to the local market, for example, access to distribution outlets in forward integration. Generally, a cross-border transaction takes place with the consent of at least two countries. In a transaction, if one country does not approve any of the terms explained in the given negotiation document, ultimately deal becomes delay or unsuccessful. Therefore, a country's governance system, constitutional framework, legal environment, trust and relationship, and culture play a key role in international negations, deal completion and firm performance (e.g., Barbopoulos, Paudyal, & Pescetto, 2012; Blonigen, 1997; Feito-Ruiz & Menéndez-Requejo, 2011).

3. The 21st Century of market for corporate control transactions

The field of M&A is extremely old and it has originated in the western world, per se, at the end of 19th Century (or, beginning of the 20th Century). The outlook in terms of field, experience, and status of the M&A is now reaching 120-years. For example, prior to the World War-I (1914-1918), the German banking system emerged and big banks in Berlin expanded by acquiring smaller provincial banks, and thereafter, German banks have become popular internationally by supporting the external growth through mergers and acquisitions of industrial enterprises (Kling, 2006, p. 668). Based on a sample of 35 German company mergers during 1870-1913, Kling also found that previous mergers have made subsequent acquisitions due to improvement in economies of scale, macroeconomic conditions, success of former mergers and market structure.

Further, it is worth mentioning that M&A research is vast in terms of breadth of disciplines and depth of research rigor, which has been augmented over the Century. Moreover, it is too difficult to review such wide range of literature and to come out with possible explanations, for example, where we stand now. In fact, a social group might be curious to see the trend or performance of M&A in terms of number of deals and size, and motive of a merger. Then, we have started investigating this massive field from two angles, namely economics and management perspectives. While observing the M&A research through the lens of economics, researchers have examined the performance in various "merger waves", but a great extent of studies have focused on developed economies. On the other hand, management researchers have studied the filed through the lens of managerial or value creation. Thus, we understand the lens of degree of two approaches and therefore present a number of realistic observations on the 21st Century of market for corporate control activities whilst acknowledging the previous Century reporting's.

Firstly, we found six varieties of merger waves since the beginning of the 20th Century that led substantial industrial restricting across the world, but largely focused on developed economies (Bertrand & Betschinger, 2012). For example, horizontal mergers aimed at creating monopolies during 1880-1904, dominated the first European merger wave; the second merger wave led to increase vertical mergers or vertical integration during 1919-1929; the third merger wave considered for the period 1950-1960 that aimed at creating large conglomerates while expanding the businesses in the form of diversification; the fourth merger wave (1983-1989) discovered new forms of consolidation, i.e. hostile takeover bids and leveraged buyouts in which the development was due to technological progress in biochemistry and electronics, as well as the creation of new financial instruments and markets (e.g., the junk bond market); the fifth merger wave (1993-2000) emerged the new term "cross-border mergers and acquisitions" due to globalization, economic boom, stock markets development, foreign direct investment and other initiatives (e.g., financing international deals), and growth in internet and telecommunications sector (Goergen & Renneboog, 2004; Gray & McDermott, 1987; Gugler, Mueller, Yurtoglu, & Zulehner, 2003; Huang, Hu, & Chen, 2008; Kang & Johansson, 2000; Martin & Sayrak, 2003; Nagano, 2013; Reddy, 2015c; Weston, Chung, & Hoag, 1998). Further, the sixth merger wave (2003-present) is largely motivated by lower asset valuations and global financial crisis embarked in the 2007 (Alexandridis, Mavrovitis, & Travlos, 2012). For the period 1980-1990, the world FDI flows have almost tripled in which FDI has become a major form of international capital transfer (Roy & Viaene, 1998). As reported by the UNCTAD, value of cross-border deals accounted for 26% of total acquisitions during 1986-2000, and then it rose from 0.5% to 2% of worldwide GDP for the period 1980-2000. In fact, roughly 80% of foreign direct investment by developed economies took place in the form mergers/acquisitions (Gregory & McCorriston, 2005; UNCTAD, 2000). Based on private data, some researchers reported that value of global M&A activity has increased from US$3.3 trillion in 1999 to US$3.5 trillion in 2000, then observed lower trend, but soared again to a record high of $4.5 trillion in 2007 [47% of deals were reported to be cross-border in nature] (Reus & Lamont, 2009), and further reported lower volume in 2011 about US$3.5 trillion (Ahammad & Glaister, 2013). In case of cross-border deals, volume has increased from US$2.1 trillion in 2007 to US$2.6 trillion in 2012 (Reis, Ferreira, & Santos, 2013).

Secondly, we present some public iconic, large cross-border deals completed in the last century. For example, in 1987 the UK based British Petroleum (BP) offered US$7.56 billion for its outstanding 55% equity stake in US based Standard Oil (Gray & McDermott, 1987). Likewise, other mega-mergers include AOL/Time Warner (US$399 billion) in infotainment, Exxon/Mobil (US$86 billion) in oil, Travelers/Citigroup (US$73 billion) in financial services; in particular, cross-border deals such as UK based Vodafone acquisition of German's Mannesman for US$186 billion in telecommunications sector, Daimler/Chrysler (US$ 40 billion) in automotive industry, Deutsche Bank/Bankers Trust (US$10.1 billion) in financial services industry (Angwin, 2001). We also noticed some important deals around the 2007-08 global financial crisis, for example, ABN AMRO, a

Dutch bank acquired by the UK based Royal Bank of Scotland (RBS) against the counter-bid made by Barclays (Ferreira, Massa, & Matos, 2010). In addition, it is stylized fact that due to financial crisis and lower asset prices emerging market multinationals have been diversifying their products and services to developed economies through acquisition route (Reddy, Nangia, & Agrawal, 2014b). For instance, China-based Lenovo acquired the computer division from US based IBM and the same company bought Motorola from the US based Google's portfolio business.

Thirdly and finally, we observed an extent of uncompleted deals in the world M&A market. Based on the Thomson Financial M&A database for the period 1982-2009, Zhang, Zhou, and Ebbers (2011, p. 226) reported that 210,183 deals found to be unsuccessful (460,710 deals completed) out of 670,893 acquisition events. In a recent study, Zhang and He (2014) described that two forces such as nationalistic sentiments grow as a reaction to the instabilities and economic nationalism greatly affects foreign firms' market entry and operations.

More importantly, we describe various reasons that motivated the recent cross-border merger wave in different parts of the world, especially in emerging markets following the 2007-08 global financial crisis. It has been discussed in previous studies that multinational enterprises consider inorganic growth options (mergers, acquisitions, joint ventures) as an inevitable and valuable growth entry strategies (Meschi & Métais, 2006). While economists argued, those mergers occur due to significant industry shocks (Ovtchinnikov, 2013) and stock market booms (Sorensen, 2000). Following this trend, consolidation among industries and regions has also uplifted the worldwide M&A market (Shimizu et al., 2004). Whereas, the 20th Century market for corporate control activities has been largely induced by significant economic initiatives such as globalization, deregulation, financial liberalization policies, government policies, regional agreements, elimination of bureaucrat hurdles, technological development, new markets, new international trade and investment agreements, trade liberalization in developed markets, easy of foreign entry and ownership restrictions, cross-country trade linkages, integration of global financial and product markets, faster communication of ideas, greater integration of capital markets, bullish managerial and investor sentiment, establishment of international accounting standards and shareholding systems, corporate governance and capital market development (e.g., Alexandridis et al., 2012; Coeurdacier, De Santis, &

Aviat, 2009; Conklin, 2005; Dos Santos, Errunza, & Miller, 2008; Francis et al., 2008; Gilroy & Lukas, 2006; Goergen, Martynova, & Renneboog, 2005; Lévy, 2007; Makaew, 2012; Sinkovics, Zagelmeyer, & Kusstatscher, 2011; Sorensen, 2000; Stiglitz, 2004; Teece, 2010). Interestingly, emerging markets have reported substantial progress in terms of economic growth, inbound and outbound investment/acquisitions deals and faster development in communications sector due to the recent amendments relating to institutional laws that answer foreign investment, corporate control and acquisition patterns, especially in countries like China and India (Chari, Ouimet, & Tesar, 2010). Moreover, the M&A market has become much bigger compared to previous Centuries and supported by the deal-making industry of consultants, corporate lawyers, investment banks and corporate finance specialists (Berggren, 2003).

3.1 Worldwide cross-border M&As market, 1994–2013

A great amount of direct international investment characteristically appears in the outward sense of acquisitions (e.g., Becker & Fuest, 2010; Huizinga & Voget, 2009). For example, number of international acquisitions has increased from 23% of total volume in 1998 to 45% in 2007 (Erel, Liao, & Weisbach, 2012). In particular, a study on market for cross-border M&As over 20-year period is one of the objectives in this stylized review. Thus, we show the market performance in world economy, developed economies, developing economies and transition economies during 1994-2013 period for number of deals and deal value (Figure 1.1, Figure 1.2, Appendix 1). Interestingly, we found four cycles in the market trend, namely *growing period* (1994-2000), *declining, but promising period* (2001-2006), *financial crisis period* (2007-2008), and *recovering, but reversing period* (2009-2013). For instance, number of deals (deal value) of word economy cross-border M&As has markedly increased from (US$94.48 billion) in 1994 to 10,576 (US$959.34 billion) in 2000, 12,199 (US$1,045 billion) in 2007, and thereafter expectedly turned down to 9,794 (US$331.65 billion) in 2012 and to 8,624 (US$348.75 billion) in 2013 because of global economic crisis and its adverse affect on overseas capital flows (UNCTAD, 2013, 2014). In case of share by economic group for deal value, developed economies have accounted at an average to 83% but declined significantly from 88% in 1994 to 68.7% in 2013, while developing (transition) economies accounted at an average to 15% (2%) but increased appreciably from 11.6% (0.05%) in 1994 to 32.4% in 2013 (5% in 2011).

Similarly, we found impressive rate of growth to the market for cross-border M&As in both developing and transition economies while it contrasted in developed economies. For example, average rate of growth in deal value for world economy (developed, developing, transition economies) reported to 25% (26%, 33%, 92%). We therefore propose that firms from emerging markets have taken advantage of the lower asset valuations in developed markets due to economic crisis (and, with adequate deep pockets), which really increased their speed in the internationalization process. However, this is indeed a recovering, but not a promising trend in the current economic condition experiencing all over the world. We expect that market will recover when a country adopts systemic economic policies, transparent monetary system and efficient financial markets, offers investment-based incentives, and maintains high-impact coordination with rest of the world.

[Insert Figure 1.1, Figure 1.2]

4. Comprehensive review design: Cross-border M&As

This comprehensive review is related to different strands of literature: IB and strategic management in general and M&As in particular (Figure 2). On one hand, we have systematically reviewed several studies that examine entry-mode, internationalization, foreign acquisitions whilst included "important and relative" studies that shed light on cross-country determinants and institutional regime in foreign direct investments/ acquisitions. On the other hand, we have ignored some studies that analyze announcement returns, post-merger operating performance, human aspects, post-merger integration, cultural aspects in integration, banking and finance mergers, econometric-based papers and general case studies (e.g., Tuch & O'Sullivan, 2007). It is not surprising drive where researchers have explored a wide variety of temporal topics and methodological approaches. After reviewing more than the century of M&A research, we understood that this stream has markedly dominated by management and finance disciplines, focused on developed markets: US and UK. In fact, few scholars have examined the M&A research from the lens of industrial organization, economics, sociology, accounting and law (e.g., Bengtsson & Larsson, 2012; Bertrand & Zuniga, 2006; Buckley, Forsans, & Munjal, 2012; Cartwright & Schoenberg, 2006; Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; Holmes, Miller, Hitt, & Salmador, 2013;

Hopkins, 1999; Pablo, 2009; Reddy, 2015d; Tienari, Vaara, & Björkman, 2003). For example, economic scholars have mostly focused on econometric-based work and debated about the interrelation between the expansion of large-scale enterprises, external growth, and mergers (Gugler, Mueller, & Weichselbaumer, 2012; Kling, 2006; Stiebale, 2013). There are two important observations. First, large extant scholars have investigated M&A transactions using quantitative research tools. In other words, there is inadequate literature using qualitative research tools. For instance, Haleblian et al. (2009) found that 3% publication rate for case-based research in M&A. Second, literature on cross-border M&As is relatively tiny or limited when compared to domestic M&As (e.g., Moskalev, 2010; Reis et al., 2013; Shimizu et al., 2004) and greenfield FDI (Neary, 2007). Further, previous literature (e.g. determinants) generally does not distinguish between FDI through M&A or greenfield investment (Hijzen, Görg, & Manchin, 2008) and mode of entry in a foreign market (Canabal & White, 2008; Shimizu et al., 2004). Importantly, very few scholars have investigated M&A research using integrative approach from different disciplines and research methods (Bengtsson & Larsson, 2012). We therefore believe that this stream will lead by multidisciplinary or interdisciplinary approach (Oviatt & McDougall, 2005). More positively, strategy research in emerging economies not only has become an integral part of strategy research in general, but also has led the charge in advancing theories by drawing attention to the context-specific nature of strategic management (Xu & Meyer, 2013). In recent studies, scholars have focused on impact of nationalism and institutional factors on foreign acquisitions success (e.g., Serdar Dinc & Erel, 2013; Zhang et al., 2011; Zhang & He, 2014). Eventually, we capture that cross-border M&As research is relatively young, limited than domestic M&As and other foreign market entry strategies. Motivated by these factors, this paper sets a goat at reviewing and summarizing previous studies that examine the deal-, firm- and country-specific determinants of cross-border investments and acquisitions, and at suggesting a research direction for future exploration.

[Insert Figure 2]

5. Determinants of cross-border investments and acquisitions

Internationalization as a process through which a firm increases its level of involvement in foreign markets over time, and traditionally considered it as a series of events that take place over time (as cited in Casillas & Acedo, 2013). Indeed, we understood that entry-mode strategy through acquisition route is the core component of internationalization speed in the IB subject. Most IB researchers have investigated entry-mode choices: strategic alliances, network, joint venture, M&As, through the lens of resource-based view, transaction cost economics, eclectic paradigm, organizational capability framework, agency theory, information asymmetry, efficient market hypothesis, liability of foreignness and resource dependence, just to mention a few. However, very few studies have examined the internationalization strategy through the lens of institutional theory (e.g., Cuervo-Cazurra, Maloney, & Manrakhan, 2007). In fact, the trend that examine international entry mode options (e.g., FDI, M&As) has initiated in the beginning of 21st Century in which scholars have started conducting research in IB through the blend of multidisciplinary theories. For example, studies by La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998, 2000) were being emerged, remarkable in finance literature that motivated scholars to advance the IB knowledge based on finance and law perspectives. In view of the fact that and thus far, scholars have developed various conceptual frameworks relating to FDIs, cross-border mergers/acquisitions, deal success, post-merger integration management, strategic alliance and cross-country cooperative strategies while using empirical techniques, but very few recent studies have conducted qualitative research. Then, we have collected, reviewed studies that focus on border-crossing M&As ranging from a basic merger process to deal-specific factors and firm-specific attributes to macroeconomic determinants. Specially, we have supported our study by reviewing studies associated to legal environment, corporate governance and international taxation, which are being specific determinants of the foreign market entry strategies. First, we present deal-specific factors, followed by firm-specific factors motivating to participate in overseas investment deals. Third, we describe the role of learning and prior acquisition experience matters in international deals. Fourth and important, we explore the impact of country-specific characteristics on the success of cross-border acquisitions. In addition, we also summarize the earlier studies analyzing diversification decision in M&A strategy.

5.1 Deal-specific factors

In our literature survey, we found very few studies that examine the impact of deal characteristics on cross-border M&As completion. Albeit, we argue that deal-specific factors such as deal size, payment mode, non-compete fee, break-up fee, M&A advisors and importantly ownership control, together influence both acquirer and target in overseas acquisitions environment. Previous researchers suggested that deal structure not only depends upon firm-specific factors, but also depends upon deal type and payment method (Epstein, 2005; Haleblian et al., 2009). For example, a great extent of overseas acquisitions characterizes cash payment than stock payment (Chen et al., 2009). A bidder choosing cash payment should have higher levels of cash flows or should have expertise in integrating resources from its subsidiary firms [besides, debt], which does not necessarily change the ownership control in combined firm. Conversely, a bidder choosing stock-payment does necessarily dilute the ownership control in combined firm. In particular, deals that characterize higher valuation and cash payment usually attract government attention and political intervention (e.g., Angwin, 2001; Ferreira et al., 2010; Halsall, 2008). We found mixed results for stock returns around acquisition announcement involving cash payment, stock payment and earnout offers (e.g., Barbopoulos et al., 2012). More specifically, there is significant need for both M&A advisors and local players when firms from developed countries target firms in emerging economies, and vice-a-versa. It refers that M&A advisors role is crucial in international acquisitions for various reasons, for example, to gain knowledge on host country institutional framework, to conduct due diligence program, and finally to look after legal procedures (Epstein, 2005).

5.2 Firm- and industry-specific factors

A few studies on cross-border acquisitions in different institutional settings have analyzed the impact of firm-specific characteristics and their affect on success of overseas negotiations (e.g., Forssbæck & Oxelheim, 2008; Raff, Ryan, & Stähler, 2012; Zhu, Jog, & Otchere, 2011). First and foremost, Gonzalez, Vasconcellos, Kish, and Kramer (1997) found that firms acquiring US-based firms have better liquidity ratio, while targets have low price-to-earnings ratio. Whereas, firms that have better financial advantages (e.g., large amount of assets and deep pockets), and low price-to-earnings participate in outbound deals. This supported the motive of market seeking mergers. For a sample of

1,379 European non-finance deals, Forssbæck and Oxelheim (2008) reported that financial characteristics such as firm size, financial performance and cash flows explain the motive of cross-border investments. Similarly, firms holding good valuation of equity and firms that cross-listed on big stock exchanges were more likely to partake in overseas acquisitions (Forssbæck & Oxelheim, 2011). Likewise, Pablo (2009) found that firms making deals in Latin American region have significant cash and equivalents, as a proportion of total assets. In fact, acquiring firms involving in cross-border deals have higher market-to-book ratio and lower levels of cash than those involving in local deals. In particular, Raff et al. (2012) analyzed the direct international investments in 21 developed countries made by Japanese firms between 1985 and 2000. They indicated that firms with greater levels of productivity likely to chose FDI (greenfield) than export strategy (acquisition). They concluded that firm specific attributes play important role in explaining the overseas investments. By contrast, acquiring firms from East Asian region have found to be less participates in cross-border deals than domestic deals due to financing constraints (Chen et al., 2009).

Indeed, scholars showed interest toward analyzing the investments in transition economies. For instance, Paul and Wooster (2008) examined a sample of 173 US-based firms from 15 industries that invested in transition countries during 1990-1999 period. They suggested that firms that characterize sales growth and greater advertising intensity participate in overseas deals to capture market share and first-mover advantages. Firms in concentrated industry invest with high-equity commitment besides seeking market advantages. While, firms featuring better intangible assets (e.g., technology advantage) likely to delay entry due to weakness of intellectual property laws in the given host country. Zhu et al. (2011) investigated motives of acquiring firms making partial acquisitions in emerging markets on a sample of 1,171 domestic and 537 cross-border deals for the period 1990-2007. They found that foreign firms acquire target firms featuring big size and financial performance that associated to less competitive industries in host emerging markets. They reported no significant difference for long run abnormal returns between domestic and cross-border partial deals.

In addition, we also presented findings of few studies that examine whether industry-specific factors drive international investments/acquisitions (e.g., Ovtchinnikov, 2013; Zou & Simpson, 2008). In the industrial organization and economics literature, scholars found that global mergers and acquisitions in terms of volume and value not only influenced by acquiring firms' deep pockets and management expertise, but also influenced by industry booms/shocks and technology changes that varies from one industry (region) to another (Kang & Johansson, 2000; Ovtchinnikov, 2013). For example, telecommunications sector has been one of the emergent industries that provided a great deal of business opportunities in emerging markets due to economic and institutional reforms. At the same time, the sector has seen many technological innovations because of rapid transformation and expansion of markets. Further, when industries characterize high technology intensity, then firms usually expand their business into other growth markets for both hedging risk and improving market share (Hitt, Franklin, & Zhu, 2006). In particular, Kang and Johansson (2000) suggested that market growth, market structure and market competition significantly influence the overseas acquisitions. Further, technological changes in terms of speed and transformation affect such international deals because of reduced transaction costs and improved communication across the markets.

In the Chinese context, Zou and Simpson (2008) analyzed cross-border M&As using industry-level data during 1991-2005 period and found that industry characteristics such as industry size, profitability, technology intensity and economic policy reforms persuade the level of acquisition activity. Industries with low cost of raw materials, labor and facilities were being attracted by foreign multinationals in seeking resource advantages. In one of the large empirical studies examining cross-border M&As activity, Ovtchinnikov (2013) tested 41,853 observations of 3,345 firms for the period 1960-2008. The findings include (i) regulated industries have low solvency, low profitability, negative liquidity, high leverage and high capital costs prior to deregulation; (ii) "incidence of cash bankruptcy and bottom quintile mergers was higher in deregulated industries than in other industries"; (iii) bid premium paid in mergers after deregulation was found to be lower than the bid premium in other mergers; and (iv) mergers happened after deregulation found to be exit mergers.

In sum, we capture that firm-specific factors such as firm size, financial indicators (e.g., cash flows) and resources, and industry-specific factors such as economic recession, technology intensity and deregulation of economic policies significantly affect the level of global acquisition activity and post-acquisition performance.

5.3 Organizational learning and prior-acquisition experience

It is worth highlighting that learning is a continuous process both in human life and in business context. In the extant literature, scholars defined the organizational learning as "just positive experience transfer, or the appropriate generalization of prior experience to a subsequent event" (as cited in Barkema & Schijven, 2008, p. 630). We argue that learning is a process of gaining knowledge about particular business event prior to perform a series of actions for accomplishing that business event. Indeed, an organization controlling by sole entrepreneur or a group of entrepreneurs learn knowledge on different business strategies through three channels: learning-by-doing, learning from prior experience and learning from others/observations. It is vital that organizational learning play an important role in firm's internationalization strategies (e.g., Barkema & Vermeulen, 1998; Theodorakopoulos & Figueira, 2012). In fact, few studies postulated that prior knowledge or experience in overseas business positively affect subsequent foreign market entry strategies in the same host country or different countries (Very & Schweiger, 2001). Largely, learning concept discussed in strategy and IB subjects, and thereby matured in terms of theory and empirical evidence (Barkema & Schijven, 2008). At the outset, we agree that the research on learning-by-observing, learning-by-doing, or learning from repetitive acquisitions has recently discussed in the M&A and IB literature (e.g., Aktas, Bodt, & Roll, 2013; Collins et al., 2009; Francis, Hasan, Sun, & Waisman, 2014; Lin, Peng, Yang, & Sun, 2009; Nadolska & Barkema, 2007).

In a survey-based study, Very and Schweiger (2001) identified 55 influential problems in acquisition process of domestic and cross-border deals based on 26 middle-market firms in France, Germany, Italy and the U.S. They found that acquirers prior experience with host country positively result in making further successful deals in the same country. In other words, lack of experience with specific country creates significant problems in overseas deals ranging from negotiations breakup to post-merger integration difficulties. Further, few firms entering in unknown country face newness liabilities (e.g., legal, tax, constitutional, and local political systems) and they usually appoint local M&A advisors to hedge both localness and foreignness problems. In particular, Nadolska and Barkema (2007) examined a sample of 1,038 foreign acquisitions of 25 firms representing the Netherland over three decades. They found that each firm has made three overseas deals per year, which had notable experience with 25 international deals, 17 local deals and six overseas joint ventures. They suggested that frequency of firm acquisition board increases with proportion to increase in firm's participation in local and international deals. While focusing on resource dependence theory, Lin et al. (2009) analyzed 126 alliances and 74 M&As during 2001-2005 period, representing US and Chinese firms. They found that firms gaining knowledge on networks, learning, and institutions enhance the tempo of acquisition process and thereby positively result in deal completion. Hence, relational, behavioral and institutional factors determine the success of negotiations. By contrast, for a sample of 291 deals during 1988-2004 (Meschi & Métais, 2006) and for a sample of 731 deals during 1988-2006 (Meschi & Métais, 2013) representing French acquisitions in the U.S. economy found that acquisition experience of acquiring firm has no impact on acquisition performance in terms of abnormal returns. It infers that acquisitions undertaken by prior experience firms do not influence the stock returns around sequel acquisition announcement.

In the view of learning-by-doing, Collins et al. (2009) examined foreign acquisitions involving US firms as acquirers. The observations include (i) firm size, product diversification, exchange rate and degree of internationalization were found to be positive with international acquisition activity, while country-specific factors such as political uncertainty and cultural differences were found to be negative; (ii) prior acquisition experience in local and international settings influences the subsequent acquisitions; albeit, experience in overseas deals influences more than the experience in local deals; (iii) previous overseas acquisition experience within a host country reported to be significant impact on subsequent deals in that country. In the context of learning-by-observing (from industry peers), Francis et al. (2014) examined a sample of 317 cross-border acquisitions conducted by US firms in developing nations during 1993-2010 period. They reported few interesting findings (i) positive relationship between learning from past acquisition experience of industry peers and acquisition completion; (ii) acquiring firms usually learn from peers due to information spillovers through media coverage (print and electronic) and that learning appreciably influences the success of their negotiations; (iii) no significant relationship between learning-by-observing attributes and cumulative abnormal returns of acquiring firms around acquisition announcement, except high-tech industry targets.

While studying sequential cross-border acquisitions (frequent acquirers), Zhu (2011) investigated stock performance of acquirers for 2,712 transactions involving 70 acquiring nations and 145 target countries between 1978 and 2008. They found that 54% of sample acquisitions created positive stock earnings around the announcement. On average, acquiring firms experienced similar returns (positive/negative) in both previous and subsequent deals. Few acquiring firms experienced constant returns when the time elapsed between subsequent deals is shorter that induced by investor sentiment and choice of cash payments. Likewise, Al Rahahleh and Wei (2012) analyzed stock returns for a sample of 2,340 merger deals representing 1,122 frequent acquiring firms over 17 emerging markets for the period 1985-2008. Unless reporting strong relation, acquiring firms participating in subsequent deals have experienced a declining pattern in stock returns around that announcement, and that level of decline in stock returns was more for firms with developed markets. In case of successful first acquisitions, bidder stock returns were decline, strong for 10 markets.

More specifically, Ahammad and Glaister (2013) analyzed a survey of 65 responses involving 591 international acquirers in UK during 2000-2004 period and reported that in-depth evaluation of target firm business, products and financial performance improves the success of cross-border acquisition. For example, target size found to be positive influence on acquisition performance. They also suggested that acquiring firms employing greater resources and putting more efforts result in acquisition success if the given target size is greater.

In sum, we understood that path-dependent learning, sophisticated experience in international deal making and prior experience within a host country have strong influence on future cross-border deal activity accountable for deal negotiations, integration and firm performance.

5.4 Country-specific factors

An international merger/acquisition completion influences by both home and host country characteristics, institutional laws, economic indicators and political environment. A great degree of empirical studies responsible for different samples in different countries suggested that cross-border determinants such as economic performance, institutional and regulatory framework, political environment, cultural differences and physical distance between home and host countries significantly affect foreign market entry strategies: greenfield investments and acquisitions (Hitt et al., 2006). On the other hand, host country government usually restricts or puts numerous conditions on inbound acquisitions compared to greenfield investments, because acquisitions provide ownership and controlling benefits to foreign enterprises. [besides, host country's concern on local trade and market competition.] With this supportive note, we have presented summaries of previous studies in different strands such as economic and financial factors, institutional and regulatory factors, political environment (including corruption), tax and taxation issues, accounting and valuation issues, geographical factors, and cultural differences (Figure 3). We also provide findings relating to stock returns around acquisition announcements in the above categories.

[Insert Figure 3]

(a) <u>Economic and financial factors</u>:

In a general exemplar, financial system and financial development causes economic growth and vice-a-versa of any country in the given period (Yang & Yi, 2008). The design of the financial system plays a key role in macroeconomic policies, especially capital market and its regulatory framework. For example, "the type of financial institutions that should be established, the design of the regulatory system, and the role of government policies related to stabilizing and controlling the financial system" are the most determinants of a financial system (Hermes & Lensink, 2000, p. 509). In fact, business and trade performance and international equity rises when there is a significant economic liberty; in unison, cost of external financing also decline if there is a substantial development in capital markets (Francis et al., 2008).

In the earlier studies, Chandler (1980) described that most merger/acquisition transactions noticed in US and UK is to control competition while "they become instruments to improve industrial productivity through rationalization and centralization". Thereafter, scholars suggested that mergers influenced by specific industry shocks and technological advancements (Harford, 2005). In particular, economic growth or recession determines the country's inward and outward investments. For example, Japanese outward M&A purchases have declined in 1990s and outward investments by Asian countries reported declining trend due to 1997 currency crisis (Kang & Johansson, 2000). While supporting this line, Chen et al. (2009) suggested that firm investment decisions not only influenced by internal funds (e.g., deep pockets, arranging funds from subsidiaries), but also affected by outside investors who participate in capital markets. Hence, these external markets become imperfect and then not accessible (or, accessible at high transaction costs) for firm managers due to major uncertainties in macroeconomic policies such as legal codes, contract enforcement and information disclosure systems, which in turn affect the financial development and economic growth of the given country (Beck, Demirgüç-Kunt, & Levine, 2001; Forssbæck & Oxelheim, 2011). For instance, Harford (2005) empirically proved that high stock market valuations influence merger waves. The lower inflation rate in home country attracts more inward M&A investments (sales), while higher inflation rate stimulate local firms to purse more outward M&A deals (purchases) in other countries where inflation rate is low (Uddin & Boateng, 2011).

It is one of the stylized facts that most empirical studies have examined US and UK markets for different samples due to their economic status and availability of data (Vasconcellos, Madura, & Kish, 1990; Vasconcellos & Kish, 1996; 1998; Akhigbe, Martin, & Newman, 2003; Hijzen et al., 2008; Coeurdacier et al., 2009). We also noticed growing research interest on CB-M&As in other emerging and Asian markets (Ang, 2008; Chen et al. 2009; Fedderke & Romm, 2006; Pablo, 2009; Wang, 2013). In the early study, Vasconcellos et al. (1990) investigated the determinants of CB-M&As involving US firms. They reported that economic performance, exchange rates, technology and product diversification positively impact on acquisition activity, while information effects, monopolistic power, inefficiencies and institutional laws restrain the acquisition activity. Indeed, US bidders acquired firms located in foreign countries when economic projections of host country become buoyant, strong association with dollar and low transaction cost for external borrowing. Vasconcellos and Kish (1996) examined both US and Canadian deals during 1982-1990 period and suggested that high (low) debt yields in (Canada) US motivate Canadian firms to acquire US firms, while the other observation was reverse. The short-term effect between Canadian dollar and US dollar de-motivate Canadian acquisitions of US firms, and higher price-to-earnings ratio in US market encourages US acquisitions of Canadian firms and the other result was reverse, but not true for price-to-earnings ratio in Canadian market. After that, same researchers have examined US and European deals (France, Germany, Italy and the UK) during 1982-1994 period (Vasconcellos & Kish, 1998). They suggested that factors such as exchange rates, diversification, economic conditions in the home country, acquisition of technological and human resources favor international acquisitions, while factors such as information asymmetry, monopolistic power and government restrictions and regulations un-favor such deals (similar to Vasconcellos et al., 1990). In addition, foreign acquisitions occurred when bond yields in the home country were higher than the host country, albeit, exchange rate found to be better explanation of acquisition activity among bond yields, level of equity markets and exchange rates at both home and host markets. By contrast, Akhigbe et al. (2003) reported a significant decline in exchange rate exposure after acquisition announcements based on the sample of 156 overseas transactions involving US firms for the period 1990-1996. Thus, exchange rate risk plays key role in assessing the stock performance of acquiring firm shareholders.

Based on gravity model, di Giovanni (2005) examined CB-M&As dataset during 1990-1999, and found that financial markets environment and institutional factors significantly affect both inbound and outbound capital flows. For example, size of financial markets (stock market capitalization) was one of the determinants when a local firm acquires a firm abroad. Further, factors such as telephonic traffic, common language, bilateral service agreements and bilateral capital tax agreements attracted more inbound M&A investments, while factors such as bilateral distance and high tax rates discouraged such investments. The author estimations indicated that a one per cent rise of the stock market (credit) to GDP ratio had associated with a 0.955% (0.133%) increase in CB-M&As activity. Likewise, Hijzen et al. (2008) analyzed the role of trade costs in explaining the cross-border acquisitions in 23 OECD countries for the period 1990-2001. Based on the tariff-jumping argument (cost of overseas transaction increases with increase in trade barriers), they found that trade barriers have negative impact on cross-border investments, but less negative for horizontal mergers. Hence, the size of financial markets in home and host countries positively determined the number of foreign acquisitions.

In the European market, Coeurdacier et al. (2009) examined the determinants of mergers during 1985-2004 period. They reported that profitability has been a key motive of mergers in both manufacturing and service sectors, and 10% decrease in corporate income taxes between target and bidder country would increase the outflows associated to manufacturing sector by 68%. They also evidenced that degree of protection and trade barriers negatively affect acquisitions in services sector across countries, and countries joining European Union favoured both kinds of mergers: horizontal and vertical. While studying the impact of country risk ratings on acquiring firms in cross-border deals, Kiymaz (2009) examined a sample of 210 US large-deals for the period 1989-2003. They reported that US-based bidding firms experienced significant stock returns on the announcement day. They suggested that country risk factors such as political, economic, and financial risk ratings have considerably explained the announcement wealth gains. Indeed, bidders have received higher wealth gains when a firm targeted in developed countries and such gains are related to GNP growth rate. The stylized fact was that better financial markets and stable political environment positively affect the announcement returns.

Specifically, Forssbæck and Oxelheim (2011) investigated the financial characteristics of FDI for a sample of 1400 European bidders representing international acquisitions in 44 target countries during 1996-2000 period. They found strong motives of bidding firms include market-seeking advantages in more matured markets (economically and politically) and reengineering the plant operations and financial motives were found to be significant for knowledge-intensive firms. Uddin and Boateng (2011) investigated the macroeconomic determinants of cross-border acquisitions in UK for the period 1987-2006. They reported that real GDP, exchange rate, stock market and interest rate have significant impact on outward M&A transactions, while real GDP, money supply and stock market have impact on inward M&A transactions. For instance, increase in stock valuation and increase in interest rate lead to outward M&A investments.

In case of emerging markets, for Latin America region, Pablo (2009) examined the determinants of cross-border acquisitions for a sample of 868 transactions between 1998 and 2004. The author highlighted that number of acquisitions are positively affected by the economic freedom and business conditions in a target country. Bidding firms participate in overseas acquisitions with overall better economic environment than buyer participate in local deals. When target firm faces higher cost of funding than the acquirer, which in turn enhances the chances of acquisition occurrence. Importantly, target firms in countries with better economic performance, deregulation of overseas investment policies, less government intervention were keen to participate in overseas deals.

In the Malaysian market, Ang (2008) analyzed the determinants of direct international investment inflows and found that real GDP of host country has positive impact on FID inflows. For instance, one per cent increase in GDP would lead to 0.95% increase in FDI inflows. Indeed, improved financial markets, infrastructure development and trade openness attract more FDI inflows, while higher corporate tax and increase in exchange rate dampen overseas inward investments. Chen et al. (2009) explained the impact of financial constraint factors on local and cross-border acquisitions in nine East Asian countries during 1998-2005 period. They suggested that degree of financial sector development and corporate governance improvement supports more cross-border deals. Both local and international deals largely characterize cash payments. Firms in countries with better institutional environment and well-developed stock markets were prone to engage in international acquisitions, while firms in countries with greater economic growth and local productivity were less likely to participate. Family- and state-owned firms likely to involve in local deals than overseas deals, and a significant number of overseas deals were responsible for firms in high-tech industries.

In the African market, Fedderke and Romm (2006) analyzed the international capital flows in South Africa for the period 1960-2002. They found that investment inflows are horizontal rather than vertical, which in turn imply a positive technology spillover from foreign to local capital. The major positive determinants of the FDI include economic openness, real GDP growth rate and increase in exports, while negative factors include increased imports, political uncertainty, and strict regulations related to foreign capital. In a recent study focusing the same region, Agbloyor, Abor, Adjasi, and Yawson (2013) explained the relation between financial market and FDI flows for two groups-banking sector in 42 economies (1970-2007) and stock markets in 16 economies (1990-2007). They suggested that countries featuring advanced banking system (credit facility and sound financial policies), developed stock markets, better infrastructure facilities, and more open capital accounts, leads to attract more FDI inflows, while higher levels of inflation discourages capital inflows.

In a relevant study on China and India, Wang (2013) analyzed the fiscal decentralization explaining FDI flows. They concluded that the net benefits of FDI for host country first decreases, and then increases with FDI. They also suggested that too much fiscal decentralization negatively influence the sovereign incentives in terms of source-based tax income.

Conversely, Blonigen (1997) explored a link between exchange rates and FDIs whilst proposed a model where the assets acquired in an acquisition are easily transferable within the organization, which tend to generate returns in any currency. The author found that FDI flows significantly occur due to the asset-seeking motive (to acquire a complementary asset (e.g., technology)). In fact, currency movements also affect foreign deals (Erel et al., 2012). Similarly, Lee (2013) examined five of the top investing countries [Australia, Canada, Japan, the UK and the US] for CB-M&As during 1989-2007 period. The author showed that exchange rate is determining the inbound-FDI to the US economy but not for inbound-FDI to other developed markets.

In sum, we represent an important learning that merger or acquisition is a complex process that depends on many factors within the economic system and capital markets.

(b) Institutional and regulatory factors:

Since the beginning of 21st Century, the dynamic view of finance and law has received significant attention in IB and strategy research (Beck et al., 2001; Holmes et al., 2013; Kaufmann, Kraay, & Mastruzzi, 2009; La Porta et al., 2000). In this vein, finance scholars postulated that quality of financial and capital markets laws enhance the given country's stock markets that rapidly improve economic growth and prosperity. Thus, the most important determinant of cross-border investments and acquisitions in economics, strategy, finance and IB literature is referred as "a country's institutional and regulatory framework". By and large, institutional rules, regulations, procedures and guidelines related to trade in one country obviously not same with other countries. Indeed, every country has created its own legal system (e.g., India–common law) for both economic and social security. For instance, host country government often imposes high degree of restrictions (e.g., ownership structure) and levy higher taxes not to collect more revenue but largely to protect local companies (Shimizu et al., 2004). In our research, we set economic security as a tone for institutional laws. Therefore, a country's policy framework related to foreign trade (exports and imports) and investments determine the success of foreign market entry strategies such as FDI, joint ventures, exporting, licensing, and importantly, acquisitions. La Porta et al. (2000) mentioned that common-law countries have strong investor protection laws, French-civil law countries have weak laws for shareholder protection, and German and Scandinavian countries have middle-range protection laws. They also suggested that "strong investor protection is associated with effective corporate governance … and efficient allocation of capital across firms". In particular, the regulatory system is induced by three reasons: owning private benefits by protecting local companies (for private benefit), bureaucratic self-interest, and political extraction (Bittlingmayer & Hazlett, 2000).

On the other hand, international direct investments affect host country's institutional quality and economic progress (Alfaro, Kalemli-Ozcan, & Volosovych, 2008; Lucas, 1990). For instance, degree of investor protection between home and host country significantly affects capital market transactions, in turn, result in firm value, ownership structure and financing choices (Bris, Brisley, & Cabolis, 2008). In fact, countries that have better quality of laws and implementation procedures protect intellectual property, respect copyright laws, and preserve property rights (Jory & Ngo, 2011). After reviewing prolific studies in M&A research, we understood that better the host country's laws accountable for financial markets, accounting, taxation and new company registration, then higher the cross-border inward acquisitions. Importantly, we found a growing research interest among scholars in developed and developing countries in analyzing the impact of institutional quality aspects, institutional distance, political intervention and economic nationalism [preference for natives over foreigners in economic activities] on cross-border M&As completion (Dikova, Rao Sahib & Witteloostuijn, 2010; Reis et al., 2013; Serdar Dinc & Erel, 2013; Zhang et al., 2011; Zhang & He, 2014). The stream of pre-acquisition phase of cross-border acquisitions is limited and grants further research, particularly when investment comes from developed country to developing country.

Based on economic estimations, Lucas (1990) postulated that weak institutional laws, less economic performance and foreignness were being the causes behind poor investments in developing countries when involving developed countries as home-based sources. While extending the Lucas paradox, Alfaro et al. (2008) also found that institutional quality has been most legitimate attribute explaining the paradox why capital does not flow from rich to poor countries. In other words, human capital, government policies and asymmetric information affect the amount of capital flows, while government instability, corruption, weak law and order, and inefficient bureaucratic administration found to be exemplar observations referring lack of capital flows to poor nations.

While examining the determinants of cross-border M&A deals, Rossi and Volpin (2004) suggested that countries characterize stronger investor protection and better accounting standards have reported significant growth in M&A activity. In particular, they found a great deal of target firms in countries with poor shareholders protection, and hostile deals, stock payment and premium were high in countries with higher investor protection. Following this, Bris and Cabolis (2008) analyzed role of investor protection in cross-border acquisitions for a sample of 506 deals involving 39 target and 25 acquiring countries for the period 1989-2002. They suggested that stronger the accounting standards, then better the investor protection in acquiring country and higher the premium in overseas deals compared to local deals. Likewise, Martynova and Renneboog (2008b) reported that national corporate governance system and its quality has significant impact on cross-border acquisitions. Target shareholders received higher takeover premium in countries with strict regulations and government control than bidding shareholders in countries with similar attributes. In a recent paper, Kim and Lu (2013) examined a sample of 527 cross-border acquisitions in 33 countries and found substantial growth in cherry picking (acquire better performing firms) following corporate governance reforms by strong investor protection bidder countries, while this was negative in target countries. They suggested that countries characterize weak shareholders protection prevent poorly performing firms from gaining access to international capital.

Relating to FDI, Luo, Chung, and Sobczak (2009) examined inward direct international investments in Taiwan made by US and Japanese firms during 1988-1998 period. They found that corporate governance practices in local firms significantly affect their possibility of hosting direct foreign investments. Hence, firms from developed economies found to be motivated by their home-country corporate governance practices to select partners in host emerging countries and such firms have created maximum returns for their shareholders. While explaining the link between host country institutional laws and cross-border joint ventures/acquisitions, Moskalev (2010) found that better the relaxation (favor) of host country government-laws, then more the cross-border acquisitions to cross-border joint ventures. The author also described that the likelihood of foreign acquisitions success directly explain the deregulation of government laws relating to international investments. To proven this statement, we acknowledge, where Alguacil, Cuadros, and Orts (2011) examined a sample of 26 developing countries during 1976-2005. They found that countries favoring foreign investment and relaxing ownership rules have received significant direct international investments, especially from developed countries. Indeed, the improvement in government laws not only attracted inward investments, but also positively enhanced the political and economic systems of that host countries. Whilst making conclusions from comparative investigation, Hur, Parinduri, and Riyanto (2011) examined a sample of 165 countries (developed and developing) for the period 1997-2006. They also reported that quality of institutional laws and regulations relating to financial markets, taxation and foreign ownership have captured the difference in cross-border M&A flows between developed and developing countries. Hence, the increase in overseas M&A flows explain the less improvement in institutional laws for developing countries, while it is direct proportionate for developed countries. In particular, Zhang et al. (2011) examined the impact of institutional laws on cross-border acquisitions completion for a sample of 1,324 announced deals accounting Chinese acquirers during 1982-2009. They found that success rate of overseas acquisitions announced by a Chinese firm is lower if - target country characterizes weak institutional framework, target industry is sympathetic to national security, and acquirer is a government firm. The success rate significantly differs for various reasons, for example, success rate for deals involving government firm (41%) is lower than deals involving private targets (58%) and deals involving listed company targets (53%). Likewise, in a recent study, Zhang and He (2014) analyzed the influence of economic nationalism (e.g., national security, foreign relations, industrial policy, technology policy, and FDI policy) on cross-border inward acquisitions in China for a sample of 7275 announced deals during 1985-2010. They found that economic nationalism has significant impact on cross-border acquisitions completion through three ways: national security, national growth strategy and foreign relations. For example, a given announced deal explains the national growth strategy has positive impact on deal completion. The speed of announced deal completion found to be high when the deal considered as safe and helpful for economic development that accountable for a country with good foreign relations.

Using hand-collected data, Serdar Dinc and Erel (2013) examined the government reaction to big takeover attempts for a sample of 197 local and 218 foreign bids in 15 European Union nations over the period 1997-2006. They found that the respective government has restricted 75.7% of bids, while it has supported only 17.1% of bids. They suggested that trust has been major influential factor in government reactions to big takeover attempts. For example, government likely supports when foreign firms acquire a local firm represent a country with higher level of trust. Importantly, they observed that government favors domestic deals over foreign bids due to differences in institutional quality aspects and social-economic-political environment. Based on secondary sources of case studies, Geppert et al. (2013) examined 12 large acquisitions made by four MNCs in the global brewery industry. They observed that stock market volatility led to higher risky acquisition deals by MNCs from open economies in which institutional differences between countries significantly affect managerial risk taking in such international acquisitions. In a conceptual paper explanting the link between institutional distance and CB-M&As completion, Reis et al. (2013) proposed three view of institutional environment- economic, political and social institutions, and thereby suggested that countries with higher institutional quality of environment attract significant number of cross-border acquisitions. The opportunity cost of acquisition increases with proportion to delay in cross-border deal completion. Lastly, they propounded that more the institutional distance between acquiring and target countries, then higher the chances of abandon the announced deal.

In different legal settings, Feito-Ruiz and Menéndez-Requejo (2011) examined the impact of legal environment on acquirer stock returns around the announcement for a sample of 469 European deals (221 foreign and 248 local) over the period 2002-2006. They found that acquiring shareholders have experienced significant excess returns for cross-border deals (1.38%) over domestic transactions (0.64%). In fact, stronger (weaker) legal environment of the bidder country explains the positive (negative) bidder stock returns. Higher transaction cost of cross-border acquisitions explains the stronger institutional laws in host country, and lower level of stock market capitalization with target country has positive impact on acquirer returns. Similarly, Barbopoulos et al. (2012) analyzed local (overseas) deals for a sample of 6,634 (2,372) announced transactions in UK between 1986 and 2005. They reported significant positive excess returns about 1.23% for bidders during the announcement period. Further, announcement returns were by far higher when target firm representing civil-law country compared to the target firm with common-law country. In case of cash deals, announcement returns were notably higher for domestic targets than targets with common-law country. Lastly, it has been proved that differences in legal tradition between target nations explain the acquirer returns around cross-border acquisition announcements. For European deals, Feito-Ruiz and Menéndez-Requejo (2012) examined the impact of legal environment on cross-border acquisition decisions for 447 deals during 2002-2007 period. They noticed that acquiring firms pursue foreign acquisitions due to higher benefits of the internal capital markets in countries with weak institutional laws. The valuation of diversified acquisition was positive when the firm has high levels of ownership, but it resulted in negative when that firm located in a country with strong legal environment.

In sum, we suggest that quality of laws, investor protection, regulatory procedures and corporate governance systems between home and host countries eloquently affect cross-border deals.

(c) Political environment (including corruption):

After reviewing few earlier studies that performed in various economic settings, we understood that a country's economic progress, financial development and institutionalization not only influenced by quality of laws and their implementation, but also affected by the local political environment (Beck et al., 2001; Rajan & Zingales, 1998). In particular, based on politics and finance view, ruling political party persuades the government to create and rule certain policies (not) favoring foreign investment, both inward and outward flows. Crittenden and Crittenden (2012) mentioned that most emerging markets characterize political and legal instability. Specifically, we argue that political influence or intervention will be high in cross-border inward acquisitions with developing countries like China and India. In previous studies, Root (1968) stated that "market opportunity and political risk are the most influential factors in investment decisions". Regarding the impact of political environment on FDIs in Germany and Japan, Schöllhammer and Nigh (1984, 1986) suggested that German firms invest in less advanced-economies, internal political conflicts in less-advanced host countries adversely affect border-crossing investments. While, intergovernmental relationships and relative weight of economic environment issues play key role when the investment made by Japanese firms. In a recent empirical case study, Wan and Wong (2009) argued that the cross-border oil deal between CNOOC in China and Unocal in US has become unsuccessful due to higher level of political barriers, which further resulted in significant decline in market value of non-merging oil companies in US. More specifically, Cao and Liu (Poli w/p) examined the performance of cross-border acquisitions around national or country-level election for a sample of 58,507 transactions, which responsible for 47 countries during 2001-2009 period. They found that number of international acquisitions has significantly increased during the year just prior to the national election year, and that incremental growth reported in the period seven to twelve months prior to the election month, together to escape from political uncertainty. In fact, acquiring firms have chosen targets in countries with less or better institutional development than home country in that period. Hence, they did not report any significant impact in the election year, the year two years prior to the election year and the year one/two years after the election year.

Corruption has been cited as one of the most national characteristics in attracting direct international investments and cross-border acquisitions. It has been referred as "the abuse of public power for private benefit" (Rodriguez, Uhlenbruck, & Eden, 2005, p. 383). Few authors also cited that the definition of corruption captures unethical behaviors like "bribery, campaign finance abuse, cronyism, fraud, embezzlement, kickbacks and side payments" (as cited in Malhotra, Zhu, & Locander, 2010). It largely occurs in three ways such as bribery, extortion and embezzlement (as cited in Crittenden & Crittenden, 2012). It has defined in the *International Country Risk Guide* as "a measure of corruption within the political system that is a threat to foreign investment by distorting the economic and financial environment … into the political process" (as cited in Bris & Cabolis, 2008). It has been estimated across the world about US$1 trillion annually … (Kaufmann, 2005 in Weitzel & Berns, 2006). While making our argument stronger and reachable, we wish to reproduce some important observations appeared in the recent empirical study.

"a survey by the *World Bank* of 3,600 firms in 69 countries found that 40% of the responding companies had engaged in some kind of unethical behaviour: paying bribes to facilitate their international operations… a survey by *Control Risks and the Simmons & Simmons* involving 350 MNCs in seven countries … reported that 43% of the respondents felt they had lost a new business because a competitor paid a bribe" (Malhotra et al., 2010, p. 492).

Nevertheless, corruption has been a major economic problem in developing countries in which higher corruption result in attracting less overseas inward investment flows (Barbopoulos, Marshall, MacInnes, & McColgan, 2014; Kaufmann, 2005; Weitzel & Berns, 2006). Further, emerging countries, for instance, BRIC economies have higher corruption ratings than advanced countries (Transparency International). We found very few studies examining the impact of host country corruption on inward foreign direct investments, but noticed a growing interest in this filed. For example, Weitzel and Berns (2006) analyzed a sample of 4,979 international and local takeovers to reveal premiums paid for targets, and found that higher levels of corruption in host country result in lower premiums that paid for local acquired firms. They also inferred that target shareholders have received significantly lower returns around acquisition announcement due to higher corruption. Malhotra et al. (2010) examined a sample of 10,236 cross-border acquisitions involving bidding firms from the US and China for the period 1990-2006. They reported that (i) both US and Chinese firms make higher number of acquisitions in countries with less corruption, (ii) US bidding firms make more number of deals, larger size of transactions in less corrupt economies, and (iii) Chinese bidders often easy doing in international acquisitions with corrupt countries and found a positive relationship between transaction value and corrupted target-country.

In addition, behavior of government officials and bureaucratic administration influence the international investments (Kaufmann, 2005). Indeed, terrorism found to be one of the facets of international politics that has considerable impact on capital markets (Crittenden & Crittenden, 2012), and thereby affect cross-border investments, and economic and social security.

(d) Tax and taxation issues:

We would wish to recap that both home and host country governments levy taxes to hedge the sovereign costs such as public administration, social welfare and development and security. A given country has three kinds of tax instruments such as source-based corporate income tax, and residence-based taxes like tax on dividends and tax on interest income (Becker & Fuest, 2011a). In a normal course of action, governments usually change tax tariff to improve sovereign income, which in turn enhances the economic infrastructure of the country. At the same time, changes in tax laws and tariff also influence the cross-border investments, inflows and outflows. For instance, an increase in local corporate tax motivates domestic firms to invest in other countries that in turn increase the production and tax revenue of the country (Becker & Fuest, 2011b). Further, such tax laws also affect organization structures (e.g., multinational ownership) following the overseas merger or acquisition (Huizinga & Voget, 2009). In Huizinga et al. (2012), the authors described that international acquisitions "trigger additional taxation of the target's income in the form of non-resident dividend withholding taxes and acquirer-country corporate income taxation".

In Petruzzi (1988), the author stated that taxation is prone to be a reason for merger waves in which proposed a model of shareholder behavior under the principles of double taxation. The author advocated that a tax should impose on mergers while taxing dividend income (p. 109). In addition, political stability and systemic tax system make a nation investment friendly or hostile (Ezeoha & Ogamba, 2010, p. 8). Indeed, most economics, finance and accounting scholars suggested that tax environment (tax, tax structure and taxation) is the most important determinant of cross-country deals like alliances, joint ventures, mergers, acquisitions and takeovers. Of course, few accounting and economic researchers suggested that 'tax advantage' is one of the major reasons behind the progress in international deals. By contrast, the aforesaid researchers showed that a country's financial markets legal infrastructure, banking guidelines, taxation issues and political events would adversely affect deals, especially border-crossing investments and acquisitions (e.g. Bris et al., 2008; Erel et al., 2012; Pablo, 2009; Rossi & Volpin, 2004; Schöllhammer & Nigh, 1984, 1986).

We therefore pose a basic research question in line with Collins, Kemsley, and Shackelford (1995), Kaplan (1989a), and Scholes and Wolfson (1990) - does taxation affect merger or acquisition transactions? The authors suggested “because of structured tax reform there is a great deal of rise in tax burden while taking over a firm where the other one has foreign tax credit in its local environment”. Becker and Fuest (2010) described that the optimal repatriation tax framework in an event where capital involves a change of ownership. They suggested that tax subsidies or exemption schemes are constructive if ownership advantage is a public good within the foreign MNC. As of Nigeria case, Ezeoha and Ogamba (2010) ascertained that multiple tax schemes reduce incentives to pay tax or for voluntary compliance, while the existing Nigerian system does not stimulate taxpayers but induces voluntary fulfillment.

Generally speaking, two types of tax systems exist in any national setting, namely single taxation and double taxation where a given country usually levies on foreign transactions. If a country has free trade agreement (FTA) or any other special agreement with other country, the then single tax applies, or else double taxation, which depends on the country’s existing tax structure and guidelines. For instance, double taxation typically results in the form of nonresident dividend withholding taxes, and parent country corporate income’ taxation of repatriated dividends (Huizinga & Voget, 2009). They suggested that cross-border tax schemes really influence the outcome of acquisitions. They also stated that the likelihood of parent firm location in a country following a foreign takeover is abridged by high double taxation of border-crossing source income. Similarly, Hebous, Ruf, and Weichenrieder (2011) examined the impact of differences in cross-border tax rates with respect to the location for a subsidiary of MNC. They showed that location decisions of merger or acquisition investment has less affected to differences in tax rates compare to location decisions of greenfield investment. Erel et al. (2012, p. 1059) found that larger differences in corporate income tax rates attract foreign investment.

Ang (2008) suggested that direct international investment inflows have reacted negatively due to host country’s decision on ‘increased corporate taxes’. Huizinga and Voget (2009) analyzed the direction and volume of cross-border M&As following international taxation involving European countries, Japan and the US during 1985-2004 period. They found that countries that levy higher overseas double taxation leads to less attract the parent firms of newly established MNCs. They also pointed that due to elimination of worldwide taxation by US government has reacted positively in which number of parent organizations after overseas acquisition have improved from 53% to 58%. Recently, the authors have improved their previous work, where Huizinga et al. (2012) examined a sample of 948 cross-border deals between 1985 and 2004. They suggested that additional international taxes have capitalized in reduced takeover bid premiums in which 4% of the target's income net of the domestic corporate tax is referred to the amount of additional international taxes following the cross-border mergers. Hence, such taxes are beard by target firm shareholders (not acquirer shareholders) due to creation of new foreign ownership and all gains out of acquisitions usually credit to the target shareholders. They also noticed mean acquirer excess return (bid premium) was 1.6% (50%).

More specifically, accounting researchers found that foreign acquisitions and alliances do an act of 'tax evasion' (e.g., Kourdoumpalou & Karagiorgos, 2012), and tax evasions adversely affect fiscal revenue that obstructs the timely implementation of economic policies and programs. The authors investigated the affect of corporate tax evasion on the investor protection and the capital market functioning during 1992–2006 period. They found the mean rate of tax evasion is about 16%, which infers that the incentives for tax evasion do not reduce when firms are publicly listed.

In sum, we capture various motives behind taxation, types of taxation in foreign acquisitions, and the impact of double taxation on international investments'. Importantly, we draw a fact that 'a country's tax policies, tax structure, and tax incentives and schemes' play a major role in border-crossing acquisition deals. We strongly argue that tax evasion would be more when there is a book law of double taxation or higher international tax rates.

(e) Accounting and valuation issues:

It is one of the most stylized facts that accounting practices followed by a company depends upon two factors such as accounting guidelines of the respective country and degree of internationalization of the company in terms of ownership and offering business services. While, valuation of a target firm is the systematic procedure of determining the value of tangible and intangible assets that represented in balance sheet at specified time. In fact, valuation refers to purpose of valuation, which in turn influenced by many internal and external factors. At the outset, we argue that valuation is an internal process involving both target and acquirer, and thereby it defines particular value of the asset following valuation methods. Hence, we have come across the literature [besides, own observations] that acquirer and target do not reveal the method of valuation, but they announce the economic value that goes to target shareholders. For instance, cross-border acquisitions largely follow asset valuation models to define the value of target firm undertaking both anticipated future cash flows and individual tax burden (Hohler, 2013; Madura, Vasconcellos, & Kish, 1991).

In the scientific literature, value is treated as the best valuation indicator of an enterprise performance, integrating the drivers and reflecting the enterprise internal situation as well as external environment (Kazlauskienė & Christauskas, 2008; Hohler, 2013). Further, deals complete when both parties arrive at a win-win value (Allen & Rigby, 2003) and value always depends on expectations (Fernandez, 2007). In particular, Fernandez summarized ten methods of firm valuation, free cash flow, equity cash flow, capital cash flow, adjusted present value, business risk adjusted free cash flow and equity cash flow, risk-free rate-adjusted free cash flow and equity cash flow, economic profit, and economic value added, and found that these methods always give the same value. The authors also described that there is no superior or better method in firm valuation. Allen and Rigby (2003) argued that value conclusions for software firms largely depend on qualitative, not quantitative analysis of the company. Few scholars argued that there is a hasty plunge down in acquirer's cash flows after buying a company against higher valuation of target, because of competitive buyers and other macroeconomic factors (e.g., Baker, Pan, & Wurgler, 2009).

Previous scholars have extensively cited that M&As create synergy to the acquiring firm; for the reason that, acquirers pay a premium for target shareholders (Hopkins, 1999). Premium may be low or high, which determined on the basis of both internal and external factors. For example, an acquirer knowing more about target firm may pay less premium compared to an acquirer unknowing or knowing less about target firm due to information asymmetry. In unison, lesser the information asymmetry, then more the active bargaining process that will determine the better value. This would happen if bidding firm puts more emphasis on valuation process of a target firm through a planned approach, which is important in international deals (Mukherji, Mukherji, Dibrell, & Francis, 2013). In addition, premium paid to target shareholders also influenced by external factors such as number of competitive bids, nature of the business, controlling power of the industry, stock market conditions, and institutional rules of the host country (Akerlof, 1970; Bris & Cabolis, 2008; Chari & Chang, 2009; Maksimovic, Phillips, & Yang, 2013), and social and behavioral factors (Malhotra & Zhu, 2013). While supporting aforementioned streaks, we would wish to comment that fixing high premium or less premium also depend on acquirer skills, expertise and prior acquisition experience and M&A advisors involving in the bargaining process. In some cases, it evidenced that managers of acquiring firm value the target firm at higher price for their personal benefits (Jensen & Meckling, 1976) and/or due to managerial hubris (Roll, 1986). It was also argued that acquires access lower cost capital to overpay for international deals (Bugeja, 2011). In fact, premium will be higher in countries with strong investor protection (Rossi & Volpin, 2004). Hence, most acquisition deals have failed to create synergy for acquiring firm shareholders due to overpayment or high premium paid for a target firm that influenced by higher anticipated cash flows (Epstein, 2005). As to support this streak, Malhotra and Zhu (2013) examined the premiums paid by bidding firms in international acquisitions for a sample of 2,350 deals during 1995-2008 period. They concluded that "the premium paid by bidders in foreign acquisitions relates positively to prior premiums paid by foreign acquirers in that host country", but it also depends upon time between focal and immediately prior overseas deal.

Few authors argued that firms from developed countries acquire foreign firms due to undervaluation of assets. In this vein, Gonzalez, Vasconcellos, and Kish (1998) examined a sample of 76 deals in US market and found that overseas firms characterizing higher return-on-equity have targeted undervalued US companies both to reduce acquisition costs and to improve the efficiency of target. They also reported that exchange rate has no significant impact on valuation of target firm. Based on business cycle approach, Coakley, Fu, and Thomas (2010) analyzed a sample of 302 bidding and target firms in UK between 1986 and 2002. They found no sector long-run misvaluation either for bidder or for target, while bidding (target) firms were overvalued (undervalued) in short-run. Specifically, Louis and Urcan (2012) investigated the impact of IFRS (international financial reporting standards) on the level of cross-border acquisitions involving IFRS adopting countries. They found countries that adopted 2005 IFRS guidelines have received significant cross-border investment compared previous years, and such investments have made by non-IFRS adopting countries and other IFRS adopting countries. Further, inflows of such investment is found be higher in countries where that government implement high quality regulations.

(f) Geographical factors:

In the industrial organization and economics literature, we found that "geographical and disease endowments affect the economic and institutional development of the country", which is referred as "endowment view" (Beck et al., 2001). While, in the IB literature, scholars evidenced that physical distance between two countries affect the cross-border acquisition performance. It infers that the distance between home country (acquirer) and host country (target) play significant role in international deal negotiations (Chapman, 2003). Mostly, empirical studies have captured the geographic distance as the distance (in kilometers) between the capital cities of the target nation and bidder nation (e.g., Coeurdacier et al., 2009; Dutta, Saadi, & Zhu, 2013). For example, Coeurdacier et al. (2009) reported that physical distance influences when European firms acquire targets in developing countries. Based on the transaction cost economics theory, Rose (2000) postulated that cost of the merger is direct proportion to the distance in which more the distance, then more the transaction cost of an international acquisition.

(g) Cultural factors:

Finally yet importantly, culture has been one of the major country-specific characteristics that affect the whole M&A cycle: pre-merger decision-making, negotiation and deal structuring, and post-merger integration. We found a great extent of earlier studies analyzing cultural factors in post-merger integration mechanism (e.g., Dikova & Sahib, 2013; Halsall, 2008). Indeed, we noticed a growing interest in recent studies examining cultural distance and its impact on cross-border acquisition success, particularly in emerging markets (e.g., Ahern, Daminelli, & Fracassi, 2012; Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009; Malhotra, Sivakumar, & Zhu, 2011). Our primary goal is to summarize few studies that directly support the theme of this review.

Hofstede (2001) defined culture as "the collective programming of the mind, which distinguishes the members of one category of people from another" (as cited in Reus & Lamont, 2009, p. 1301). In the organization perspective, culture is referred as beliefs, assumptions and values among different shared groups defining conduct, leadership styles, procedures and customs, and thereby influence on individual commitment that leads to impact on productivity of organization (Larsson & Lubatkin, 2001). In the national context, culture postulates language, religion, cast, food, habits, and set of related rituals, which influence the economic progress and national security. Further, national culture (home and host) has been considered as a great influential country-specific determinant in firm internationalization (Hitt et al., 2006). In particular, culture distance between home and host country affects both cross-border deal completion and post-acquisition integration success (Chakrabarti et al., 2009; Malhotra et al., 2011; Shimizu et al., 2004). It has also been referred as "a double-edged sword with costs and benefits" (Reus & Lamont, 2009).

In a survey-based paper, Angwin (2001) discussed the impact of national culture distance on acquisition management using survey report of 142 top executives involved in international M&As. The author suggested that national culture differences significantly influence both deal completion phase and post-merger integration phase, and therefore acquiring firm managers should pay more attention to due diligence and to use of professional advisors in pre-acquisition phase. While discussing media discourse surrounding intercultural mergers, Halsall (2008) analyzed two mergers that accountable for UK and Germany: Vodafone acquisition of Mannesmann, and disposal of Rover by its parent firm-BMW. The author suggested that two mergers influenced by two different countries of capitalism and governance structures.

Specifically, Chakrabarti et al. (2009) examined a sample of 800 cross-border deals for the period 1991-2004, and found that cultural distance has significant positive relation with long-term stock performance of acquiring firm, but bidder shareholders lose abnormal results in three years of acquisition year. They also suggested that cash and friendly acquisitions perform better than other payment mode deals, and "culturally distant acquisitions do better than culturally proximate acquisitions" (p. 218). Malhotra et al. (2011) analyzed the relationship between cultural distance and cross-border acquisitions for a sample of more than 100,000 deals during 1976-2008 period. They found that cultural distance has a curvilinear relationship with equity mergers. Bidding firms likely to acquire higher equity stake in related industry. Similarly, Ahern et al. (2012) examined a sample of 20,893 cross-border deals involving 52 countries between 1991 and

2008. They suggested that national culture distance prone to reduce number of overseas acquisitions in the given host country. In fact, more the cultural distance (and, trust, hierarchy, and individualism) between home and host countries, then lesser the number of cross-border deals. Acquiring firm shareholders gain higher stock returns in cross-border deals (3.64%) to local deals (2.52%), which is also true with less cultural distance. In case of impact of culture on post-CB-M&A performance, Dikova and Sahib (2013) suggested that cultural distance on acquisition performance depends on previous acquisition experience of acquiring firm. It refers that sophisticated prior experience in international deal making significantly improves the acquisition performance.

Overall, we argue that macroeconomic factors (e.g., GDP, bilateral trade relations, exchange rate and interest rate), financial markets regulations (e.g., stock market development, quality of accounting standards and level of investor protection), institutional environment (e.g., government reaction, political intervention, international taxation, judicial system), and geographical factors (e.g., distance, culture), together affect cross-border acquisitions success/completion.

5.5 Diversification decision in M&As

We also presented few studies that examine diversification motive in cross-border acquisitions. For instance, scholars have investigated does corporate diversification or global diversification creates or destroys value? It has been empirically proved that diversification leads to discount the firm value when compared to a group of comparable, single segment firms, while on average, global diversification result in 18% shareholder loss (Denis, Denis, & Yost, 2002; Doukas & Kan, 2006). The extent of loss is due to internal capitalization decisions influenced by agency problems (Akbulut & Matsusaka, 2010). In a recent review paper, Erdorf, Hartmann-Wendels, Heinrichs, and Matz (2013) suggested that related diversified firms outperform unrelated diversified firms, and financial performance and competitive advantage would be higher when multi-segment firms dominate the industry.

Denis et al. (2002) found that degree of firm value changes with proportionate to progress in global diversification over time for a sample of 7,520 firms during 1984-1997 period. Wan (2005) explained the link between country-specific resources and diversification in which diversified firms exhibit higher performance when that firms develop capabilities and adopt strategies suitable for country-resource environment. In particular, Moeller and Schlingemann (2005) analyzed stock and operating performance for a sample of 4,430 acquisitions (383 overseas, 4,047 local) over the period 1985-1995, and found that bidders participating in cross-border deals experienced significantly lower improvement in operating performance compared to bidding firms participating in local deals. Acquirer stocks have underperformed relative to the increase in degree of global diversification. Bidding firm shareholders received positive returns when target firm with country offering better investor protection. Doukas and Kan (2006) examined valuation of bidders for a sample of 612 firm-year overseas acquisitions involving US firms between 1992 and 1997. They found that global diversification does not destroy shareholders value, while it increases bondholder value and reduces shareholders value due to lowering firm risk. [loss in firm value is directly related to firm's leverage decisions.] Francis et al. (2008) examined stock performance of bidding and target firms around acquisition announcement for a sample of 1,491 cross-border and 7,692 domestic deals during 1990-2003 period, and found that acquiring firms participating in local deals receive significant higher returns of 1.49% than that of firms participating in cross-border deals (0.96%). They also indicated that important source of value creation lies with external capital market provided by the target firm. Similarly, Akbulut and Matsusaka (2010) analyzed stock performance around merger announcements that state diversification motive for a sample of 4,764 deals over 57 years, 1950-2006. They reported that combined (bidder plus target) returns were significantly positive for firms diversifying through mergers, for example, 1.6% returns over a 3-day window.

While considering the influence of the legal and institutional environment, Feito-Ruiz and Menéndez-Requejo (2012) investigated the diversification decision in acquisitions for a sample of 140 diversified and 307 non-diversified deals made by European firms over the period 2002-2007. They observed that likelihood of diversified acquisition was higher in countries with weak investor protection and less developed capital markets, while it was negative when host country is featured by strong institutional framework. Firms frequently acquire firms in unrelated business characterizing a country with weak institutional laws. Likewise, Pablo (2013) analyzed a sample of 952 deals in Latin American region during 1998-2004 period. The major finding was that bidding firms experience different levels of stock returns when home and host countries characterize different legal systems. In fact, bidders received positive returns when acquiring a target in country with poor property rights protection and stronger government regulation and intervention.

6. Future direction

6.1 Contemporary research issues in M&As and IB streams

We outline few but important research gaps in M&As and IB areas that really need further research within the qualitative and quantitative research settings (e.g., Buckley, 2002; Czinkota & Ronkainen, 2009; Griffith, Cavusgil, & Xu, 2008; Peng, 2004; Shi, Sun, & Prescott, 2011). We have presented them in four schools, namely research issues in strategy, IB and M&A streams, institutional role in emerging markets, methodological concerns, and new business models.

Firstly, previous but recent scholars have suggested few research areas and raised knowledge concerns in strategy, IB and M&A streams that open for new research. The underexplored issues include global strategies and internationalization process of firms in developing countries (Casillas & Acedo, 2013; Peng, Wang, & Jiang, 2008; Wan, 2005; Wright, Filatotchev, Hoskisson, & Peng, 2005), performance of cross-border acquisitions in emerging markets (Bertrand & Betschinger, 2012; Shimizu et al., 2004), pre-merger phase and negotiation phase of international acquisitions (Reis et al., 2013), benefits and costs to the bidding firm shareholders in overseas acquisitions to domestic deals (Barbopoulos et al., 2012; Boeh, 2011), home-host country determinants of foreign market entry strategies, particularly FDIs and acquisitions (Barbopoulos et al., 2014; Brouthers & Dikova, 2010; Luo, 2001; Buckley et al., 2007; Very & Schweiger, 2001), role of country-level legal and regulatory framework in foreign market entry strategies (Meyer et al., 2009), relational, learning, spillover, and real options perspectives in internationalization process (Theodorakopoulos, Patel, & Budhwar, 2012; Xu & Meyer, 2013), collaborative approaches (e.g., alliances, networks) in foreign market entry (Berggren, 2003; Shi et al., 2011), and timing of acquisitions deal at local and international context (Marks & Mirvis, 2011). In a recent review paper, Kearney (2012) suggested few areas for future research in emerging markets, which include market efficiency, risk-adjusted returns and risk premium, firm-level internationalization, attracting and benefiting from FDI, corporate and institutional governance, and behavioral perspectives.

Secondly, we found rise of institutional view based research in cross-border acquisitions with emerging markets, because the current state of M&A research needs new research from cross-country perspectives (Chung & Beamish, 2005; Holmes et al., 2013; Hoskisson, Eden, Lau, & Wright, 2000; Shimizu et al., 2004). For example, few recent studies shed light on areas include impact of firm-specific factors on the likelihood, timing, and mode-of-entry decisions (Paul & Wooster, 2008), status of cross-border M&As due to political interventions (Wan & Wong, 2009), institutional-based view to analyze the performance of emerging markets enterprises (Zhang et al., 2011), comparative institutional analysis (Rugman, Verbeke, & Nguyen, 2011), liability of foreignness and its impact on acquisition performance (Denk, Kaufmann, & Roesch, 2012; Zaheer, 1995), influence of economic nationalism on cross-border inbound acquisitions (Serdar Dinc & Erel, 2013; Zhang & He, 2014), and cross-border acquisitions around national elections (Cao & Liu (Poli w/p)). In a recent bibliometric survey on M&A research, Ferreira et al. (2014) examined 334 articles appeared in 16 leading management journals for the period 1980-2010, and suggested that scholars should pay more attention to investigate the institutional characteristics (e.g., government intervention) in acquisitions involving emerging market firms, hosting by emerging markets. Following this trend, we also examine the host country institutional framework and its impact on international inbound acquisitions.

Thirdly, few scholars have suggested methodological guidelines for doing research in IB and M&A streams. It is fact that qualitative research is always a challenging job in IB subject in which scholars should build new theoretical perspectives using qualitative research tools like case study research, grounded theory, etc. (Apfelthaler & Vaiman, 2013; Bengtsson & Larsson, 2012; Doz, 2011; Eisenhardt, 1989; Meglio & Risberg, 2010; Reddy, 2015a; Woodside, 2010). For example, case study research often use by case researchers to advance the existing theory or to build new theory, but scholars should shift their attention to emerging markets for enhancing the current state of literature (Barbopoulos et al., 2014; Bello & Kostova, 2012; Marks & Mirvis, 2011). In other words, researchers often build two types of questions "why and how" based on case(s) exemplars and thereby try to connect them with relevant gaps in the literature (Yin, 2003).

Lastly, while overcoming various institutional difficulties scholars are encouraged to build new inorganic-strategy model where business enterprises from one country can do business in other countries that likely fit for emerging markets host-context. For instance, one may propose business models based on stylish theoretical framework addressing collaborative entry modes such as alliances, networks, joint ventures, buyouts and other form of acquisition entry in foreign markets (Reuer, Shenkar, & Ragozzino, 2004). In fact, Teece (2010, p. 174) also pointed that "the concept of a business model lacks theoretical grounding in economics/business studies". Specifically, new perspectives on conducting research in IB and M&A streams where "interdisciplinary research" environment is appropriate to analyze various global strategies of firms representing emerging markets (e.g., Aharoni & Brock, 2010). For example, linking finance with sociology allows a researcher to do more in-depth analysis and to draw cross-disciplinary findings for both research quality and transferability of results (Ahern et al., 2012).

6.2 Promising areas for further research

We suggest some areas that require further investigation in internationalization and cross-border M&As addressing emerging markets (comparative analysis). At the outset, emerging markets research is increasingly recognized as a dynamic and multidisciplinary approach (Kearney, 2012), that gives the opportunity to test various theories and models in diverse themes ranging from economies of scale to financial synergy, global trade to internationalization, culture transformation to cultural adaptation, and so forth. Therefore, we suggest that strategy, IB and finance researchers should look into themes such as choice of entry-mode strategies among greenfield investments, joint ventures, alliances, networks and acquisitions in emerging markets, the global strategies of emerging market enterprises, international diversification and firm performance, competitive advantages of internationalization, and foreign market entry choices among single and group businesses. Specifically, we suggest, comparative strategic management will help in evaluating various international strategies among firms from developed markets and firms from emerging markets (Luo, Sun, & Wang, 2011). Further, more research remains to be done on deal mechanism, negotiation process, deal mapping, factors affecting merger success/failure, and post-merger financial performance of MNCs following overseas acquisitions, especially among emerging countries. Additionally, there are diverse avenues such as factors driving global acquisitions of emerging market enterprises, motives behind diversification through overseas acquisitions, taxation and incentives in cross-border investments among developed and developing countries, determinants of foreign acquisitions in emerging economies, cross-comparative analysis of domestic and foreign acquisitions, and impact of policy reforms on corporate restructuring strategies.

It would be very important contribution when future scholars employ interview-based case study research in M&A stream for various reasons include motives of bidding firm managers participating in overseas acquisitions, pre-merger decision making process, business-level and operation-level factors affecting deal structure, government and political party intervention in higher valuation bids and its impact on stock returns around announcement, and role of cultural distance in post-merger integration.

7. Conclusions

After doing a meticulous survey of M&A research, we understood that the given field has substantially developed on the basis of developed markets setting, largely captured by empirical research. In particular, we suggest that a host-country's institutional and regulatory framework, accounting and tax provisions, economic performance, financial markets development, investor protection, geographical setting, political environment and cultural factors affect cross-border acquisition success. This stylized, comprehensive review would help scholars and consultants pursuing academic research in IB related streams as well as multinational managers participating in global strategic decisions.

On one hand, theoretical foundations in cross-border M&As include deal completion, negotiation process, due diligence, prior acquisition experience, post-acquisition integration and post-operating performance are found to be greater interest for further investigation, when deals involving emerging markets. On the other hand, we found limited research on legal and political influence in foreign acquisitions, particularly when a firm from developed country plans to acquire a target in developing country, which really promise great research opportunity both to improve the understanding of emerging markets behavior and to add a contribution to the M&A stream. By and large, markets such as Asian, European, Middle Eastern and Latin American regions promise excellent business research opportunities due to their market potential in product and service industries.

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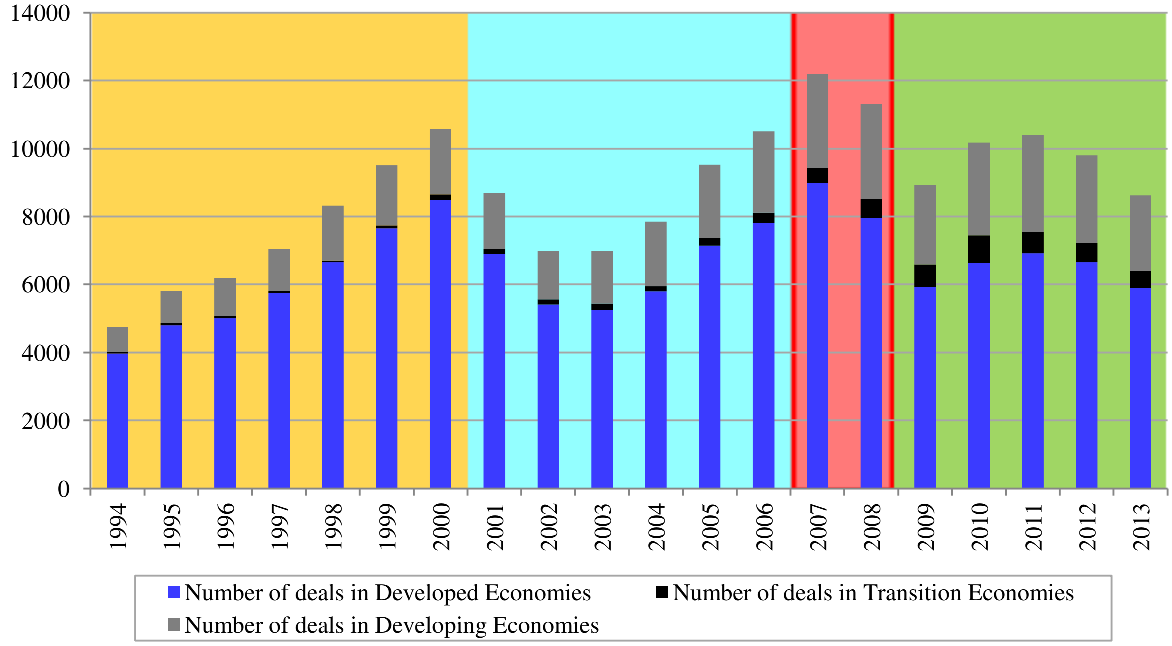

Fig. 1.1 Number of cross-border inbound M&As by the status of economic group, 1994-2013
(source: Authors plot the graph based on data presented in Appendix 1)

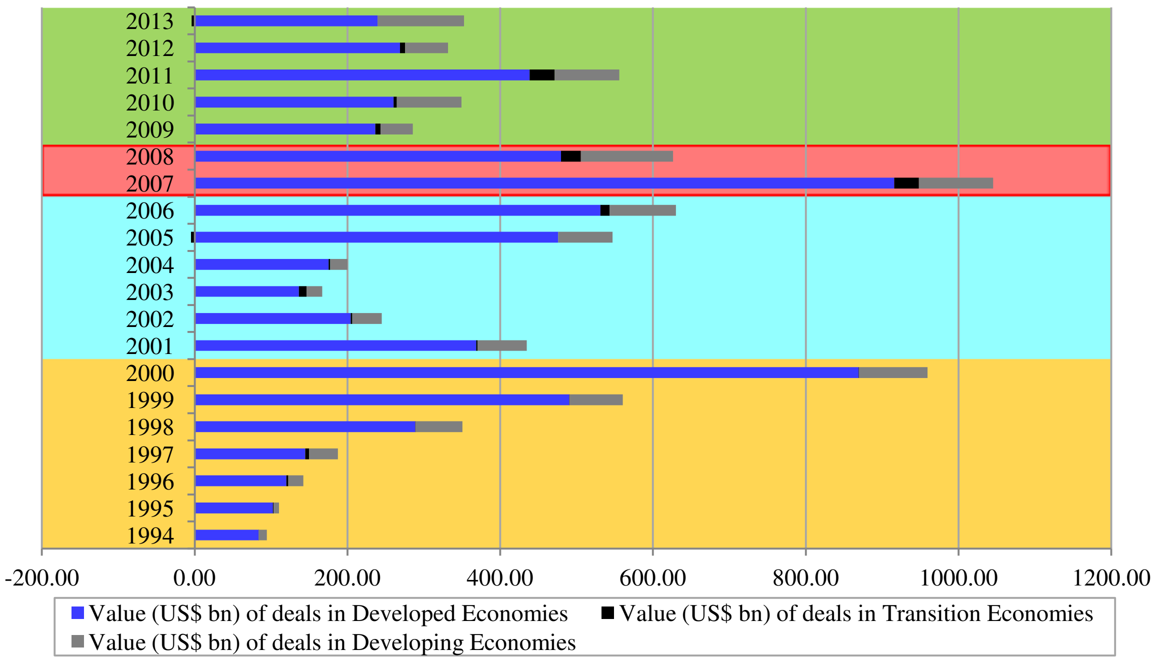

Fig. 1.2 Value of cross-border inbound M&As by the status of economic group, 1994-2013
(source: Authors plot the graph based on data presented in Appendix 1)

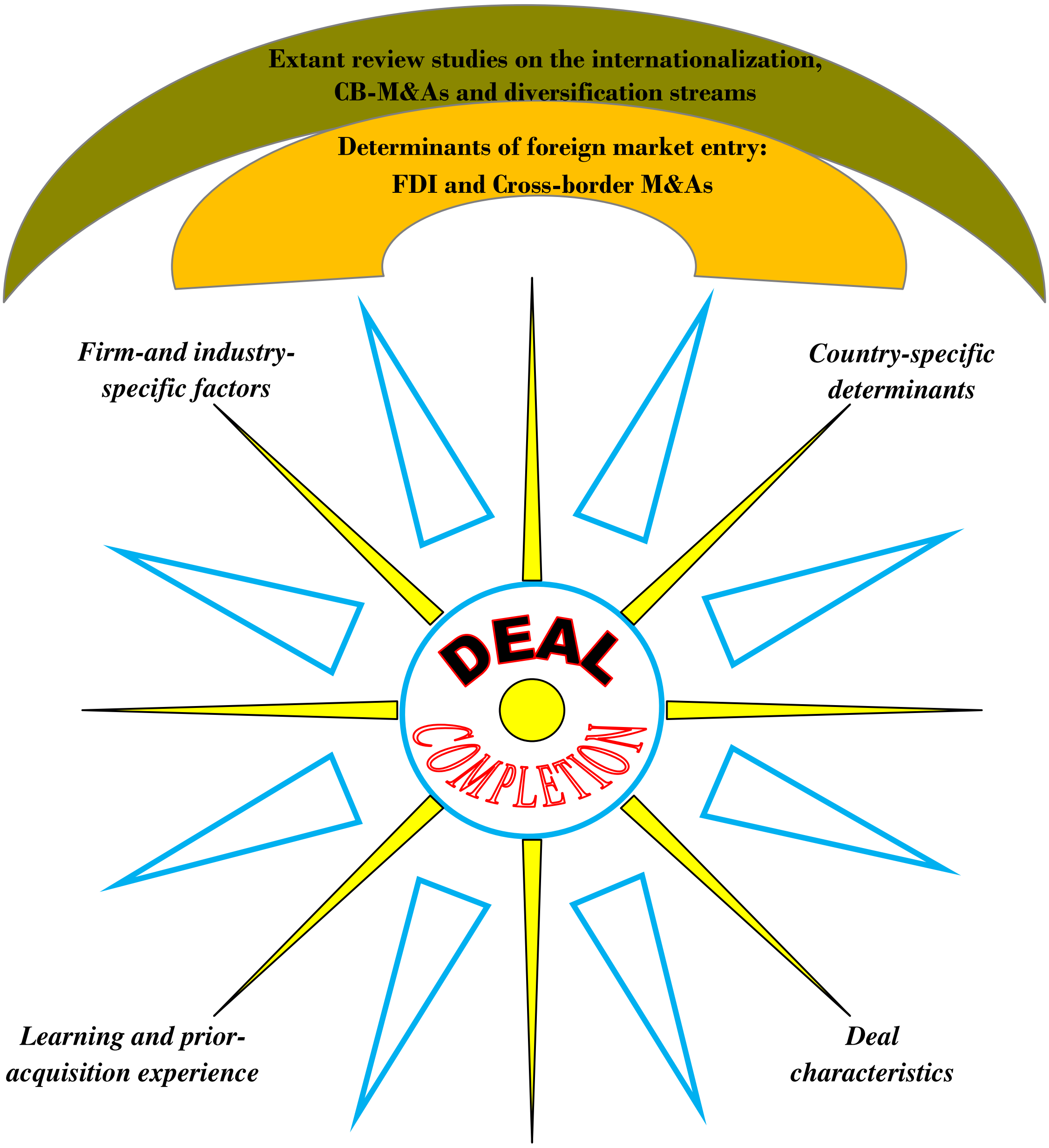

Fig. 2 Determinants of cross-border investments and acquisitions

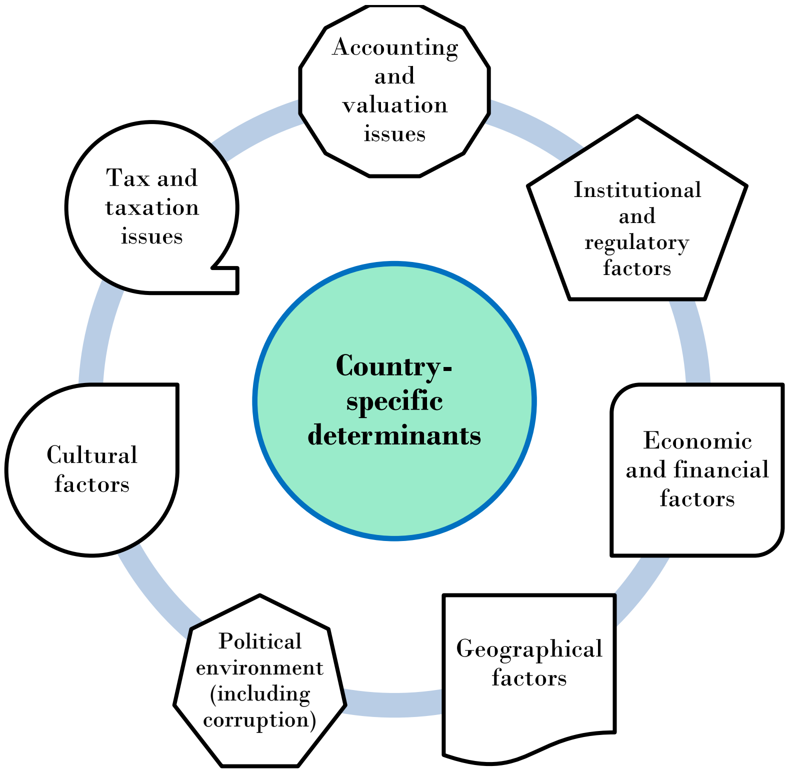

Fig. 3 Country-specific factors affecting cross-border M&As

Appendix 1. Number and value of cross-border inbound M&A deals by the status of economic group, 1994-2013

Year	*World economy*				*Developed economies*						*Developing economies*						*Transition economies*					
	Number of deals	Rate of growth (%)	Deal value US$ billion	Rate of growth (%)	Number of deals	Share (%)	Rate of growth (%)	Deal value US$ billion	Share (%)	Rate of growth (%)	Number of deals	Share (%)	Rate of growth (%)	Deal value US$ billion	Share (%)	Rate of growth (%)	Number of deals	Share (%)	Rate of growth (%)	Deal value US$ billion	Share (%)	Rate of growth (%)
1994	4748	14.19	94.48	116.35	3967	83.55	12.28	83.44	88.31	126.94	741	15.61	23.10	11.00	11.64	66.72	40	0.84	73.91	0.05	0.05	-84.14
1995	5809	22.35	110.54	17.00	4800	82.63	21.00	102.53	92.75	22.88	945	16.27	27.53	7.41	6.71	-32.60	64	1.10	60.00	0.60	0.55	1127.83
1996	6189	6.54	142.24	28.68	5003	80.84	4.23	120.23	84.52	17.26	1117	18.05	18.20	19.77	13.90	166.77	69	1.11	7.81	2.24	1.58	272.47
1997	7050	13.91	187.67	31.93	5746	81.50	14.85	144.90	77.21	20.53	1234	17.50	10.47	37.90	20.20	91.68	67	0.95	-2.90	4.86	2.59	116.67
1998	8325	18.09	350.58	86.81	6656	79.95	15.84	289.04	82.45	99.47	1617	19.42	31.04	61.17	17.45	61.40	46	0.55	-31.34	0.35	0.10	-92.78
1999	9512	14.26	560.48	59.87	7653	80.46	14.98	490.45	87.51	69.69	1768	18.59	9.34	69.73	12.44	13.99	85	0.89	84.78	0.30	0.05	-15.68
2000	10576	11.19	959.34	71.16	8489	80.27	10.92	869.24	90.61	77.23	1923	18.18	8.77	89.49	9.33	28.34	164	1.55	92.94	0.61	0.06	106.58
2001	8699	-17.75	434.67	-54.69	6900	79.32	-18.72	368.58	84.80	-57.60	1655	19.03	-13.94	64.28	14.79	-28.17	144	1.66	-12.20	1.81	0.42	195.36
2002	6980	-19.76	244.76	-43.69	5414	77.56	-21.54	204.35	83.49	-44.56	1417	20.30	-14.38	38.56	15.75	-40.01	149	2.13	3.47	1.85	0.76	2.46
2003	6989	0.13	166.97	-31.78	5250	75.12	-3.03	136.45	81.72	-33.22	1548	22.15	9.24	20.34	12.18	-47.25	191	2.73	28.19	10.18	6.10	449.96
2004	7852	12.35	200.02	19.80	5797	73.83	10.42	175.38	87.68	28.53	1905	24.26	23.06	22.47	11.23	10.49	150	1.91	-21.47	2.17	1.08	-78.69
2005	9524	21.29	542.02	170.98	7143	75.00	23.22	476.01	87.82	171.41	2153	22.61	13.02	71.02	13.10	216.03	228	2.39	52.00	-5.01	-0.92	-330.76
2006	10507	10.32	630.05	16.24	7798	74.22	9.17	531.30	84.33	11.62	2395	22.79	11.24	86.85	13.79	22.29	314	2.99	37.72	11.89	1.89	-337.61
2007	12199	16.10	1045.09	65.87	8983	73.64	15.20	915.67	87.62	72.35	2769	22.70	15.62	97.02	9.28	11.71	447	3.66	42.36	32.39	3.10	172.31
2008	11300	-7.37	626.24	-40.08	7950	70.35	-11.50	479.69	76.60	-47.61	2790	24.69	0.76	120.67	19.27	24.37	560	4.96	25.28	25.88	4.13	-20.10
2009	8924	-21.03	285.40	-54.43	5926	66.41	-25.46	236.50	82.87	-50.70	2335	26.17	-16.31	42.00	14.72	-65.19	663	7.43	18.39	6.89	2.42	-73.37
2010	10178	14.05	349.40	22.43	6631	65.15	11.90	260.39	74.53	10.10	2730	26.82	16.92	84.91	24.30	102.18	817	8.03	23.23	4.10	1.17	-40.59
2011	10397	2.15	556.05	59.15	6915	66.51	4.28	438.64	78.89	68.46	2853	27.44	4.51	84.64	15.22	-0.32	629	6.05	-23.01	32.76	5.89	700.02
2012	9794	-5.80	331.65	-40.36	6658	67.98	-3.72	268.65	81.00	-38.75	2574	26.28	-9.78	56.15	16.93	-33.67	562	5.74	-10.65	6.85	2.07	-79.09
2013	8624	-11.95	348.75	5.16	5890	68.30	-11.53	239.61	68.70	-10.81	2237	25.94	-13.09	112.97	32.39	101.20	497	5.76	-11.57	-3.82	-1.10	-155.75
AVG	8709	5	408	25	6478	75	4	342	83	26	1935	22	8	60	15	33	294	3	22	7	2	92

Source: UNCTAD-WIR Statistics, 2014 (http://unctadstat.unctad.org)
Note: Rate of growth defines the year-on-year growth rate; Share defines the contribution of economic group to the world economy; AVG defines the average over 20-year period.