



The effects of acquirers' environmental, social, and corporate governance performance on cross-border deal outcomes

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DOCTORAL DISSERTATION

**The effects of acquirers' environmental, social,
and corporate governance performance on cross-
border deal outcomes**

買収者の環境、社会、およびコーポレートガバナンスの
パフォーマンスが国境を越えた取引の結果に及ぼす影響

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Abstract

All announced cross-border acquisitions are eventually completed or abandoned. This dissertation examines whether the likelihood of cross-border acquisition completion is affected by three dimensions of acquirers' corporate social responsibility (CSR) performance: (i) environmental, (ii) social, and (iii) corporate governance. The dissertation is comprised of three studies. Each study focuses on one dimension of CSR and draws on a relevant theoretical literature. The first study analyzes the effect of environmental performance using a sample of cross-border deals announced by acquirers in two environmentally sensitive industry sectors: basic materials and industrial . The second study examines the effect of social performance by focusing on the non-cyclical consumer industry since social issues are of critical importance in this industry. The third study investigates the effect of corporate governance performance with the use of a sample of cross-border deals announced by European acquirers because corporate governance has been a priority of the European Union in the recent years. The results from three studies show that all three dimensions of acquirers' CSR performance positively affect the likelihood of deal completion. Furthermore, this dissertation shows that the relationships between all three dimension of acquirers' CSR performance and the likelihood of deal completion are stronger for large acquirers (as compared to small acquirers) and public targets (as compared to private targets).

Keywords: Acquisition completion; cross-border deals; acquirers' corporate social responsibility; environmental performance; social performance; corporate governance performance

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Chapter 1

Introduction

1.1. Background and motivation

Cross-border acquisitions represent a globally significant issue. Companies conduct cross-border acquisitions for several reasons such as increasing sales globally and transferring technology from the target. According to Boone & Mulherin (2007), the process of cross-border acquisitions can be divided into two phases: a private takeover phase and a public takeover phase. The private takeover phase encompasses a period when the general public is not aware of the deal. Initially, cross-border acquirers reach out to potential targets either directly by approaching them or indirectly by taking help of M&A advisors. Companies involved in M&A transactions as well as the M&A advisors keep their deals secret until a certain level of trust is established and a bilateral agreement is signed between the transacting parties. This phase ends when both companies make public announcement of the deal.

After the bilateral agreement is signed, the deal enters into the public takeover phase in which one of the primary responsibilities of the associated firms is to pay attention to the legal issues pertaining to the deal. However, until the legal responsibilities remain pending, stakeholders in the target country continue to assess the acquirers based on new information gathered about them. In this phase, apart from the target management, other stakeholders such as media employees also scrutinize the acquirers and the potential post-acquisition challenges. Therefore, the target management specifically gives attention to how their deals and prospective acquirers are discussed over media. If the deals and the acquirers are reviewed negatively over media, the target stakeholders put pressure on the target management to abandon the deals. Eventually, the public takeover phase ends with either a completion or an abandonment.

Several abandoned deals have been discussed frequently over the media. For example, on October 26, 2015, a deal was announced whereby Pep Boys (an American tire company) would sell itself to Bridgestone (world's largest tire and rubber company based in Japan). However, Pep Boys terminated the deal on December 29, 2015 and instead sold itself to Icahn Enterprises, an American conglomerate (Reuters, 2015). Likewise, Archer-Daniels-Midland Company (a US food processing) agreed to acquire Meiweiyuan Biotechnology Co. (a sweetener manufacturing company) on May 17, 2015. The transaction was subject to regulatory approval and the acquirer hoped to complete the deal in a few weeks. However, the deal was surprisingly cancelled on August 4, 2015 due to disagreements on closing conditions (MarketScreener, 2015). Similarly, on November 17, 2015, Canadian Pacific Railway Ltd announced acquisition of Norfolk Southern Corp. However, the deal was officially terminated on April 11, 2016 because of resistance from the target side (The New York Times, 2016). The anecdotes highlight the importance of investigating what factors affect the likelihood of deal completion.

1.2. Acquisition completion literature

Researchers have actively studied about acquisition completion. Li et al. (2019) show that state-owned firms have a lower likelihood of deal completion than firms with other forms of ownership. Fuad & Gaur (2019) find that acquisitions, which are announced within a merger wave, have a lower likelihood of completion. Further, inside a merger wave, entry-timing and the likelihood of deal completion have an inverted U-shaped relationship. Zhang (2022) reveal that economic and institutional liability of emergingness (defined as additional difficulties face by an emerging market firm due to its country-of-origin) have negative effects on the likelihood of acquisition completion. Zhang (2022) further find that these negative effects disappear or become weak when the host country's unemployment rate is sufficiently high and when the host country's institutional

quality is sufficiently low. Wang et al. (2022) show that the likelihood of deal completion is higher in conduit acquisitions—deals in which an ultimate acquirer buys a target through one of its majority-owned subsidiaries already located in the host country.

Some studies on acquisition outcome focus on the broader role of corporate social responsibility (CSR) compared to the individual dimensions of CSR. Based on a sample of domestic deals in the United States, Deng et al. (2013) find that CSR ratings of an acquirer are positively associated with the likelihood of deal completion. Focusing on outbound cross-border acquisitions by emerging market firms, Hawn (2021) use two media coverage-based measures of CSR, viz. positive media coverage of CSR and negative media coverage of CSR to find that while positive media coverage of CSR does not affect the likelihood of deal completion, the negative media coverage of CSR negatively affects the likelihood of deal completion. Remarkably, both Deng et al. (2013) and Hawn (2021) use a broad measure of CSR covering diverse aspects such as environmental performance and social performance.

As scholars argued, CSR has three major dimensions: environmental, social and corporate governance. Thus, CSR issues are widely analyzed using ESG datasets whereby the letter E refers to environmental, S refers to social, and G refers to (corporate) governance. As many firms are covered by ESG databases, many researchers have shown a greater tendency to focus on distinct dimensions of CSR (Auer & Schuhmacher, 2016). These studies typically examine the impact of ESG dimensions on financial performance by focusing on a relevant theory and an appropriate context for each CSR dimension. Unfortunately, no study has examined the effects of individual CSR dimensions on the likelihood of deal completion.

To cover this research gap, my doctoral dissertation focuses on three dimensions of CSR (environmental, social and corporate governance) separately by using relevant theories and appropriate contexts (samples). Furthermore, my dissertation not only examines the direct relationship between acquirers' CSR performance and the likelihood of deal completion but also tests the moderating influence of two variables (acquirer size and target public/private status). I use these two variables as moderating variables since CSR issues become more important for large acquirers (than small acquirers) and public targets (than private targets). My dissertation shows that all three dimensions of CSR are positively associated with the likelihood of deal completion. In addition, the results show that the focal relationship is strengthened by acquirer size and public status of the target firm.

1.3. Objectives of this dissertation

The objective of this dissertation is analyze whether and how CSR performance of acquirers affect the likelihood of deal completion. I have conducted three studies in this dissertation. Each study focuses on one of the dimensions of CSR. The precise objective of each study is outlined below.

The objective of the first study is to examine the effect of acquirers' environmental performance on the likelihood of deal completion. Examining the environmental legitimacy challenges faced by cross-border acquirers upon deal announcement is important. First, it will analyze how different stakeholders affect the environmental legitimacy threshold for acquirers (to complete a deal). Second, it will analyze how different types of cross-border acquirers are affected heterogeneously by those environmental legitimacy thresholds. For example, it could be tested whether environmental legitimacy threshold for cross-border deal completion is the same for firms that plan to acquire a public target versus those that plan to buy a private target. These two reasons motivated me to investigate the effect of environmental performance on the likelihood of cross-

border acquisition completion and the moderating effects of acquirer size and target public/private status.

The objective of the second study is to examine the effect of the social performance of acquirers on the likelihood of cross-border acquisition completion. Despite the vast research on social performance, this topic has remained relatively underexplored from an international business (IB) perspective (Marano et al., 2022; Mohr et al., 2022; Muller, 2020; Nardella & Brammer, 2021). Although few studies analyze the role of social performance in the context of acquisitions (Cho et al., 2020; Krishnamurti et al., 2019; Ma et al., 2020), the literature does not explicitly answer whether the social performance of an acquirer affects the likelihood of cross-border acquisition completion. Analyzing the link between the social performance of an acquirer and the likelihood of cross-border acquisition completion is important not only because of its practical significance (indeed, deal abandonment may cause significant financial and reputational losses), but also because it will clarify the explanatory mechanism through which an acquirer is able to increase its likelihood of cross-border acquisition completion via its social performance. This examination will extend the horizons of the acquisition outcomes literature, reputation for social performance literature, and nonmarket strategy literature from the international business perspective.

The objective of the third study is to analyze the effect of acquirers' corporate governance performance on the likelihood of deal completion. It is argued that stakeholders assess the corporate governance of cross-border acquirers by checking the corporate governance ratings provided by independent agencies (based on issues such as board independence, board compensation, and shareholder rights). Stakeholders influence deal outcomes based on these acquirers' corporate governance ratings. However, whether the deal outcomes of European

cross-border acquirers are affected by these governance ratings represents a neglected area within academic research. Based on agency theory, this dissertation hypothesizes that European acquirers with higher governance ratings are perceived as firms with lower agency costs, which results in a higher likelihood of deal completion. This dissertation further examines the moderating effects of two variables on the relationship between acquirer corporate governance performance and the likelihood of deal completion: acquirer size and target public/private status. I argue that perceived agency costs are higher for large-sized acquirers and for those acquiring a public company. Thus, I expect that these variables reinforce the relationship between acquirer governance performance and the likelihood of cross-border deal completion.

1.4. Research questions

My dissertation aims to answer the following nine research questions.

Research question 1a (RQ1a): Does acquirers' environmental performance affect the likelihood of deal completion? (Study 1)

Research question 1b (RQ1b): Does acquirer size moderates the focal relationship between acquirers' environmental performance and the likelihood of deal completion? (Study 1)

Research question 1c (RQ1c): Does target public/private status moderates the focal relationship between acquirers' environmental performance and the likelihood of deal completion? (Study 1)

Research question 2a (RQ2a): Does acquirers' social performance affect the likelihood of deal completion? (Study 2)

Research question 2b (RQ2b): Does acquirer size moderates the focal relationship between acquirers' social performance and the likelihood of deal completion? (Study 2)

Research question 2c (RQ2c): Does target public/private status moderates the focal relationship between acquirers' social performance and the likelihood of deal completion? (Study 2)

Research question 3a (RQ3a): Does acquirers' corporate governance performance affect the likelihood of deal completion? (Study 3)

Research question 3b (RQ3b): Does acquirer size moderates the focal relationship between acquirers' corporate governance performance and the likelihood of deal completion? (Study 3)

Research question 3c (RQ3c): Does target public/private status moderates the focal relationship between acquirers' corporate governance performance and the likelihood of deal completion? (Study 3)

1.5. Theoretical basis

As mentioned, the first study builds on environmental legitimacy literature. The second study builds on reputation for social performance literature, and the third study is drawn on agency theory. Below, I summarize why these theories are relevant for each study.

1.5.1. Environmental legitimacy

Legitimacy refers to “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995: 574). Environmental legitimacy is defined as the degree to which activities of a firm are considered desirable, proper, or appropriate with respect to the environmental demands put forward by its stakeholders (Li et al., 2017). Environmental legitimacy of cross-border acquirers is meticulously scrutinized by a range of stakeholders (Li et al., 2019). At the onset, target management is cautious about permitting an environmentally

irresponsible acquirer to pursue a takeover. Apart from the target management, regulatory bodies keenly evaluate the environmental impact of the deal. If the foreign acquirer has a record of environmental mismanagement, regulatory bodies block the deal. In addition, media plays a key role in shaping the perception of stakeholders regarding the environmental legitimacy of acquirers (Hawn, 2021). Once M&A deals are announced, media keenly discusses acquirers' environmental strategies in their home countries and their prospective environmental strategies in the host country. Customers of the target firm also share their thoughts on social media and do not hesitate to criticize foreign companies that may prove to be environmentally hostile in the host country. Research shows that customers of the target—just like its employees—play a crucial role for the success of a merger (Degbey & Pelto, 2021). Similarly, NGOs also actively publicize negative practices of foreign companies. Likewise, target stakeholders' careful examination of acquirers' environmental issues benefit environmentally friendly acquirers such that deals initiated by acquirers with better environmental performance have a higher likelihood of reaching the completion.

1.5.2. Reputation for social performance

Reputation for social performance (SP) is defined as stakeholders' knowledge and emotions regarding the social performance of a firm. This dissertation uses the reputation for SP literature that is grounded in the signaling theory. According to signaling theory, agents try to communicate their underlying qualities to the interacting parties by sending relevant signals to reduce information asymmetry. For the application of the theory, I conceptualize acquisition complexity as negative influences on cross-border acquisition deals from the formal and informal domains of host country institutions. This dissertation argues that when acquirers act according to the social regulations and norms in their host countries, they are subject to less acquisition complexity. Stated differently, acquirers' reputation for social performance helps them decrease acquisition

complexity. I further contend that the effect of reputation for social performance on acquisition complexity translates into an increased likelihood of deal completion because cross-border acquisitions are subject to reputational risk and visibility. Furthermore, I argue that acquirers are subject to a greater degree of reputational risk and visibility if they are large or if they buy public company. Thus, large acquirers and acquirers of public companies are able to mitigate acquisition complexity to a greater extent than small acquirers and those that buy private targets, respectively. Thus, I expect that acquirer size and public targets strengthen the positive relationship between acquirers' social performance and the likelihood of deal completion.

1.5.3. Agency theory

According to agency theory, managers pursue goals that maximize their personal returns rather than those that maximize the wealth of shareholders. In the domain of international business, managers may be willing to conduct cross-border deals that may not be ideal from the perspective of shareholder wealth but that may positively impact managers' power or fame (Zhou et al., 2016; Erel et al., 2012). As the corporate governance ratings of public firms are vigorously published by independent ratings companies, they are likely to be used as points of reference in judgments of the agency costs of foreign acquirers (Kölbel & Busch, 2021). I contend that the likelihood of deal completion would be higher when an acquirer is perceived by target stakeholders to have relatively low agency costs. Since host country stakeholders have limited information about cross-border acquirers, they are likely to determine the agency costs of cross-border acquirers based on their corporate governance ratings. That is, when an acquirer conducts a cross-border acquisition, it is more likely to be perceived favorably by target stakeholders if it has a high level of transparency in relation to corporate governance issues (Kling & Weitzel, 2011). This examination is extremely important in today's world of powerful media. When any deal is announced, the corporate governance issues of the focal firms and their

tentative impacts in the postacquisition phase are discussed via traditional media and social media (Ang et al., 2021; Hawn, 2021).

1.6. The need of three separate studies

The three studies conducted in this dissertation are related to each other in some aspects but at the same time have significant differences. The studies have similarity from the methodological point of view such that the dependent variable and control variables are the same. However, from the conceptual, theoretical and, contextual points of view, the studies have little in common. Below, I discuss why it was important to analyze each dimension of CSR in a separate study.

First, the three dimensions of CSR are conceptually different from each other. Although some studies have used the term “social” or “CSR” performance to indicate an aggregated variable that measures a firm’s overall performance with respect to all three dimensions of CSR (environmental, social and corporate governance), this methodology is criticized because these three dimensions of CSR focus on quite different issues (Brammer et al., 2006; Matuszak & Róžańska, 2019; Nollet et al., 2016). For example, environmental dimension focuses on planet. Social dimension focuses on the people. In contrast, corporate governance focuses on how core operations of the business are managed. As a result, many studies have limited their scope to one of these CSR dimensions to facilitate a focused analysis. That is, they have either focused on environmental (Aragón-Correa et al., 2016; Marquis et al., 2016; Martínez & Poveda, 2022), social (Bertrand et al., 2021; La Rosa et al., 2018), or corporate governance issues (Khatib & Nour, 2021; Ltifi & Hichri, 2021). Likewise, this dissertation limits the scope of each study to a single CSR dimension.

Second, the theoretical foundation of each dimension is different. For example, as mentioned in Section 1.5.1, to explain why firms excel in environmental performance and how stakeholders react to environmental issues, scholars draw on the environmental legitimacy theory (Li et al., 2019). In contrast, as mentioned in Section 1.5.2, to justify a firm's investment with respect to social issues, scholars build their arguments on the reputation for social performance theory (Gardberg et al., 2019). Finally, as mentioned in Section 1.5.3, to make sense of corporate governance issues, scholars use agency theory and contend why certain corporate actions such as M&A deals serve interests of managers rather than those of shareholders (Erel et al., 2012; Zhou et al., 2016). Thus, it was important to use a different theory for each dimension of CSR.

Third, the relevance of each dimension of CSR depends on a specific context. For example, environmental issues are more salient for firms that are present in environmentally sensitive industries. That is why the analysis of environmental dimension in this dissertation is conducted on firms in the two environmentally sensitive industries. Further details about the relevance of these two industries are highlighted in Section 2.3.1. The social dimension of CSR is more related for firms in the noncyclical consumer industry (NCCI). Precisely, as a *consumer* industry, the NCCI involves firms that are highly concerned about their social image since they provide goods and services directly to end consumers. Thus, social performance is a key consideration for NCCI firms. Further theoretical relevance of this industry are (is) explicated at the end of the third paragraph in Section 3.2. The corporate governance dimension is a key issue for all industries. However, scholars have shown a particular interest in examining corporate governance issues pertaining to the European firms (Alonso Carrillo et al., 2019; Taliento et al., 2019). This might be due to the fact that European Union has been actively introducing laws and regulations concerning corporate

governance. Further details regarding the significance of European corporate governance issues are explained at the end of the second paragraph in Section 4.2.

1.7. Research methodology

The dependent variable in my dissertation is deal completion that has only two values (zero and one). Studies with such variables use either linear probability model (LPM), logistic model, probit model or one of their combinations for hypothesis testing. The benefit of LPM is its intuitive interpretation. The LPM coefficients denote an increase in the likelihood of the focal event—deal completion in this study—when the given independent variable increases by a unit. Logistic and probit models are generally considered superior to LPM since their predicted values do not fall outside the range of zero to one. However, the interpretation of their coefficients is not as intuitive. To present an LPM-style interpretation of logistic and probit models, studies often report their average marginal effects (AME) models. AME models present coefficients that can be interpreted in the way similar to those of LPM. For a comprehensive analysis, I used all of the aforementioned regressions in this dissertation: LPM, logistic model, probit model, logistic AME model, and probit AME model.

Moreover, I used heteroskedasticity-consistent robust standard errors, and also standardized continuous explanatory variables before using them in the regression to facilitate interpretation. In case of standardized continuous explanatory variables, coefficients in LPM and AME models denote an increase in the likelihood of the focal event when the given independent variable increases by one standard deviation. As variables are measured in different scales across studies, unstandardized coefficients might not be directly comparable across studies. However, irrespective of their measurement scales, if the variables follow a near-normal distribution, almost all of the values are expected to be bounded across a range of around six standard deviations. Thus,

the effect of one-standard-deviation change in the independent variable on the dependent variable can be interpreted much more meaningfully not only within the study but also across the studies.

1.8. Structure of the remaining dissertation

Chapter 2, Chapter 3, Chapter 4 cover Study 1, Study 2, and Study 3 respectively. The subsections of Chapter 2 to Chapter 4 are arranged in the same order. Section 2.1, Section 3.1, and Section 4.1 present abstract of the underlying studies. Section 2.2, Section 3.2, and Section 4.2 cover the introduction of each study. Section 2.3, Section 3.3, and Section 4.3 deal with the theoretical background and hypothesis development. Section 2.4, Section 3.4, and Section 4.4 explain the methodology. Section 2.5, Section 3.5, and Section 4.5 present the results. Section 2.6, Section 3.6, and Section 4.6 cover the discussion and conclusion for individual studies.

Chapter 5 covers the overall conclusion of my dissertation. Section 5.1 aims to answer the research questions based on the results presented in Section 2.5, Section 3.5, and Section 4.5. Section 6.2 explicates the implications of this dissertation for theory. Section 6.3 presents a general conclusion of my dissertation.

Chapter 2

Study 1: The effects of acquirers' environmental performance

2.1. Abstract

The positive outcomes of investing in environmental issues are well documented. However, little is known about the role of environmental performance in cross-border acquisitions. Based on the environmental legitimacy literature, this study analyzes the effect of acquirers' environmental performance on deal outcomes (whether an announced acquisition is abandoned or completed). I use a global sample of 812 deals in 22 acquirer and 48 target countries. I focus on acquirers in two environmentally sensitive industry sectors: basic materials and industrial. The results show that acquirers' environmental performance positively affects the likelihood of deal completion. I also analyze the moderating influence of two variables, acquirer size and target public/private status. The results show that acquirer size partially strengthens the focal relationship between acquirers' environmental performance and the likelihood of deal completion. For private targets, acquirers' environmental performance has no significant effect on the deal completion. I show that these deals have a high likelihood of reaching completion irrespective of the acquirers' environmental performance. In contrast, the focal relationship is strong among public targets, suggesting that environmentally irresponsible cross-border acquirers that buy public companies undergo strict scrutiny. This chapter of my dissertation extends the literature on environmental legitimacy, environmental performance and acquisition outcomes.¹

¹ An updated version of this study has been published in *Business Research Quarterly* (Waqar & Ma, 2022)

Keywords: Cross-border acquisitions; Deal completion; Environmental performance; Environmental legitimacy

2.2. Introduction

The environmental matters of firms have been increasingly discussed by scholars and practitioners. Research on environmental performance extensively focuses on its antecedents. For example, it demonstrates that the environmental performance of a firm is affected by its climate change targets (Dahlmann et al., 2019) and strategic human resource management (Paillé et al., 2014), as well as water scarcity (Muthulingam et al., 2021). Recently, scholars have shown increasing interest in the outcomes of investing in environmental issues. For example, Rahman et al. (2020) show that the environmental performance of a firm positively affects its market share. Zhang (2021) finds that a firm with better environmental performance is more likely to receive a line of credit and less likely to have collateral requirements imposed. Shih et al. (2021) reveal that the environmental performance of a firm negatively affects its default risk.

Despite this vast literature, the consequences of a company's environmental performance in cross-border acquisitions represents a neglected area of academic research. Bose et al. (2021) show that a firm's carbon risk is positively associated with its likelihood of acquiring a foreign target and choosing a host country with low gross domestic product or weak environmental, regulatory, or governance standards. Bose et al. (2021) also reveal that announcement returns in cross-border acquisitions are higher when acquirers with high carbon emissions buy targets in countries with fewer regulations or weaker environmental standards. Gao et al. (2022) find that the CSR score and green patent activity of Chinese companies are positively associated with the likelihood of cross-border acquisition completion. Focusing on emerging market firms, Hawn (2021) shows that negative media coverage of a company's CSR matters decreases the likelihood

of cross-border deal completion. Despite this literature, little is known about the environmental legitimacy challenges that are faced by cross-border acquirers after the deal announcement.

I argue that examining the environmental legitimacy challenges that are faced by cross-border acquirers after the deal announcement is important. First, it will advance the discussion on how different stakeholders impact the environmental legitimacy threshold for cross-border acquirers before the deal completion/abandonment. Second, it will advance the discussion on how different types of cross-border acquiring firms are affected differently by such environmental legitimacy challenges. For example, it may be estimated whether the environmental legitimacy challenges for cross-border deal completion is the same for acquirers that buy a public company versus those that buy a private company. Therefore, the objective of this study is to examine the effect of environmental performance on the likelihood of cross-border acquisition completion in order to better understand the environmental legitimacy challenges faced by acquirers driven by host country stakeholders.

I test the relationship between acquirers' environmental performance and the likelihood of acquisition completion based on a sample of cross-border deals announced by acquirers in two environmentally sensitive industry sectors: basic materials and industrial. Further relevance of these two industry sectors are provided in Section 2.3.1. Moreover, for a nuanced analysis, I analyze the moderating effects of two variables: acquirer size and target public/private status. My results show that acquirers' environmental performance and the likelihood of deal completion are positively associated, specially for the public companies. Compared with deals that include public targets, the deals announced for private targets have a very high likelihood of reaching completion—i.e., the environment performance has no effect on the likelihood of deal completion. In contrast, deals that involve public targets are severely affected by acquirers' environmental

performance. Additionally, I find limited evidence supporting the hypothesis that acquirer size strengthens the focal relationship between acquirers' environmental performance and the likelihood of acquisition completion.

Thus, the contributions of this study are threefold. First, it extends the literature on environmental legitimacy. This literature has typically explored how environmental legitimacy affects general firm performance via accounting and/or market measures (De Mendonca & Zhou, 2019; Truong & Berrone, 2022). I show how the environmental legitimacy of acquirers is analyzed by a range of stakeholders who impact the results of a specific corporate action—cross-border acquisition. Second, this chapter contributes to the discussion on whether investing in environmental issues is economically profitable. The literature offers varied results on whether the environmental performance of a firm is associated with a greater number of positive or negative organizational results. Although studies showing positive organizational consequences dominate, many studies have drawn the opposite conclusion. For example, one study indicates that customers make fewer deposits in banks that have high environmental performance (Galletta et al., 2021), demonstrating how customers sometimes worry that firms that invest or care too much about the environment might become distracted from excelling in their primary business. In contrast, another study shows that customers are more likely to purchase from companies that have higher environmental legitimacy (Li et al., 2017). My results establish that investing in environmental issues is beneficial for firms, i.e., stakeholders are more likely to support environmentally friendly firms during cross-border deal completion. Third, I directly expand the acquisition completion literature (Kumar & Sengupta, 2020). Although some studies have evaluated the impact of general CSR measures on the likelihood of deal completion (Deng et al., 2013; Gao et al., 2022; Hawn, 2021), little is known about the effect of the environmental dimension of CSR—as well as

the possible moderating factors. My nuanced analysis thus not only explores the focal relationship between environmental performance and the likelihood of cross-border acquisition completion but also analyses the moderating effects of acquirer size and target public/private status. Accordingly, my results not only show that the focal relationship is stronger for public companies but also partially support the hypothesis that acquirer size strengthens the focal relationship.

In the following section, I present the theoretical background of the study and develop the hypotheses. The next section describes the methodology and provides a discussion of the results. Finally, I review the objectives of the study, explicate its contributions, discuss the managerial implications of the findings. I also highlight the limitations of the study and reveal some future research avenues.

2.3. Theoretical background and hypothesis development

2.3.1. Environmental relevance of the two industry sectors

This study centers on two industry sectors: basic materials and industrial. The basic materials sector includes firms that discover, mine, and process common raw materials such as metals and chemicals. Such firms provide raw materials to the construction sector firms (Hajisaaaid, 2020). The literature implies that these companies face severe environmental challenges, which place them under intensified stakeholder scrutiny (Tavakolifar et al., 2021). Albino et al. (2009) argue that the most common environmental strategies by basic materials firms are green management and energy efficiency. Green management refers to an organization-oriented strategy whereby a firm develops a systematic and comprehensive mechanism to improve its own environmental performance with little focus on the environmental performance of the firms in its supply chain. Energy efficiency, in contrast, is a process-oriented strategic approach that aims to increase energy savings and the use of renewable energy.

The industrial sector includes three types of companies: (a) manufacturers of capital goods (e.g., aerospace & defense, building products, electrical equipment and machinery) and associated service providers (e.g., construction and engineering services); (b) commercial and professional service providers; and (c) transportation services (Kim & Bessler, 2007; Rodziewicz & Sly, 2019). Da Motta (2006) explains that the environmental performance of firms in the industrial sector is affected by willingness of these firms to avoid sanctions from regulators and pressures from communities and NGOs. Ramanathan et al. (2010) reason that industrial sector firms respond to environmental policies by different methods. Some firms take a more reactive approach. They follow regulations only because they have no other choice. On the other hand, some firms take a more proactive approach. They follow regulations creatively such that it does not impact their financial performance. According to Albino et al. (2009), companies in the industrial sector mainly engage in green management strategies. Based on a sample of industrial firms, Truong & Berrone (2022) discover that the positive impact of environmental innovation on market value is partially mediated by environmental legitimacy.

Both of these sectors have been classified by Barbu et al. (2014) among the five supersectors where firms are highly exposed to environmental issues.

2.3.2 Environmental legitimacy of cross-border acquirers

Suchman (1995: 574) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. It refers to the level of a company’s moral acceptability as per the opinion of its stakeholders. Legitimacy is vital for the survival of both a firm and its affiliates (Peng & Beamish, 2019). In their initial years, companies try to establish their legitimacy only among their limited number of stakeholders. As firms grow, the number of

their stakeholders also increases, which in turn enhances their legitimacy problems. As firms grow outside their home country, they face heterogeneous legitimacy challenges due to differences in the laws and values across countries. When a company plans a cross-border deal, its legitimacy is analyzed by target management as well as a range of other stakeholders in the target country such as shareholders, employees, customers, regulatory bodies, NGOs (Li et al., 2019).

Environmental legitimacy is defined as the degree to which the activities of a companies are deemed desirable, proper, or appropriate with respect to the environmental requirements of its stakeholders (Li et al., 2017). The environmental legitimacy of a company is affected by three institutional aspects: the regulatory, normative, and cognitive (Özen & Küskü, 2009). In the context of this chapter, the regulatory aspect deals with the environmental laws that firms must follow such as waste disposal policies (Abdullahi et al., 2016). The normative aspect of institutions includes the social norms, values and beliefs that are internalized by a society regarding how companies should take care of the environment. For example, companies are often socially pressured to utilize their total budget for environmental issues within a specified timeframe, even if the assigned funds are not utilized efficiently (Subramaniam et al., 2017). The cognitive aspect deals with individuals' shared perception of what is typical or taken for granted in a society with respect to environmental issues. For example, the global corporate culture deeply obliges firms to evaluate the environmental footprints of their primary business operations.

The environmental legitimacy of foreign acquirers is thus diligently scrutinized by many types of stakeholders (Li et al., 2019). At first, target management do not want to allow a cross-border acquirer that is considered environmentally irresponsible. Apart from target management, regulatory bodies actively evaluate the environmental impact of a deal. If the cross-border acquirer has a negative history of environmental issues, regulatory bodies usually block the deal. Moreover,

media plays a significant part in manipulating the perception of stakeholders regarding the environmental legitimacy of acquirers (Hawn, 2021). Once a deal is announced, the media keenly examines acquirers' environmental strategies in their acquirer country and their prospective environmental strategies in the target country. Customers of the target firm also share their thoughts on social media regarding the environmental issues. Degbey & Pelto (2021) show that customers of the target—in the same way as employees—play a key role in the success of a merger. Likewise, NGOs aggressively expose the negative practices of foreign entrants. Based on these arguments, the first hypothesis of my dissertation is as follows.

Hypothesis 1a. Acquirers' environmental performance is positively associated with the likelihood of cross-border deal completion.

2.3.3 Moderating role of acquirer size

I expect that the environmental legitimacy challenges are greater large cross-border acquirers than small cross-border acquirers. First, large cross-border acquirers are scrutinized to a greater extent than small cross-border acquirers. A large acquirer is more likely to be covered extensively by media outlets. Aerts & Cormier (2009) contend that the size of a firm positively impact its visibility among the general public and thus tends to engender increased public scrutiny. Liu & McConnell (2013) show a positive correlation of 0.44, significant at the 1% level, between acquirer size and media attention. Customers also notice and respond to acquisition deals by large cross-border acquirers to a greater extent. NGOs are also more likely to be active against large foreign acquirers than small cross-border acquirers (Hendry, 2006).

Second, target stakeholders who can directly influence a deal set a higher threshold for a large acquirer than a small acquirer. Based on the heightened scrutiny of cross-border acquirers discussed earlier, target management, shareholders, and regulatory bodies may also set a higher

bar for environmental legitimacy for large cross-border acquirers than small ones. Regulatory bodies understand that large firms may turn out to be more disastrous for the environment if their questionable yet legal practices are operationalized on a large scale (Ting, 2021). Hence, I expect that the effect of environmental performance on the likelihood of deal completion is stronger for large cross-border acquirers.

Hypothesis 1b. The relationship between acquirers' environmental performance and the likelihood of cross-border deal completion is more pronounced for large acquirers than for small acquirers

2.3.4 Moderating role of target public status

I expect that the environmental legitimacy challenges faced by cross-border acquirers are more severe in the acquisition of a public company than of a private company. First, public companies have greater resources. It allows them to examine the acquirer more thoroughly. In addition, public targets find it economically viable to take help of M&A consultants, thanks to their excessive cash holdings (Mortal et al., 2020). Based on a sample of mergers and acquisitions by public firms in the United States, McCarthy & Noseleit (2022) show that each of public firm employ 1.9 M&A advisors on average. Additionally, deals that involve a public target are noted and discussed widely (Li et al., 2019). This results in greater inspection by media outlets, customers and NGOs.

Second, stakeholders of public target companies set a higher environmental threshold for cross-border acquirers than stakeholders of private target companies. Deals involving private target companies are affected by soft factors, such as trust, to a greater extent than public target companies (Graebner, 2009). In contrast, top managers in public targets follow standard quantitative methods when trying to justify a deal. Empirical evidence also shows that public firms

have a greater number of hierarchical layers than private firms which suggests that the decision-making process is more centralized in the public firms (Al-Qatawneh, 2014). In addition, regulatory bodies are willing to objectively and intensely inspect cross-border acquirers that seek to purchase public targets.

Hypothesis 1c. The relationship between acquirers' environmental performance and the likelihood of cross-border deal completion is more pronounced for public targets than for private targets.

2.4. Methodology

2.4.1. Sample

I first downloaded the focal data on acquisitions from the Bloomberg database (Gagnon & Volesky, 2017; Waqar, 2020). I restricted the query to cross-border deals made by publicly listed acquirers in two industry sectors: basic materials and industrial. Deals in which acquirers already had a stake in the target before the focal deal were excluded; these acquirers already have close ties with target stakeholders (Benischke et al., 2020; Li & Sai, 2020). Likewise, deals in which acquirers bought less than 50% of target shares were also excluded; I focused on deals where acquirers gain majority control in the target company (Kim & Song, 2017). Finally, I downloaded the data on the control variables. The final sample resulted in 812 deals in 22 acquirer and 48 target countries during 2014–2018.

2.4.2. Measures

The dependent variable throughout my dissertation is deal completion. It took the value of one for completed deals and zero for abandoned deals (Kim & Song, 2017). To measure acquirers' environmental performance, I used the Sustainalytics data (Auer & Schuhmacher, 2016). These data have been widely used in the CSR literature (Engida et al., 2018; Kim & Yoon, 2022; Naciti,

2019). The rating agency evaluates the environmental performance of firms on the scale of zero to hundred based on environmental issues such as recycling, waste reduction, environmental cleanup and renewable energies.

I used two moderating variables in my dissertation, acquirer size and target public/private status. I measured acquirer size as the natural logarithm of total assets. In unreported analysis, I also measured acquirer size based on sales and received consistent results. Target public status was operationalized as a dummy variable that took the value of one for public targets and zero otherwise (for private targets).

I added seven control variables in all three studies of this dissertation. The first control variable was the *international experience* of the acquirer in cross-border acquisitions. I measured it as the number of completed cross-border investments made by the acquirer before the focal deal (Waqar, 2020). To correct for skewness, I added one to all the values and then took its natural logarithm (Reuer et al., 2012). The second control variable was acquirers' *percent sought*. It characterized the size of the stake that the acquirer gained in the focal deal as a percentage of the target (Fuad & Gaur, 2019). I used its natural logarithmic transformation to deal with the skewness. The third control variable was related to *tender offer*. I employed it as a dummy variable that took a value of one for tender offers and zero otherwise (Hukkanen & Keloharju, 2019). The fourth control variable was related to *cash payment*. I included it as a dummy variable that took a value of one if the payment method was purely cash and zero if the payment method was not purely cash (Fuad & Gaur, 2019; Liou & Rao-Nicholson, 2019; Rao-Nicholson and Svystunova, 2020; Roh et al., 2021).

The fifth control variable was related to *horizontal deal*. A deal is considered horizontal if the acquirer and target have the same primary business, e.g., a car manufacturer buying another car manufacturer. Horizontal deals have a higher likelihood of deal completion since the information asymmetry in such deals is lower. I employed *horizontal deal* as a dummy variable that took a value of one if the acquirer and target belonged to the same *third-level* industry classification according to the Bloomberg Industry Classification System (BISC) and zero otherwise (Ahmed et al., 2019; Waqar, 2020).

The sixth control variable was related to *cultural distance*. I first used Hofstede's (1980) culture data to assign a score to each acquirer or target country along four dimensions of culture: power distance, individualism-collectivism, masculinity-femininity, and uncertainty avoidance. Finally, I calculated the cultural distance between the acquirer and target countries using the standardized Euclidean distance formula obtained from Konara & Mohr (2019).

The seventh control variable was related to *institutional distance*. Institutional distance refers to the extent to which the acquirer and the target countries differ in terms of their institutional development. A country's institutional development is described by its political frameworks, policies and legal institutions. I first used Worldwide Governance Indicators (WGI) data to assign one-year lagged scores to each acquirer and target country along its six dimensions: (1) voice and accountability, (2) political stability and lack of violence, (3) government effectiveness, (4) regulatory quality, (5) rule of law, and (6) control of corruption. Then, I calculated the institutional distance between each pair of countries using the standardized Euclidean distance formula obtained from Konara & Mohr (2019). The names, descriptions and data sources of all variables are summarized in Table 1.

I included three types of indicator or dummy variables in the regression models: target countries, target industry sectors, and years. For the target industry sector, I used the first-level (i.e., the broadest) categorization of the Bloomberg Industry Classification System (BISC).

2.4.3. Regression models

As explained in Section 1.6, I used LPM, logistic model, probit model, logistic AME model, and probit AME model for hypothesis testing.

Table 1 Variables, definitions/measures, and data sources (Study 1)

Variable names	Definitions/measures	Data sources
Dependent variable		
Deal completion	A dummy variable that takes the value of one for completed deals and zero for abandoned deals (Kim & Song, 2017; Li et al., 2019).	Bloomberg
Independent variable		
Environmental performance	Acquirer environmental performance ranging from 0 to 100 as reported by Sustainalytics based on environmental issues such as recycling, waste reduction, environmental cleanup and renewable energies (Auer & Schuhmacher, 2016).	Sustainalytics
Moderating variable		
Acquirer size	Natural logarithm of acquirer total assets (Fuad & Gaur, 2019).	Bloomberg
Public target	A dummy variable that takes the value of one for public targets and zero for private targets (Li et al., 2019).	Bloomberg
Control variables		
International experience	Natural logarithm of one plus the number of completed cross-border investments made by the acquirer prior to the focal transaction (Waqar, 2020).	Bloomberg
Percent sought	The percentage of equity sought by the acquirer in the focal transaction (Fuad & Gaur, 2019).	Bloomberg
Tender offer	A dummy variable that takes the value of one for tender offers, and zero otherwise (Hukkanen & Keloharju, 2019).	Bloomberg
Cash payment	A dummy variable that takes the value of one if the method of payment was purely cash, and zero otherwise (Fuad & Gaur, 2019).	Bloomberg
Horizontal deal	A dummy variable that takes the value of one if the acquirer and target belonged to the same third-level industry classification as per Bloomberg Industry Classification System (BISC), and zero otherwise (Ahmed et al., 2020)	Bloomberg
Cultural distance	Standardized Euclidean distance between acquirer and target countries based on Hofstede's (1980) four cultural dimensions (Konara & Mohr, 2019).	Hofstede et al. (2010)
Institutional distance	Euclidean distance between acquirer and target countries based on six dimensions of Worldwide Governance Indicators (Konara & Mohr, 2019).	Worldwide Governance Indicators

2.5. Results

2.5.1. Descriptive statistics

The sample is comprised of 812 deals in 22 acquirer and 48 target countries. Table 2 reviews the acquirer and target countries in the sample. I have further reviewed the industry classification of the acquirers and targets in Table 3. In the original data, companies are categorized across three hierarchies as per the BISC. I have summarized their first- and second-level classification. The industry sector means the first-level hierarchy (the broadest classification), whereas the industry group means the second-level hierarchy (relatively specific classification). The descriptive statistics and correlation matrix are presented in Table 4.

Table 2 Acquirer and target countries (Study 1)

Acquirer Countries									
Australia	3	Denmark	7	Ireland	7	Netherlands	20	Switzerland	67
Austria	10	Finland	21	Israel	2	Norway	4	United States	157
Belgium	3	France	91	Italy	4	Singapore	6		
Britain	31	Germany	70	Japan	193	Spain	4		
Canada	14	Hong Kong	1	Luxembourg	4	Sweden	93		
Target Countries									
Argentina	2	Colombia	4	Indonesia	4	New Zealand	5	Spain	21
Australia	24	Costa Rica	1	Ireland	10	Norway	12	Sweden	16
Austria	8	Czech	2	Israel	5	Peru	2	Switzerland	14
Belgium	14	Denmark	12	Italy	42	Poland	5	Taiwan	3
Brazil	31	Estonia	1	Japan	3	Portugal	3	Thailand	1
Britain	78	Finland	11	Luxembourg	2	Romania	6	Turkey	7
Bulgaria	1	France	25	Malaysia	5	Singapore	13	United States	233
Canada	42	Germany	71	Mexico	6	Slovenia	1	Vietnam	1
Chile	4	Hong Kong	5	Morocco	1	South Africa	6		
China	10	India	11	Netherlands	24	South Korea	4		

Note: This table summarizes the number of deals for each acquirer and target country. The total number of deals is 812

Table 3 Acquirer and target industries (Study 1)

Acquirer industry sectors					
Basic materials	193	Industrial	619		
Target industry sectors					
Basic materials	101	Consumer, noncyclical	128	Technology	122
Communications	15	Energy	22	Utilities	5
Consumer, cyclical	60	Industrial	359		
Acquirer industry groups					
Aerospace/Defense	30	Environmental control	2	Metal fabricate/Hardware	16
Building materials	70	Forest products and paper	7	Mining	17
Chemicals	153	Hand/Machine tools	17	Miscellaneous manufacturers	93
Electrical components and equipment	52	Iron/Steel	16	Packaging and containers	11
Electronics	120	Machinery-construction and mining	56	Shipbuilding	2
Engineering and construction	33	Machinery-diversified	88	Transportation	29
Target industry groups					
Aerospace/Defense	7	Engineering and construction	40	Miscellaneous manufacturers	36
Agriculture	6	Environmental control	10	Office furnishings	1
Airlines	2	Food	8	Office/Business equipment	10
Apparel	2	Forest products and paper	4	Oil and gas	5
Auto manufacturers	4	Gas	3	Oil and gas services	6
Auto parts and equipment	12	Hand/Machine tools	11	Packaging and containers	7
Beverages	1	Healthcare-products	25	Pharmaceuticals	11
Biotechnology	14	Healthcare-services	6	Pipelines	1
Building materials	41	Home builders	2	Retail	13
Chemicals	77	Home furnishings	2	Semiconductors	8
Coal	1	Housewares	2	Shipbuilding	1
Commercial services	54	Internet	7	Software	81
Computers	23	Iron/Steel	8	Storage/Warehousing	1
Cosmetics/Personal care	3	Lodging	1	Telecommunications	7
Distribution/Wholesale	13	Machinery-construction and mining	16	Textiles	5
Electric	2	Machinery-diversified	72	Transportation	32
Electrical Components and equipment	20	Media	1	Trucking and leasing	2
Electronics	40	Metal fabricate/Hardware	24		
Energy-alternate sources	9	Mining	12		

Note: In the original data, firms are categorized across three hierarchies according to the BISC. I have summarized their first-level and second-level categorizations. The industry sector refers to the first-level hierarchy (the broadest classification), and the industry group refers to the second-level hierarchy (relatively specific classification).

Table 4 Descriptive statistics and correlation matrix (Study 1)

	Mean	Std. dev.	1	2	3	4
1 Deal completion	0.967	0.179				
2 Environmental performance	61.053	27.961	0.124 ***			
3 Public target	0.074	0.262	-0.499 ***	-0.047		
4 Acquirer size	23.481	1.066	-0.120 ***	0.299 ***	0.016	
5 International experience	3.388	1.065	0.085 **	0.216 ***	-0.139 ***	0.484 ***
6 Percent sought	4.575	0.126	0.026	-0.021	-0.033	-0.042
7 Tender offer	0.014	0.116	-0.097 ***	0.032	0.415 ***	0.052
8 Cash payment	0.313	0.464	-0.008	-0.033	0.256 ***	0.005
9 Horizontal deal	0.172	0.378	-0.152 ***	-0.037	0.183 ***	-0.096 ***
10 Cultural distance	2.395	1.121	0.107 ***	0.108 ***	-0.066 *	-0.054
11 Institutional distance	1.413	1.136	0.055	-0.049	-0.076 **	-0.003
	5	6	7	8	9	10
6 Percent sought	0.060 *					
7 Tender offer	-0.016	-0.025				
8 Cash payment	-0.205 ***	-0.024	0.174 ***			
9 Horizontal deal	-0.138 ***	0.014	0.031	0.001		
10 Cultural distance	-0.006	-0.052	0.017	-0.044	-0.052	
11 Institutional distance	0.013	-0.119 ***	-0.033	-0.089 **	0.028	0.182 ***

Note:

Number of observations = 812.

* p < 0.1.

** p < 0.05.

*** p < 0.01.

2.5.2. Regression analysis

The results of the LPM, logistic regression model, and probit regression model are presented in Table 5, Table 6, and Table 7, respectively. Regression models are arranged in the same manner in these three tables. The first model employs seven control variables along with country, industry and year dummies. The dependent variable, deal completion, takes the value of zero for abandoned deals and one for completed deals. A positive and significant coefficient means that the given variable and likelihood of deal completion are positively related. Likewise, a negative and significant coefficient means that the given variable and likelihood of deal completion are negatively related. For example, in all three tables (Table 5, Table 6, and Table 7), the coefficients

of horizontal deals in Model 1 are negative and significant. It shows that the likelihood of deal completion is significantly lower for horizontal deals.

Table 5 Linear probability models (Study 1)

	Dependent variable: Deal completion					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Environmental performance * Public target					0.188*** (0.049)	0.185*** (0.049)
Environmental performance * Acquirer size				0.014* (0.008)		0.007 (0.006)
Environmental performance			0.024*** (0.006)	0.027*** (0.007)	0.008* (0.004)	0.010* (0.005)
Public target		-0.379*** (0.062)	-0.374*** (0.060)	-0.370*** (0.060)	-0.330*** (0.056)	-0.329*** (0.056)
Acquirer size		-0.033*** (0.007)	-0.040*** (0.007)	-0.042*** (0.008)	-0.034*** (0.008)	-0.036*** (0.008)
International experience	0.011 (0.008)	0.023*** (0.007)	0.021*** (0.007)	0.020*** (0.007)	0.022*** (0.007)	0.022*** (0.007)
Percent sought	0.0002 (0.009)	-0.002 (0.007)	-0.001 (0.006)	-0.0004 (0.006)	-0.002 (0.007)	-0.002 (0.007)
Tender offer	-0.156 (0.113)	0.19 (0.124)	0.183 (0.118)	0.186* (0.112)	0.092 (0.103)	0.095 (0.100)
Cash payment	0.015 (0.014)	0.058*** (0.013)	0.059*** (0.013)	0.059*** (0.013)	0.057*** (0.012)	0.057*** (0.012)
Horizontal deal	-0.057*** (0.022)	-0.024 (0.018)	-0.024 (0.017)	-0.025 (0.017)	-0.021 (0.016)	-0.022 (0.016)
Cultural distance	0.016** (0.007)	0.012* (0.006)	0.008 (0.006)	0.008 (0.006)	0.009 (0.006)	0.009 (0.006)
Institutional distance	0.017 (0.020)	0.011 (0.017)	0.01 (0.017)	0.01 (0.017)	0.008 (0.015)	0.008 (0.015)
Intercept	0.896*** (0.034)	0.937*** (0.024)	0.929*** (0.024)	0.925*** (0.024)	0.937*** (0.023)	0.935*** (0.023)
Target country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Target industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1433	0.3791	0.3923	0.3970	0.4587	0.4599
Model likelihood ratio test	125.63***	386.99***	404.4***	410.73***	498.35***	500.25***
Observations	812	812	812	812	812	812

Note: The dependent variable takes the value of zero for abandoned deals and one for completed deals.

Heteroskedasticity-consistent robust standard errors are reported in parentheses. I used the standardized values of continuous explanatory variables in the regression.

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

Table 6 Logistic models (Study 1)

	Dependent variable: Deal completion					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Environmental performance * Public target					2.764*** (0.782)	2.963*** (0.913)
Environmental performance * Acquirer size				-0.202 (0.389)		0.198 (0.558)
Environmental performance			1.592** (0.812)	1.696* (0.929)	0.779 (1.087)	0.650 (1.285)
Public target		-7.181*** (1.612)	-7.733*** (2.025)	-7.898*** (2.284)	-7.688*** (2.239)	-7.521*** (2.304)
Acquirer size		-2.979*** (0.990)	-3.487** (1.486)	-3.600** (1.640)	-3.999** (1.809)	-3.903** (1.867)
International experience	0.371 (0.231)	2.184*** (0.700)	2.244*** (0.844)	2.322** (0.936)	2.924*** (1.057)	2.849** (1.129)
Percent sought	-0.053 (0.368)	0.318 (0.220)	0.345 (0.286)	0.319 (0.262)	0.140 (0.284)	0.142 (0.280)
Tender offer	-2.926** (1.147)	0.155 (1.091)	0.394 (1.093)	0.267 (1.167)	-0.863 (1.774)	-0.758 (1.955)
Cash payment	0.397 (0.514)	3.437*** (1.177)	3.760** (1.643)	3.805** (1.749)	4.459*** (1.723)	4.422** (1.729)
Horizontal deal	-1.496*** (0.571)	-0.022 (1.114)	-0.1 (0.875)	-0.212 (0.829)	-0.353 (1.045)	-0.274 (0.972)
Cultural distance	0.726*** (0.277)	0.623 (0.477)	0.602 (0.627)	0.584 (0.638)	0.649 (0.637)	0.686 (0.692)
Institutional distance	0.994 (0.919)	1.349 (1.061)	1.585 (0.996)	1.587 (0.989)	2.278 (1.402)	2.336* (1.405)
Intercept	2.766*** (0.953)	5.625*** (1.608)	6.328*** (2.384)	6.558*** (2.430)	7.049** (2.944)	6.933** (2.922)
Target country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Target industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo R-squared	0.4009	0.7514	0.7906	0.7913	0.8088	0.8093
Model likelihood ratio test	86.844**	171.23***	181.23***	181.43***	185.92***	186.05***
Observations	812	812	812	812	812	812

Note: The dependent variable takes the value of zero for abandoned deals and one for completed deals.

Heteroskedasticity-consistent robust standard errors are reported in parentheses. I used the standardized values of continuous explanatory variables in the regression.

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

Table 7 Probit models (Study 1)

	Dependent variable: Deal completion					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Environmental performance * Public target					1.426*** (0.349)	1.577*** (0.421)
Environmental performance * Acquirer size				0.004 (0.221)		0.176 (0.267)
Environmental performance			0.648* (0.342)	0.647 (0.414)	0.238 (0.484)	0.153 (0.593)
Public target		-3.641*** (0.669)	-3.747*** (0.794)	-3.745*** (0.871)	-3.738*** (0.785)	-3.672*** (0.778)
Acquirer size		-1.382*** (0.440)	-1.525** (0.608)	-1.524** (0.676)	-1.739*** (0.666)	-1.706** (0.674)
International experience	0.187* (0.111)	1.046*** (0.332)	1.031*** (0.364)	1.030** (0.412)	1.324*** (0.404)	1.282*** (0.442)
Percent sought	0.046 (0.193)	0.152 (0.126)	0.141 (0.134)	0.142 (0.128)	0.052 (0.169)	0.055 (0.161)
Tender offer	-1.465** (0.592)	0.081 (0.536)	0.312 (0.445)	0.315 (0.435)	-0.142 (0.560)	-0.018 (0.668)
Cash payment	0.231 (0.244)	1.880*** (0.537)	1.889*** (0.621)	1.890*** (0.620)	2.224*** (0.661)	2.229*** (0.674)
Horizontal deal	-0.708** (0.283)	0.036 (0.473)	-0.007 (0.407)	-0.004 (0.389)	-0.073 (0.487)	0.017 (0.453)
Cultural distance	0.334*** (0.130)	0.328 (0.224)	0.253 (0.237)	0.253 (0.240)	0.298 (0.244)	0.319 (0.279)
Institutional distance	0.428 (0.425)	0.898 (0.584)	0.952* (0.549)	0.952* (0.550)	1.184* (0.712)	1.219* (0.736)
Intercept	1.333*** (0.470)	3.005*** (0.774)	3.156*** (0.952)	3.152*** (0.989)	3.486*** (1.124)	3.372*** (1.122)
Target country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Target industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo R-squared	0.3965	0.7448	0.7761	0.7761	0.799	0.8008
Model likelihood ratio test	85.844**	169.56***	177.53***	177.53***	183.41***	183.87***
Observations	812	812	812	812	812	812

Note: The dependent variable takes the value of zero for abandoned deals and one for completed deals.

Heteroskedasticity-consistent robust standard errors are reported in parentheses. I used the standardized values of continuous explanatory variables in the regression.

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

In Model 2, I add the direct effects of both the moderating variables. Both variables have negative and significant coefficients. Negative and significant coefficients of acquirer size show that deals initiated by large acquirers have a lower likelihood of deal completion than those initiated by small acquirers. In the same way, the negative and significant coefficients of public targets show that the likelihood of deal completion is significantly lower for public targets than for private targets. Notably, the direct effects of acquirer size and target public/private status are beyond the scope of the hypotheses. However, negative and significant coefficients support the idea that large acquirers and public targets are subject to greater legitimacy challenges than small acquirers and private targets, respectively.

In Model 3, I added the direct effects of environmental performance, corresponding to H1a. In all three tables, the coefficients of environmental performance are significant and positive. It suggests that the likelihood of deal completion is higher for cross-border acquirers with better environmental performance than for those with poor environmental performance. Thus, H1a is supported. As per the LPM model, a one-standard-deviation increase in environmental performance increases the likelihood of deal completion by 2.4%. I tried to obtain a similar interpretation via logistic and probit models. I have reported their AME in Table 8. A one-standard-deviation increase in environmental performance increases the likelihood of deal completion by 1.5% as per the logistic model and by 1.3% as per the probit model. The logistic and probit models do not assume a linear relationship between the explanatory variable and the probability of the focal event characterized by the dependent variable. To better understand the relationship between the focal independent variable and dependent variable, I illustrate the predicted likelihood of deal completion across the values of environmental performance in Figure 1. Specifically, the figure shows that although the effect of environmental performance is strong at lower values of

environmental performance, the effect becomes weaker at higher values of environmental performance.

Table 8 Average marginal effects (AME) from the logistic and probit models (Study 1)

	Dependent variable: Deal completion	
	AME from logistic model	AME from probit model
	Model 1	Model 2
Environmental performance	0.015*** (0.005)	0.013*** (0.005)
Public target	-0.219*** (0.047)	-0.232 (0.867)
Acquirer size	-0.034*** (0.01)	-0.032*** (0.008)
International experience	0.022*** (0.007)	0.021*** (0.007)
Percent sought	0.003 (0.004)	0.003 (0.004)
Tender offer	0.004 (0.016)	0.006 (0.014)
Cash payment	0.037*** (0.013)	0.039*** (0.012)
Horizontal deal	-0.001 (0.012)	-0.000 (0.012)
Cultural distance	0.006 (0.006)	0.005 (0.005)
Institutional distance	0.015 (0.013)	0.02 (0.014)
Target country fixed effects	Yes	Yes
Target industry fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Observations	812	812

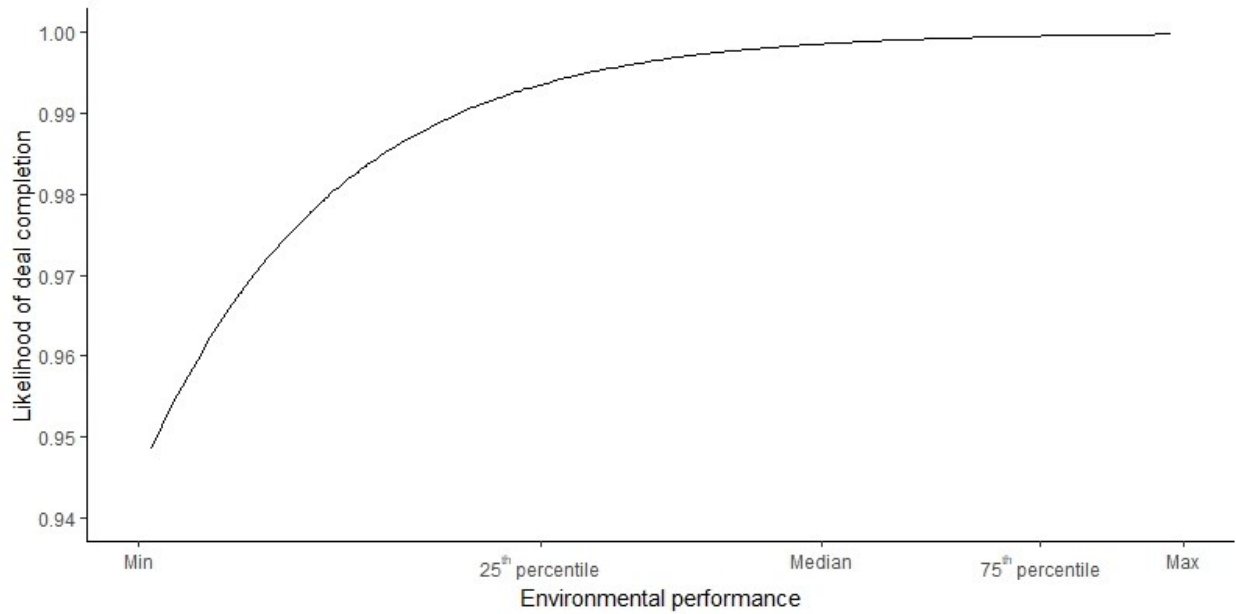
Note: The dependent variable takes the value of zero for abandoned deals and one for completed deals. Heteroskedasticity-consistent robust standard errors are reported in parentheses. I used the standardized values of continuous explanatory variables in the regression.

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

Figure 1 Predicted likelihood of deal completion across the values of acquirers' environmental performance (Study 1)



In Model 4, I include interaction terms between environmental performance and my first moderating variable, acquirer size. As per the LPM, a significant and positive coefficient indicates that the relationship between environmental performance and the likelihood of deal completion is stronger for large acquirers, providing support for H1b. In logistic and probit models, the interaction terms are not significant. It must, however, be noted that an insignificant interaction term does not necessarily mean that acquirer size does not moderate the focal relationship. To determine an accurate conclusion from these models, I plot the AME of environmental performance on the likelihood of deal completion across the range of acquirer size values. The plot is presented in Figure 2 and is built on a logistic model. A plot based on the probit model provided a similar conclusion. In Figure 2, the solid line denotes the AME, and the light gray region denotes its 95% confidence intervals. I also draw a dotted horizontal line at $y = 0$ to show the statistically significant part of the AME. The horizontal line cuts the lower bounds of the confidence interval at the 20th percentile of acquirer size and the 99th percentile of acquirer size. The part of the solid

line and gray area enclosed between a dashed and long-dashed line denotes a statistically significant part of the AME and its confidence intervals. The analysis further show that the AME of environmental performance on the likelihood of deal completion is highest at the 92nd percentile of acquirer size. This AME is statistically higher than all AMEs of environmental performance from the 0th to the 14th percentile of the moderating variable, acquirer size. In particular, the focal relationship at the 92nd percentile of acquirer size is statistically stronger than that at the 0th to 14th percentile of acquirer size. Likewise, according to the probit model, the focal relationship at the 96th percentile of acquirer size is statistically stronger than at the 0th to 14th percentiles of acquirer size. Therefore, since the moderation effect is statistically supported at specific ranges of acquirer size, H1b is partially supported by the logistic and probit models. For a visual representation, I plot the logistic model AME of environmental performance on the likelihood of deal completion separately at the 92nd percentile and at the 14th percentile of acquirer size in Figure 3. The figure reveals that small acquirers (14th percentile of acquirer size) have a high likelihood of deal completion, irrespective of their environmental performance. In accordance, I find that environmental performance plays no significant role in affecting the likelihood of deal completion among small acquirers. In contrast, large acquirers (92nd percentile of acquirer size) are strongly affected by acquirers' environmental performance—their predicted likelihood of deal completion at the minimum value of environmental performance is 6%, while that at the maximum value of environmental performance is 90%.

Figure 2 Average marginal effects (AME) of environmental performance on the likelihood of deal completion across acquirer size (Study 1)

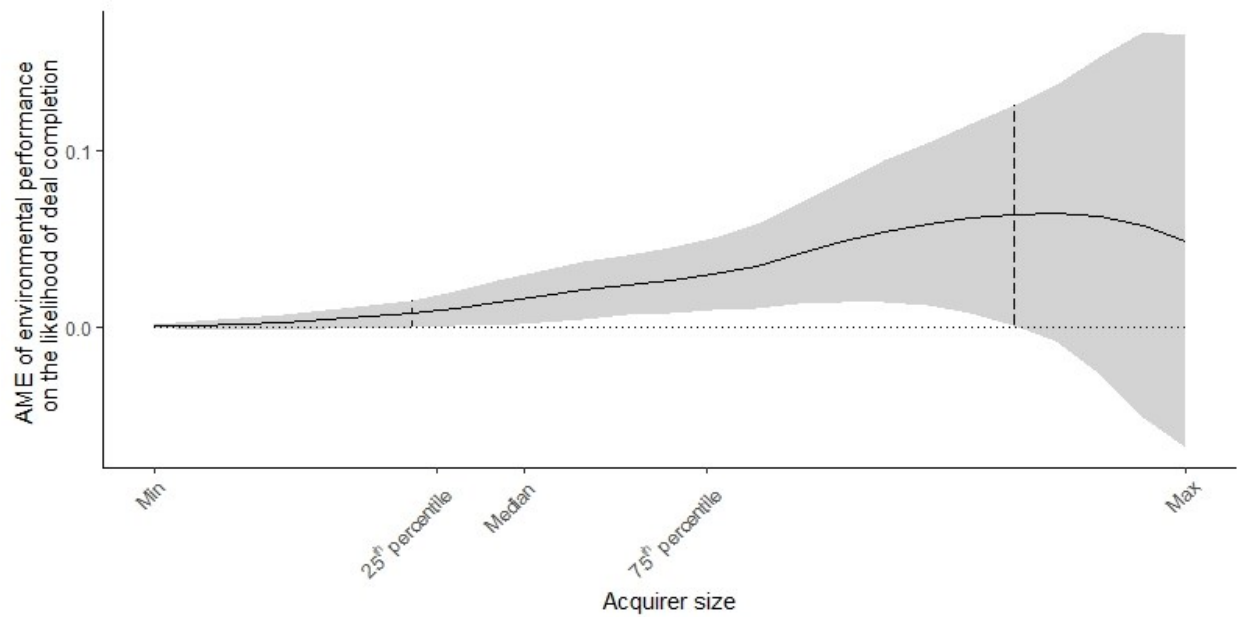
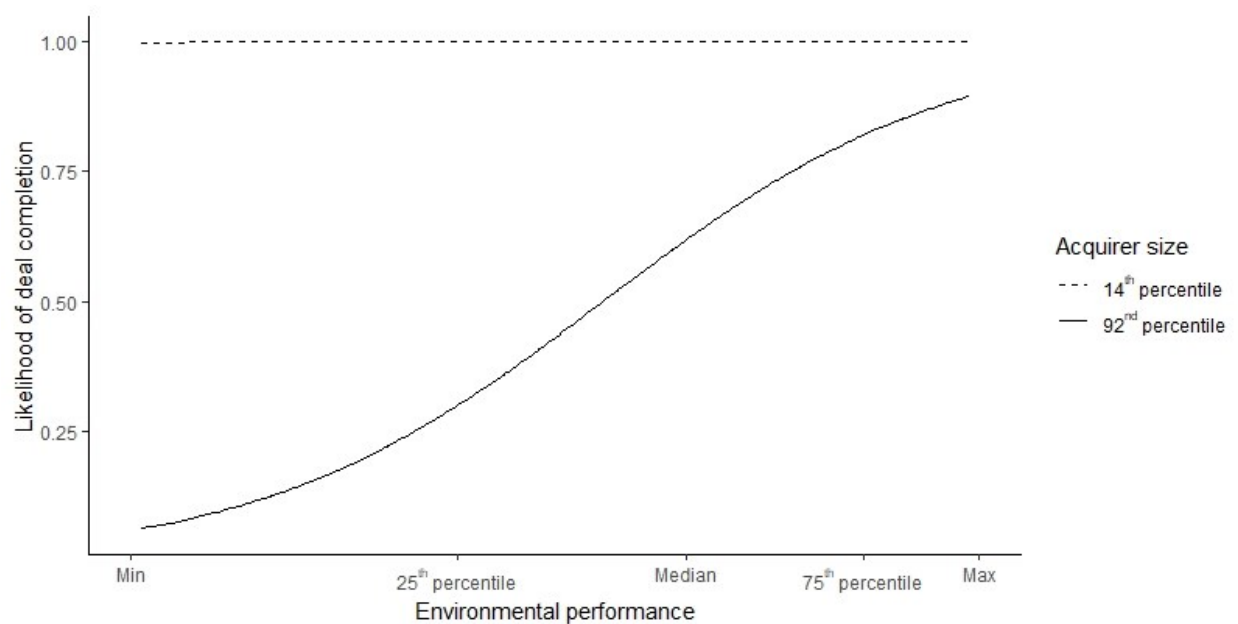


Figure 3 Marginal effect of environmental performance on the likelihood of deal completion at two values of acquirer size (Study 1)



In the fifth model, I include the interaction terms between environmental performance and second moderating variable, public target. In all three tables, the interaction terms are significant,

meaning that the focal relationship is stronger for public targets than for private targets. Hence, H1c is also supported. I present the AME of environmental performance on the likelihood of deal completion separately for private targets and public targets as bars in Figure 4. The AME for private targets is 0.0047, while that for public targets is relatively high (0.1250). The AME for public targets is significantly higher as compared to that for private targets. For an alternative visual understanding, I present the predicted likelihood of deal completion across the values of environmental performance for private and public targets separately in Figure 5. I present this graph based only on logistic regression. The figure built on the probit model was nearly identical. Figure 5 illustrates how deals involving private targets have a very high likelihood of deal completion such that the environmental performance of the acquirer plays only a small role. Nevertheless, for public targets, the focal relationship is very strong. Furthermore, the strength of the focal relationship for the public depends on the range of environmental performance. Regarding cross-border acquirers with poor environmental performance (specifically, an environmental performance score between the minimum and the 25th percentile), the focal relationship is very weak. An increase in the value of environmental performance from the minimum value to the 25th percentile value increases the likelihood of deal completion from roughly 0% to 3%. For cross-border acquirers with mediocre environmental performance (specifically, an environmental performance score between the 25th percentile and 75th percentile), the focal relationship is very strong. When environmental performance increases from the 25th percentile score to the 75th percentile score, the likelihood of deal completion increases from roughly 3% to 93%. Finally, for cross-border acquirers with high environmental performance (specifically, environmental performance scores between the 75th percentile and the maximum value), the focal relationship becomes relatively weak. An increase in the environmental

performance score from the 75th percentile to the maximum value increases the likelihood of deal completion from roughly 93% to 99%. In general, the fine-grained analysis not only reveals that the focal relationship is stronger for public targets than for private targets but also shows that for public targets, the focal relationship is the strongest among cross-border acquirers with mediocre environmental performance (i.e., an environmental performance score between the 25th percentile and the 75th percentile).

Figure 4 Average marginal effects (AME) of environmental performance on the likelihood of deal completion for private and public targets (as bars) (Study 1)

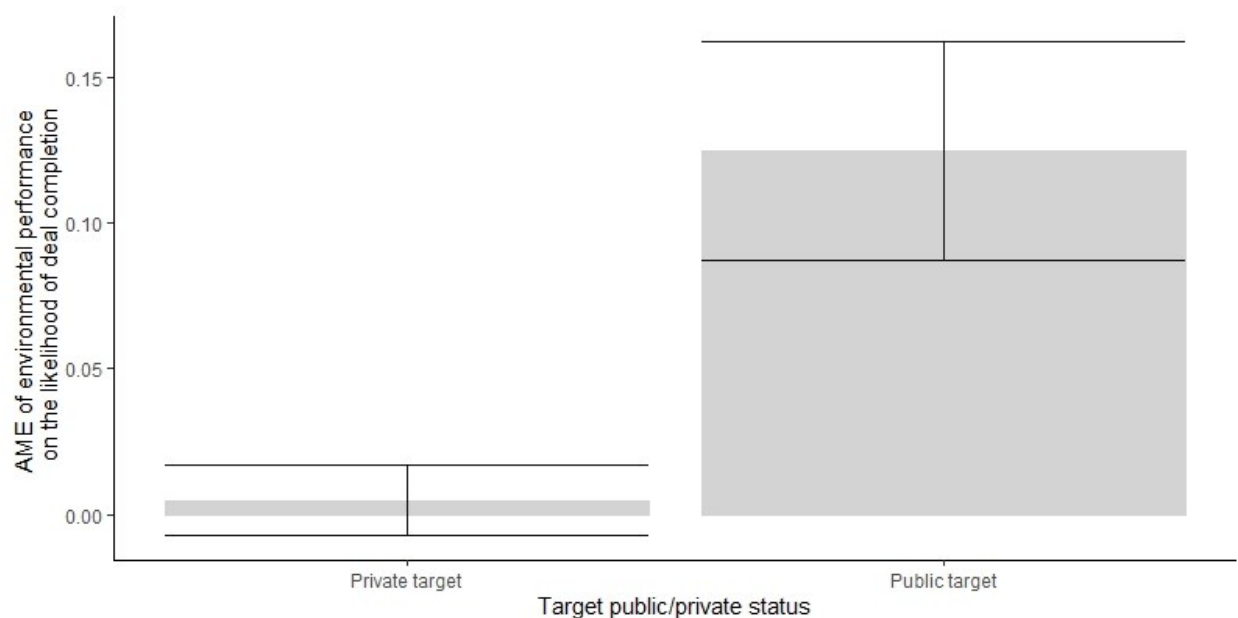
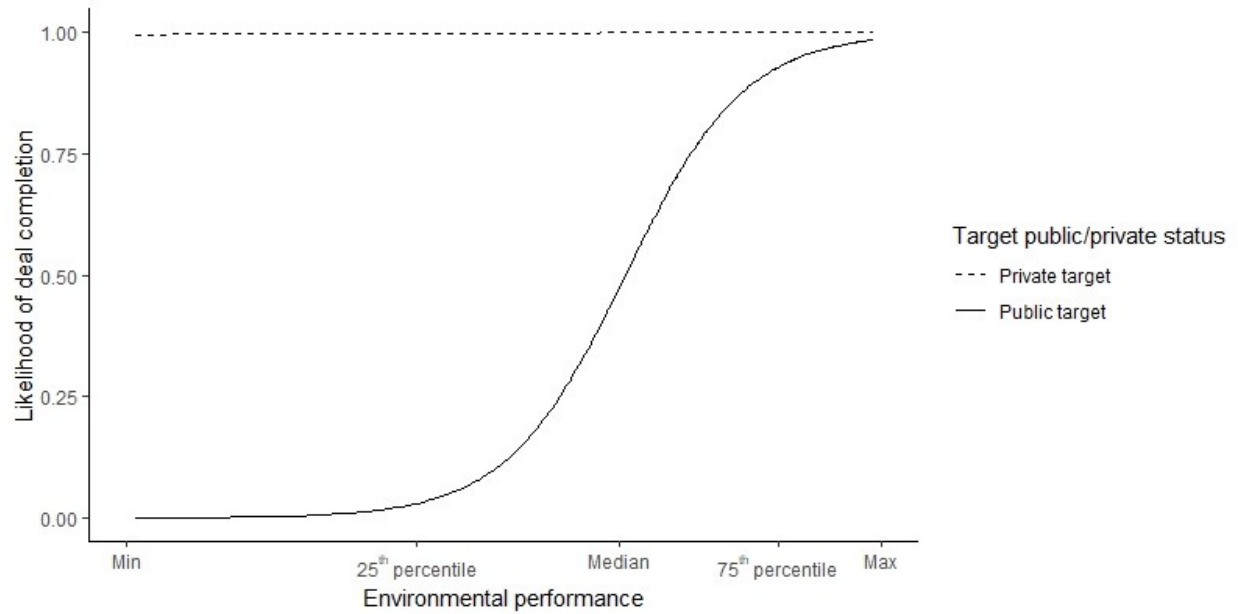


Figure 5 Predicted likelihood of deal completion across the values of environmental performance separately for private and public targets (Study 1)



In the sixth model, I combine both interaction terms to evaluate their stability. The interaction terms in the sixth models retain their sign and significance as compared to those in the fourth and fifth models.

2.5.3. Robustness check

Although I tried to apply a robust methodology throughout the main analysis by using different types of regression models, I also considered various avenues in additional unreported robustness analyses. My sample is quite imbalanced, i.e., for many acquirer and target countries, there are only a few deals. Interestingly, a similar imbalance exists in the focal population, suggesting that it is not a limitation of the sample *per se*. However, I tested whether the conclusion holds if I delete relatively insignificant countries from the sample. I thus analyzed the subsample of acquirer countries for which there were at least 10 deals in the sample again. I also applied the same criteria to target countries. I analyzed the subsample of target countries for which there were

at least 10 deals in the sample. Regarding the imbalanced data from the acquirer and target country perspectives, I also checked whether the results are dictated by the major acquirer or target countries in the sample. There are some acquirer and target countries that represent a large proportion of the sample. Regarding the acquirers, I created a subsample by excluding the top two acquirer countries. I also applied the same criteria at the target country side. In all of these cases, the conclusion regarding the hypotheses remained the same.

2.6. Discussion and conclusion

This study explored the influence of the environmental performance of a firm on its cross-border acquisition process. I examined the effect of environmental performance on the likelihood of deal completion and how acquirer size and target public/private status moderate the focal relationship. Thus, I formulated three hypotheses on the direct effect of acquirers' environmental performance on the likelihood of cross-border deal completion, the moderating effect of acquirer size, and the moderating effect of target public status. Although the first and third hypotheses are strongly supported by the results of multiple regression models, the second hypothesis has received limited support. Concerning the first and third hypotheses, I can conclude that the environmental performance of a firm and the likelihood of deal completion are positively associated, particularly for a public target. The second hypothesis has received conditional support from the logistic and probit models, i.e., the strength of the focal relationship at the 92nd percentile value of acquirer size (as per logistic model) and the 96th percentile of acquirer size (per the probit model) is stronger than at the 0th to 14th percentile of acquirer size.

There are two major reasons why the H1b received limited support. First, H1b might not have received support due to the study's design. The sample was confined to public acquirers—the third-party environmental ratings used in this study do not cover private firms. As all public

companies, irrespective of their size, disseminate extensive information in their annual statements, they are all covered to more or less the same extent in the media. This might be the reason why the effect of firm size becomes irrelevant or diluted. Second, regarding the impact of environmental performance on the likelihood of deal completion at different levels of acquirer size, the direct effect of acquirer size cannot be disregarded. Remarkably, the direct effect of acquirer size is significant in all the models. Thus, the strong direct effect of acquirer size might be why, at high and low levels of acquirer size, the effect of environmental performance becomes negligible.

2.6.1. Contributions

The study makes three contributions to the literature. First, my findings extend the application of environmental legitimacy in the context of cross-border M&A. The literature on environmental legitimacy is mainly centered on the performance effects of legitimacy using general accounting-based or market-based measures. Truong & Berrone (2022) show that since industrial firms with a greater number of environmental patents have higher environmental legitimacy, this positively affects their market value. De Mendonca & Zhou (2019) find that environmental orientation that targets ecological sustainability has a stronger positive effect on environmental legitimacy than the one that does not target ecological sustainability. De Mendonca & Zhou (2019) further show that environmental legitimacy mediates the relationship between environmental orientation and long-run profitability, and also between environmental orientation and market value. Although these studies offer useful insights into the benefits of environmental legitimacy, they do not explore how and whether environmental legitimacy affects firms in specific contexts, such as cross-border acquisitions. I therefore use a context-specific measure of firm performance (cross-border acquisition completion), which allowed me to conclude that the environmental legitimacy of a firm is diligently analyzed by international stakeholders upon deal

announcement. Hence, my study discusses, in detail, how the environmental legitimacy of cross-border acquirers is thoroughly examined by a range of stakeholders who influence a specific firm outcome—deal completion.

Second, my results extend the debate on the net economic impact of firm investment in environmental issues. The literature offers mixed results concerning whether the benefits of investing in environmental issues compensate the costs. Most studies reach to the conclusion that the benefits outweigh the costs. Based on a sample of public firms in the US, Dreyer et al. (2019) show that environmental performance has a negative effect on direct production costs and a positive effect on overhead costs. Nevertheless, aggregate operating costs decline as environmental performance increases. This suggests that investing in environmental issues is beneficial for firms. Putra (2021) reveals that environmental performance has a positive impact on earnings persistence, meaning that firms that invest more in environmental issues are more likely to secure sustainable, recurring, and permanent earnings. However, some other studies reach to the opposite conclusion. Analyzing a sample of large firms listed on the Dow Jones Global Index, Busch & Hoffmann (2011) establish that environmental performance has a negative effect on financial performance. Hasan et al. (2022) examine the effect of banks' environmental performance on accounting-based and market-based performance. Their results show that although environmental performance negatively affects accounting performance, it has no significant effect on the market performance. Galletta et al. (2021) show that customers tend to make fewer deposits in banks with better environmental performance. Pekovic et al. (2018) comprehensively assess the effect of environmental performance on financial performance and conclude that as these two variables have an inverse U-shaped relationship, the turning point is reached quickly. Their results thus suggest that the positive effect of environmental performance on financial performance is valid

only for initially small investments in environmental issues. Investing beyond their identified threshold in environmental issues negatively affects the financial performance. The results of this study therefore extend this debate; I find that firms might benefit more from investing in environmental issues in terms of increasing the likelihood of deal completion. Firms could avoid the financial costs (such as termination penalties) and legitimacy loss, associated with deal abandonment.

Third, the study contributes to the literature on acquisition outcomes. Li et al. (2019) show that state-owned firms have a lower deal completion likelihood than firms with other forms of ownership. Fuad & Gaur (2019) demonstrate that the acquisitions announced within a merger wave have a lower likelihood of deal completion. Additionally, entry timing and the deal completion likelihood have an inverted U-shaped relationship inside a merger wave. Zhang (2022) shows that the economic and institutional liability of so-called emergingness has a negative impact on the likelihood of acquisition completion. Zhang (2022) additionally demonstrates that these negative effects disappear or become weak when the host country's unemployment rate is too high and when the host country's institutional quality is too low. Wang et al. (2022) reveal that the likelihood of deal completion is higher in conduit acquisitions. Conduit acquisitions are defined as those when an ultimate acquirer purchases a target through one of its majority-owned subsidiaries already located in the host country. Notably, some acquisition outcome studies have focused on the broader role of CSR. For example, based on a sample of domestic mergers in the US, Deng et al. (2013) find that the CSR ratings of an acquirer are positively associated with the likelihood of deal completion. Based on outbound cross-border acquisitions by emerging market firms, Hawn (2021) uses two media coverage-based measures of CSR (positive and negative CSR media coverage). Hawn (2021) show that while positive CSR media coverage does not affect the

likelihood of deal completion, negative CSR media coverage adversely affects the deal completion likelihood. Both of these studies use a broad measure of CSR that covers diverse aspects, such as environmental performance and social performance. My nuanced analysis thus focuses on the role of the *environmental* performance of cross-border acquirers in two *environmentally* sensitive industries. In addition to the direct relationship between acquirers' environmental performance and the likelihood of deal completion, I test the moderating influence of two variables (acquirer size and target public/private status). Hence, I find partial statistical support for the moderating influence of acquirer size and strong statistical support for the moderating influence of target public/private status.

2.6.2. Managerial implications

This chapter has several managerial implications. Managers in environmentally sensitive industries are encouraged to track their environmental performance ratings if they desire to pursue cross-border acquisition in the near future. If their firms have good environmental performance ratings, they should publicize these ratings widely so that more stakeholders in the target country should be made aware of them. If their firms have poor environmental ratings, they should avoid communicating these ratings and instead, they should try to highlight their commitment to environmental issues using other measures, such as budgets allocated toward environmental issues. At the target side, managers should actively analyze environmental issues pertaining to their cross-border acquirer. Managers in target companies may brainstorm on the following questions: Does the cross-border acquirer have a sufficient environmentally responsible profile as compared with its peers in the host country? Is the cross-border acquirer involved in any environmental scandal? How will stakeholders, such as employees, customers and NGOs, possibly react to the deal based on the environmental performance of the acquirer?

2.6.3. Limitations and future research directions

The first study has several limitations that open avenues for future research. First, as mentioned earlier as well, I relied on specific third-party ratings, Sustainalytics, to measure the environmental performance of acquirers that cover only public firms. As the sample does not include private firms, it can be questioned whether the results can be generalized to private acquirers. Future studies may thus use a sample that includes both private and public acquirers to measure environmental performance and firm size with a method that could be applied to both types of acquirers. Precisely, environmental performance could be based on managers' or other stakeholders' perceptions, and firm size could be based on the number of employees. Second, I identified environmental legitimacy as the mechanism through which acquirers' environmental performance affects deal outcomes. Still, I did not measure environmental legitimacy directly or included it as a mediating variable in the study. Future studies could therefore use questionnaire-based data to measure environmental legitimacy and analyze its mediating effect on the relationship between acquirers' environmental performance and deal outcomes by using structural equation modeling. Third, I examined only one dependent variable in this study. Hence, future studies may further explore the postacquisition phase of deals. It would be interesting to investigate the postacquisition performance of acquirers that were able to complete deals despite their low environmental performance. I expect that such acquirers have low performance in the postacquisition phase.

Chapter 3

Study 2: The effects of acquirers' social performance

3.1. Abstract

The social performance (SP) of a firm is correlated with many positive organizational outcomes. Nonetheless, little is known about the effect of the SP of a firm on the likelihood of cross-border acquisition completion (CBAC). Investigating the link between firms' SP and the likelihood of CBAC is valuable because it will advance the discussion on how stakeholders reward firms with better reputations. Drawing on the signaling and reputation for SP literature, I explore how acquisition complexity, reputational risk and firm visibility impact CBAC. Based on a sample of 578 cross-border deals undertaken by acquirers in the noncyclical consumer industry (NCCI), my results support a positive relationship between acquirers' SP and the likelihood of CBAC and strengthening moderating effects of two variables, acquirer size and public targets.

Keywords: Acquirers' social performance, Reputation for social performance; Cross-border acquisitions; Acquisition completion

3.2. Introduction

The reputation of firms is influenced by their social actions such as community involvement, diversity, labor unions, and customer interactions (Aguilera-Caracuel & Guerrero-Villegas, 2018; Bertrand et al., 2021). In accordance, the social performance (SP) of a firm positively influence a range of favorable organizational outcomes, such as analysts' recommendations (Luo et al., 2015), reputation (Pérez-Cornejo et al., 2021), attractiveness as an employer (Jones et al., 2014), debt

ratings (La Rosa et al., 2018), and financial performance (Aguilera-Caracuel & Guerrero-Villegas, 2018; Gras & Krause, 2020; Tsai & Wu, 2021).

Despite the vast research on SP, this topic has remained comparatively underexplored from an international business (IB) perspective (Marano et al., 2022; Mohr et al., 2022; Muller, 2020; Nardella & Brammer, 2021). Although few studies analyze the role of SP in the context of M&A (Cho et al., 2020; Krishnamurti et al., 2019; Ma et al., 2020), the literature does not answer whether the SP of a firm affects the likelihood of cross-border acquisition completion (CBAC). Exploring the link between the SP of a firm and the likelihood of CBAC is important not only because of its practical significance (deal abandonment cause significant financial and reputational losses), but also because it will advance the discussion on the explanatory mechanism through which firms are able to increase their likelihood of CBAC based on their SP. Thus, the objective of this chapter is to examine the effect of the SP of firms on the likelihood of CBAC.

In a related study, Deng et al. (2013) used a sample of mergers in the United States and showed that an acquirer's CSR score is positively associated with the likelihood of deal completion. I extend the work of Deng et al. (2013) in at least four ways. First, I specifically focus on the social dimension of CSR instead of an aggregated CSR measure (based on many dimensions). Second, my sample is not restricted to any single country. Instead, I use a global dataset covering 578 cross-border deals in 21 home countries and 53 host countries. Third, I examine the moderating influence of two variables in this study, acquirer size and public targets. These variables represent prominent characteristics of the acquirer and target, respectively, and have vital theoretical relevance in this study. Fourth, I focus on a useful setting of noncyclical consumer industry (NCCI) acquirers. I focus on NCCI acquirers because of two theoretical reasons and one practical reason. The first theoretical motivation is that as a *consumer* industry, the NCCI involves firms that are highly

concerned about their social image since they provide goods and services directly to end consumers. Thus, social performance is a key consideration for NCCI firms. The second theoretical motivation is that due to its *noncyclical* nature, the NCCI is not affected by business cycles and economic downturns. Hence, its significance is not decreased in years and countries affected by economic adversity. For example, in the case of financial distress, consumers are more likely to give up products related to the cyclical consumer industry, such as high-priced watches, than those related to the NCCI, such as rice, bread and oil. Regarding the practical significance of the NCCI, I found that roughly one-third of the announced acquisitions between 2014 and 2018 were done by acquirers in the NCCI according to Bloomberg M&A data.

Building on the reputation for SP literature which is grounded on signaling theory, I conceptualize acquisition complexity as the negative influences on cross-border acquisition deals from the formal and informal domains of host country institutions. I argue that when acquirers act according to the social regulations and norms prevalent in their host countries, they face less acquisition complexity. In other words, acquirers' reputation for SP allows them decrease acquisition complexity. I further contend that the effect of reputation for SP on acquisition complexity translates into an increased likelihood of deal completion because cross-border acquisitions represent a context in which acquirers are subject to reputational risk and visibility. Additionally, I contend that acquirers are subject to a greater degree of reputational risk and visibility when they are large or when they acquire public targets. Hence, large acquirers and acquirers that buy public targets are able to mitigate acquisition complexity to a greater extent than small acquirers and those that buy private targets, respectively. Therefore, I hypothesize that acquirer size and public targets strengthen the positive relationship between acquirers' SP and the

likelihood of CBAC. The hypotheses of this study are supported by logistic regression and a range of robustness tests.

The study makes three contributions to the literature. First, the study contributes to the growing literature on acquisition outcomes (for a review, see Kumar & Sengupta, 2020). To the best of my knowledge, this is the first study that exclusively focuses on the effect of the social dimension of CSR on acquisition outcomes. Thus, I contribute to the acquisition outcomes literature by introducing an important predictor of deal outcomes. Additionally, unlike prior acquisition studies that discuss the role of complexity in the post-acquisition phase (Kang et al., 2021; McCarthy & Noseleit, 2021; Zorn et al., 2019), this study shows that acquisition complexity matters already before the post-acquisition phase. Second, this study adds to the theory on reputation for SP in an IB context. Prior studies on SP have mainly focused on its antecedents (Zyglidopoulos, 2001, 2004; Gardberg et al., 2019). Despite the enormous amount of money spent by companies on reputation building, the IB literature provides limited information on whether stakeholders reward acquirers with better reputations. This study sheds light on the importance of considering the signals that acquirers send to their stakeholders located in the target countries. Thus, this study contributes to the debate on reputation for SP, from its antecedents to its consequences, in an interesting IB context of cross-border acquisitions. Third, this study contributes to the nonmarket strategy literature. Precisely, I illustrate the importance of reputation for SP in an interorganizational transactional context. Prior literature on nonmarket strategy has largely focused on firms' interactions with noncommercial external parties such as governments, nongovernment organizations and local communities (Mellahi et al., 2016). Thus, the ways in which a firm may gain the benefits of CSR investment from other commercial firms remains comparatively underexplored (Cho et al., 2020; Krishnamurti et al., 2019; Ma et al., 2020). My study shows that

firms' nonmarket strategies are beneficial even in an interorganizational transactional context. That is, a firm can gain economic benefits by investing in nonmarket strategies even from a commercial entity by increasing its likelihood of CBAC.

The rest of the study is organized as follows. The following section presents the theoretical background and hypothesis development. Next, I present the methodology by describing the sample selection process, the operationalization of the variables, and the empirical model. Later, the descriptive statistics, the logistic regression results, and the results of robustness checks are discussed in the results section. The final section covers a discussion and conclusion.

3.3. Theoretical background and hypothesis development

3.3.1. Reputation for social performance

Reputation for SP has been studied by scholars for years (Zyglidopoulos, 2001). It is defined as the stakeholders' knowledge and emotions regarding the SP of a firm. Reputation for SP is a multidimensional construct composed mainly of two dimensions: awareness and perception (Gardberg et al., 2019). Awareness of SP means stakeholders' collective acknowledgement of a firm's SP. In contrast, perception of SP refers to stakeholders' judgments of whether they consider a firm's SP to be satisfactory. Both dimensions of reputation for SP (awareness and perception) can be understood based on a recent Nike advertisement in Japan that received extensive attention on social media (Oh & Wha Han, 2022). The advertisement tried to challenge social stereotypes such as bullying and racism in the context of Japan. However, consumers were still divided on whether the advertisement should be praised for challenging social stereotypes or condemned for unnecessarily tarnishing the social image of Japan. Therefore, in the typology of the reputation for SP literature, it can be said that this advertisement resulted in an increased awareness of SP

manifested in high viewership. Nonetheless, perception of SP did not automatically increase since consumers still debated whether the advertisement was appropriate.

The literature on reputation for SP is influenced by signaling theory (Spence, 2002). Signaling theory proposes that agents (e.g., individuals, businesses, and governments) have access to different levels of information (Connelly et al., 2011). Agents try to communicate their underlying qualities to the interacting parties by sending relevant cues or signals to reduce information asymmetry. Prospective employees show their worth by displaying their prestigious educational backgrounds (Spence, 1973). Companies hire female executives to show their commitment to progressive social norms and challenging the status quo (Reinwald et al., 2022). Stakeholders give considerable attention to signals given by companies regarding their corporate social responsibility engagement (Bitektine & Song, 2022). Firms with a high reputation for SP are more likely to be considered attractive employers (Lin et al., 2012). Additionally, these firms receive more favorable product evaluations from customers (Lii & Lee, 2012).

Signals regarding the reputation for SP are particularly important in the IB context. First, information asymmetry is high in cross-border acquisitions (Reddy & Fabian, 2020). Second, stakeholders are more skeptical of cross-border acquirers as compared to domestic acquirers because of additional challenges such as cultural heterogeneity (Kim et al., 2020). Third, cross-border acquirers signal their competence and trustworthiness to host country stakeholders (Jiang et al., 2020). Fourth, stakeholders do not have access to all the information regarding the SP of acquirers. Therefore, to communicate their social efforts to stakeholders, cross-border acquirers send a series of signals to their host country stakeholders. These signals may be not necessarily be interpreted positively by the receiver. The unintended results of some company actions even lead to the transformation of positive signals to negative ones. The reputation for the SP of a firm is

based on a series of positive and negative signals conveyed by the company to its stakeholders (Basdeo et al., 2006). The receivers of these signals decide how to interpret them. As signals are received by the receivers, their awareness of SP increases. When signals are interpreted positively by the stakeholders, their perception of SP increases (Gardberg et al., 2019).

3.3.2. Acquisition complexity

Firms deal with complexities present in the formal and informal domains of the institutional environment (Brammer et al., 2021). These domains of the institutional environment put forward rules and expectations related to reputation for SP. The formal domain of the institutional environment addresses the rules and regulations that firms have to follow (Scott, 1995). The formal domain entails clearly written regulations that governments enforce. In fact, a significant portion of the rules and regulations in countries address how firms must deal with labor unions (Levine et al., 2020). In the United States, the responsibility for ensuring labor rights rests with The National Labor Relations Board (NLRB), an independent federal agency. To protect labor rights, the agency conducts union elections, investigates charges, facilitates settlements, decides cases, enforces orders, and engages in rulemaking related to labor issues. The National Labor Relations Act stipulates what constitutes a violation of the law (NLRB, 2020). Employers cannot lay off, terminate, transfer, or assign more difficult duties to employees because of their active role in a union. To ensure freedom of participation in union activities to employees, an employer cannot even threaten to lay off employees or close the plant due to union activity. In the European Union, labor law legislation and enforcement come under the authority of the European Commission. Article 153 of the Treaty on the Functioning of the European Union stipulates laws that set minimum requirements for working and employment conditions and for informing and consulting workers (Europa, 2020). Similarly, every country has a law and an enforcing body that address

labor rights. Thus, if a firm with a low reputation for SP enter a foreign market, it is likely to face formal restrictions imposed by host country regulatory bodies.

In addition to labor laws, regulations regarding customer responsibility are also important in the context of this study (Richards et al., 2015). In the food and healthcare sectors, any negligence in the manufacturing process seriously impacts the health of consumers. Such firms have to comply with complex regulations related to the manufacturing process and ingredients. For example, foreign firms planning to export food to Japan must follow Japanese regulations that stipulate specifications, standards, and testing methods for foodstuffs (JETRO, 2020). These regulations are very specific. As an illustration, Japanese regulations specifically mention that food items shall not include any substance that is used as an ingredient in agricultural chemicals or other chemicals. To provide further clarification, the relevant document mentions the names of 20 such chemicals. All countries have similar regulations that govern food and healthcare firms. Firms that do not follow these rules not only face legal penalties but also compromise their reputation for SP. In contrast, firms that follow these regulations are respected as law-abiding citizens in the society (Al-Gamrh and AL-Dhamari, 2016). Thus, if firms maintain a high reputation for SP by following such rules and regulations, they will likely face limited/no resistance from host country regulatory bodies upon entering a foreign market.

The informal domain of the institutional environment deals with the institutional pressures faced by firms that arise from social values (Selznick, 1957). I argue that acquisition complexity is lower if there is a high level of consistency between the values shared by an organization and the wider society around it (Parsons, 1960). The informal domain is more difficult to sense and interpret than the regulatory domain because of its tacit nature, particularly in a cross-country context (Kostova and Zaheer, 1999). In any case, every society has its own interpretation of what

constitutes a social issue and how firms should contribute to such issues. Therefore, regarding community involvement, firms thoroughly inspect the expectations of stakeholders in a given host country and try to meet those expectations (Newburry and Gladwin, 1997). A firm's contribution to society is maximized when it contributes by using its strategic resources and core competence (Hess & Warren, 2008; Pearce & Doh, 2005). McKinsey and Co., a consulting firm, tries to maximize its contribution to society by providing free consulting services to nonprofit organizations (Bruch and Walter 2005). In the same way, IBM, which specializes in IT infrastructure, tries to maximize its social contribution by providing relevant services free of charge to educational organizations (Bruch and Walter 2005). In some instances, due to their rare resources and competences, firms are the only means by which a country can be brought out of a crisis (Dunfee, 2006). In such a case, society may feel that firms have a moral responsibility to make social contributions. Pharmaceutical firms are often criticized for not playing an active role in the eradication of AIDS in sub-Saharan Africa (Dunfee, 2006). Food companies face similar cultural and societal pressures. In the wake of such expectations, firms that respond actively are considered more reputable by stakeholders. Richards et al. (2015) examine the CSR activities of six large food companies in Australia and show that approximately 70% of the CSR activities undertaken by these companies were related to social issues regarding consumer responsibility, community engagement, employee relations, partnerships, indigenous communities, and diversity. Hence, firms with a high reputation for SP are likely to face limited acquisition complexity when their deals are publicly announced.

Just as firms are subject to complexities embedded in formal and informal institutions (Brammer et al., 2021), cross-border acquisitions are affected by the complexities in the same way (Lauser, 2010, Kang et al., 2021; Zorn et al., 2017). In the context of this study, I conceptualize

acquisition complexity as the extent to which an acquisition transaction is negatively influenced by formal (regulatory) and informal (social) institutions. I argue that when firms act against the rules and norms prevailing in an institutional environment, they face high acquisition complexity. In contrast, firms face low acquisition complexity when their actions are in accordance with institutional regulations and recommendations. I contend that due to the social issues related to the formal and informal domains of the institutional environment, firms feel pressured to increase their SP. As a result, firms that act according to the regulations and expectations of their host country stakeholders face less acquisition complexity in host countries than those that do not.

3.3.3. Reputation for social performance matters for cross-border acquisition completion

In the last section (Section 3.3.2), I concluded that firms' reputation for SP helps them decrease acquisition complexity. In this section, I try to establish that the effect of reputation for SP on acquisition complexity translates into an increased likelihood of deal completion. Based on the acquisition and reputation for SP literature, I expect that two factors are important to consider.

First, firms face high levels of reputational risk when they make cross-border acquisitions. In the context of this study, reputational risk is defined as the likelihood of cross-border acquirers to unexpectedly lose their reputations when they are covered negatively by the media. According to signaling theory, target country receivers keenly assess signals given by cross-border acquirers. Media in the host country focus more on unintended negative signals. Thus, if acquirers are discussed negatively by the media, it may seriously impact the reputation of cross-border acquirers. The biased treatment of acquirers in the host country may be fueled by a liability of foreignness (LOF) that they face in host countries (Zaheer, 1995). LOF refers to costs that are unique to foreign firms in a host country, meaning that, foreign firms incur some costs in a host country that purely domestic firms do not incur. Notably, these costs could be incidental or discriminatory (Sethi and

Judge, 2009). Incidental costs are those that foreign firms incur to deal with their unfamiliarity with the host country environment without being subject to any form of discrimination, such as the cost of understanding customer preferences and the cost of finding suitable partners for product distribution. In contrast, discriminatory costs are those that foreign firms incur to comply with regulations that target only foreign firms or to deal with discrimination or nationalism. For example, foreign firms have a bad reputation in host countries for abusing local firms (Kostova & Zaheer, 1999). Moreover, due to rising trends toward anti-globalization, foreign firms are often resisted by local stakeholders with nationalistic agendas (Meyer, 2017). Due to this liability, these firms face difficulty when dealing with their internal and external stakeholders (Crilly et al., 2016). As host country regulatory bodies are influential external stakeholders in the context of cross-border acquisitions, they play a significant role in judging acquirers' reputation and thereby affecting deal outcomes (Li et al., 2017). Specifically, host country regulatory bodies can block a specific deal and discourage the takeover of firms in specific industries (Conybeare & Kim, 2010; Xie et al., 2017). Based on the discussion in the previous section, I expect that host country regulatory bodies carefully assess the SP of acquirers. Allowing a foreign firm with poor SP to acquire a local target may have a negative spillover effect within the corresponding host industry (Zhou & Wang, 2020). Thus, regulators rigorously review deals that involve an acquirer with poor SP.

Second, cross-border acquirers are highly visible by the media and global economic watchdog analysts (Graf-Vlachy et al., 2020; Zhou & Wang, 2020). In the context of signaling theory and the reputation for SP literature, I argue that the signals of firms are amplified when they make cross-border acquisitions. As M&A deals and social issues are both prominent topics in business news (Financial Times, 2020; Forbes, 2020), the perception of foreign acquirers in the minds of host country actors is affected by how their SP is discussed by the media. Moreover,

reports published by global organizations such as the United Nations include comprehensive discussions of the SP of firms (UNCTAD, 2020). This encourages stakeholders to examine the SP of tentative acquirers. Graebner (2009:442) mention that top decision makers in target management “engage in excessive due diligence” when they lack trust in acquirers. In addition to top decision makers, employees (and other stakeholders who sympathize with employees) also resist a deal if they expect a paternalistic management style from the acquirer (Cooke, 2012; Fleming, 2005).

Based on the above discussion, I state the first hypothesis of the chapter below.

Hypothesis 2a. Acquirers’ social performance is positively associated with the likelihood of cross-border deal completion.

3.3.4. Moderating role of acquirer size

In an earlier section (Section 3.3.2), I argued that the effect of reputation for SP on acquisition complexity translates to a higher likelihood of deal completion. In this section, I will try to establish that this phenomenon is more pronounced for large acquirers, as they experience greater acquisition complexity due to their high levels of reputational risk and visibility.

First, the matter of reputation is of vital importance for large firms. Size has a positive impact on reputation, meaning that on average, larger firms have better reputations (Kaur & Singh, 2021). Additionally, large firms have high levels of reputational risk. In other words, large firms are more likely to suffer severe reputational damage than small firms in the case of an unlikely event. For example, large companies are subject to a greater degree of LOF in host countries than small ones. It may be because large firms have greater exploitation power than small firms (Kostova & Zaheer, 1999). Additionally, due to increasing trends of anti-globalization campaigns

(Meyer, 2017), large firms easily become the target of host country interest groups (Kostova & Zaheer, 1999). In addition, large firms have operations in numerous countries. Thus, their reputational losses in one or more countries compromise their reputation in other countries as well (Zhou & Wang, 2020). For these reasons, large acquirers feel a greater need to maintain their reputation than small firms.

I also discussed in an earlier section that firms' visibility is another reason why reputation for SP affects the likelihood of deal completion via acquisition complexity. In this section, I argue that a firm's visibility is affected by its size (Kostova & Zaheer, 1999). In other words, a large and reputed firm is more likely to be discussed by the media (Cabral, 2016). News regarding large firms generates greater readership and/or viewership since large firms usually have more employees, a greater number of products, and more diverse stakeholders than small firms (Ahern & Sosyura, 2015). Thus, from a business point of view, media outlets are more likely to cover large firms more extensively than small firms. Thus, large firms are able to obtain more benefits from investments in social issues.

In summary, as large acquirers are subject to high levels of reputational risk and visibility, I expect that such acquirers are subject to greater acquisition complexity, which strengthens the relationship between these acquirers' SP and the likelihood of CBAC. Therefore, I present the second hypothesis of this chapter as follows:

Hypothesis 2b. The relationship between acquirers' social performance and the likelihood of cross-border deal completion is more pronounced for large acquirers than for small acquirers

3.3.5. Moderating role of public targets

In the previous section (Section 3.3.4), I argued that the effect of reputation on acquisition complexity translates to an increased likelihood of CBAC. In this section, I argue that this phenomenon is more expected to be more pronounced for acquirers that buy public targets (as opposed to private targets) because such acquirers experience greater acquisition complexity due to their high levels of reputational risk and visibility.

As mentioned earlier, I argue that acquirers that buy public targets have higher reputational risk than those buying private targets. Differences in the number and scrutinizing power of stakeholders associated with public and private targets are important for consideration. Private firms are owned by families or small groups of partners (Draper & Paudyal, 2006). In contrast, public firms are heterogeneous—typically owned by many stakeholders. Hence, in the case of a public target, an acquirer's reputation is judged by a range of stakeholders. In contrast, acquirers that acquire private firms have to maintain their reputation with fewer stakeholders. In addition to the number of stakeholders, the SP awareness of stakeholders should also be considered. Public targets, due to their greater size and organizational structure, have more resources with which they increase their knowledge of the SP of tentative acquirers. As a result, foreign firms seeking to buy public companies must have a stronger reputation than those seeking to buy private companies (Li et al., 2017). Moreover, interest groups are more likely to rally against companies that plan to buy prominent public targets rather than lesser-known private targets (Kostova & Zaheer, 1999).

Another reason why acquirers that buy public targets face acquisition complexity is that deals involving a public target are subject to a greater degree of visibility than those involving a private target. Public targets are continuously monitored by regulatory bodies, security analysts,

and institutional investors (Capron & Shen, 2007). Thus, media companies are more likely to cover M&A transactions that involve public targets to attract larger audiences (Ahern & Sosyura, 2015). In addition, the difference in information asymmetry between public and private firms is significant (Beatty & Harris, 1999). Public firms are required by law to share much of their information in the form of annual statements. In contrast, private firms do not have any such responsibility. Thus, stories related to public targets are more likely to be covered by the media than those related to private targets. Hence, the reputational threshold of foreign firms is higher if they acquire a public target rather than a private target.

In summary, I argue that foreign firms that acquire public targets are subject to a greater degree of reputational risk and visibility than those buying private targets. Thus, I expect that in the case of public targets, the relationship between firms' SP and the likelihood of CBAC is stronger than in the case of private targets. Formally, I present the third hypothesis of this chapter as follows:

Hypothesis 2c. The relationship between acquirers' social performance and the likelihood of cross-border deal completion is more pronounced for public targets than for private targets.

3.4. Methodology

3.4.1. Sample

The data collection for this chapter was done in a similar way as in the first study (Section 2.4.1) with one major difference that acquires had to be in the NCCI. After downloading the data on the same seven control variables used in the first study, the final sample consisted of 578 cross-border deals.

3.4.2. Measures

As in the first chapter, the dependent variable is *deal completion* which is a dummy variable that took a value of one for completed deals and zero for abandoned deals (Kim & Song, 2017; Li et al., 2019).

The independent variable in this study is acquirers' *social performance (SP)*. I measured this variable using Sustainalytics data due to the prominent use of these data in the CSR literature as highlighted in the previous chapter (Auer & Schuhmacher, 2016; Ben-Amar and Belgacem, 2018; Francoeur et al., 2019; Husted & de Sousa-Filho, 2017; Landry et al., 2013; Naciti, 2019; Surroca et al., 2010; Wolf, 2014). The composite index of SP that I used in this study is scored based on four dimensions—preparedness, disclosure, quantitative performance and qualitative performance—in relation to social issues such as labor relations, employment diversity, and community involvement (Auer & Schuhmacher, 2016). The scores range from 0 to 100, with higher values denoting better SP.

The moderating variables, acquirer size and public target, were also measured in the same way as in the first chapter. Furthermore, I included the same seven control variables as in the first study (Chapter 2). The measurements of the variables are summarized in Table 9. To control for unobserved heterogeneity across time, industries, and countries, I included year, first-level BISC target industry, and target country fixed effects in all the models. I winsorized the continuous variables between 1% and 99% levels to reduce the effect of outliers (Timbate, 2021).

Table 9 Variables, definitions/measures, and data sources (Study 2)

Variable names	Definitions/measures	Data sources
Dependent variable		
Deal completion	A dummy variable that takes a value of one for completed deals and zero for abandoned deals (Kim & Song, 2017; Li et al., 2019).	Bloomberg
Independent variable		
Social performance	Acquirers' social performance on a scale from 0 to 100 as reported by Sustainalytics and based on social issues such as labor relations, employment diversity, and community involvement (Auer & Schuhmacher, 2016).	Sustainalytics
Moderating variables		
Public target	A dummy variable that takes a value of one for public targets and zero for private targets (Dikova et al., 2010; Li et al., 2019).	Bloomberg
Acquirer size	Natural logarithm of acquirer assets (Chakrabarti & Mitchell, 2016; Li et al., 2017).	Bloomberg
Control variables		
International experience	Natural logarithm of one plus the number of cross-border investments completed by the acquirer prior to the focal transaction (Reuer et al., 2012; Waqar, 2020).	Bloomberg
Percent sought	Natural logarithm of the percentage of equity sought by the acquirer in the focal transaction (Fuad & Gaur, 2019).	Bloomberg
Tender offer	A dummy variable that takes a value of one for tender offers and zero otherwise (Hukkanen & Keloharju, 2019).	Bloomberg
Cash payment	A dummy variable that takes a value of one if the method of payment was purely cash and zero otherwise (Fuad & Gaur, 2019; Liou & Rao-Nicholson, 2019; Rao-Nicholson & Svystunova, 2020; Roh et al., 2021).	Bloomberg
Horizontal deal	A dummy variable that takes a value of one if the acquirer and target belonged to the same third-level industry according to the Bloomberg Industry Classification System (BISC) and zero otherwise (Ahmed et al., 2019; Waqar, 2020)	Bloomberg
Cultural distance	Standardized Euclidean distance between the acquirer and target countries based on Hofstede's (1980) four cultural dimensions (Konara & Mohr, 2019).	Hofstede et al. (2010)

Institutional distance	Standardized Euclidean distance between the acquirer and target countries based on the six dimensions of the Worldwide Governance Indicators (Konara & Mohr, 2019).	Worldwide Governance Indicators
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3.4.3. Empirical model

I used a binary logistic regression model in the main analysis but also reported results of the probit and linear probability models in the robustness tests (to be consistent with the first study). Also I standardized all the continuous independent variables before using them in the regression and used heteroskedasticity-consistent standard errors to ensure robust results (White, 1980) as in the first study.

3.5. Results

3.5.1. Descriptive statistics

The sample has 578 cross-border deals involving 21 acquirer and 53 target countries from 2014 to 2018. The details on the acquirer countries, target countries, and target industries of the whole sample are reported in Table 10. I also show the country/industry classifications and descriptive statistics of the acquirer assets corresponding to the abandoned deals in Table 11. In Table 12, I further compare major country, industry and deal characteristics between sample and population.

The sample size of this study is larger than those of many prior studies on deal outcomes (Fuad & Gaur, 2019; Popli et al., 2016; Lim & Lee, 2016). The deal completion rate of my sample is approximately 95%, which is comparable to those observed in many prior studies (Kim and Song, 2017; Li et al., 2017). I report the descriptive statistics and correlation matrix of the variables in Table 13. The highest variance inflation factor (VIF) is 3.43, which shows that multicollinearity is not a point of concern in the analysis.

Table 10 Sample description (Study 2)

Acquirer countries					
Australia	14	Hong Kong	3	Norway	20
Belgium	6	India	2	Singapore	7
Britain	71	Ireland	19	South Africa	1
Canada	4	Israel	5	Spain	6
Denmark	7	Italy	1	Sweden	18
France	42	Japan	61	Switzerland	81
Germany	28	The Netherlands	16	The United States	166
Target countries					
Argentina	1	Germany	43	Poland	6
Australia	15	Greece	1	Portugal	1
Austria	4	Hong Kong	3	Romania	2
Bangladesh	1	Hungary	1	Russia	1
Belgium	6	India	7	Slovakia	1
Brazil	26	Indonesia	1	Slovenia	1
Britain	66	Ireland	6	South Africa	4
Bulgaria	1	Israel	12	South Korea	4
Canada	42	Italy	18	Spain	15
Chile	8	Japan	4	Sweden	12
China	14	Lithuania	1	Switzerland	7
Colombia	1	Malaysia	5	Taiwan	4
Costa Rica	1	Mexico	4	Thailand	1
Czech	3	The Netherlands	17	Turkey	10
Denmark	10	New Zealand	3	The United States	151
Estonia	1	Norway	4	Uruguay	1
Finland	2	Panama	1	Vietnam	1
France	22	Philippines	1		
Target industries					
Basic materials	12	Consumer, noncyclical	425	Technology	41
Communications	26	Energy	3		
Consumer, cyclical	37	Industrial	34		

Note: Target industries are classified based on the first-level classification of the Bloomberg Industry Classification System (BISC).

Table 11 Country/industry classification and descriptive statistics of acquirer assets corresponding to abandoned deals (Study 2)

Acquirer countries					
Britain	4	Ireland	3	Switzerland	2
France	5	Italy	1	The United States	7
Germany	2	Japan	1		
Hong Kong	1	Spain	2		
Target Countries					
Australia	1	Ireland	1	Spain	1
Brazil	1	Israel	2	Switzerland	2
Britain	3	Japan	1	The United States	11
Bulgaria	1	Malaysia	1		
Greece	1	Mexico	2		
Acquirer industries					
Beverages	2	Food	5	Household Products/Wares	1
Commercial services	3	Healthcare-Products	4	Pharmaceuticals	9
Cosmetics/Personal Care	2	Healthcare-Services	2		
Target industries					
Beverages	1	Cosmetics/Personal Care	2	Healthcare-Services	1
Biotechnology	3	Engineering & Construction	1	Household Products/Wares	1
Building Materials	1	Food	3	Internet	1
Commercial Services	2	Healthcare-Products	3	Pharmaceuticals	9
Descriptive statistics of acquirer assets (in billions of USD)					
Minimum	3.18	Mean	46.74	Standard deviation	51.41
1st Quartile	13.13	3rd Quartile	50.52		
Median	30.57	Maximum	163.09		

Note: Industries are classified according to the second-level classification of the Bloomberg Industry Classification System (BISC).

Table 12 Comparison of major country, industry and deal characteristics between sample and population (Study 2)

Characteristics	Sample	Population
Completed deals	95.16%	95.29%
Horizontal deals	32.53%	33.09%
Acquirer country is the United States	28.72%	24.81%
Target country is the United States	26.12%	26.19%
Acquirer industry is commercial services	29.76%	31.59%
Acquirer industry is pharmaceuticals	18.69%	16.45%
Acquirer industry is food	15.22%	14.12%
Acquirer industry is health care-products	13.32%	11.82%
Target industry is commercial services	14.36%	19.08%
Target industry is food	12.63%	11.89%
Target industry is health care-products	10.55%	8.83%
Target industry is pharmaceuticals	10.38%	10.62%

Note: The sample percentages are based on 578 deals, and the population percentages are based on 2741 deals.

Table 13 Descriptive statistics and correlation matrix (Study 2)

	Mean	Std. Dev.	(1)	(2)	(3)	(4)
(1) Deal completion	0.952	0.215				
(2) Social performance	64.500	28.112	0.058			
(3) Public target	0.116	0.320	-0.321	0.027		
(4) Acquirer size	23.415	1.119	-0.124	0.036	0.19	
(5) International experience	3.157	0.977	-0.013	0.39	-0.046	0.162
(6) Percent sought	4.573	0.125	-0.059	-0.023	-0.054	0.012
(7) Tender offer	0.042	0.200	-0.034	0.02	0.548	0.127
(8) Cash payment	0.458	0.499	0.014	-0.104	0.242	0.086
(9) Horizontal deal	0.325	0.469	-0.015	-0.017	0.014	-0.002
(10) Cultural distance	2.039	1.113	0.082	0.057	-0.02	-0.094
(11) Institutional distance	1.465	1.167	0.012	-0.07	-0.122	0.028
	(5)	(6)	(7)	(8)	(9)	(10)
(6) Percent sought	-0.036					
(7) Tender offer	-0.03	0.025				
(8) Cash payment	-0.254	0.033	0.209			
(9) Horizontal deal	-0.049	-0.08	0.022	0.028		
(10) Cultural distance	-0.043	-0.153	0.007	-0.042	0.102	
(11) Institutional distance	0.016	-0.193	-0.065	-0.061	0.152	0.406

Note:

Correlations with absolute values greater than 0.080 are significant at the 5% level.

Number of observations = 578.

Table 14 Results of logistic regression (Study 2)

	(1)	(2)	(3)	(4)	(5)	(6)
Social performance * Public target					2.288*** (0.603)	3.250*** (1.013)
Social performance * Acquirer size				0.811** (0.359)		1.274*** (0.460)
Social performance			0.731* (0.384)	0.259 (0.457)	-0.112 (0.512)	-1.07 (0.699)
Public target		-3.751*** (0.841)	-3.898*** (0.932)	-4.446*** (1.211)	-3.803*** (1.035)	-4.692*** (1.379)
Acquirer size		-0.268 (0.297)	-0.261 (0.299)	-0.062 (0.288)	-0.395 (0.288)	-0.529** (0.267)
International experience	-0.253 (0.290)	-0.19 (0.329)	-0.493 (0.414)	-0.393 (0.430)	-0.455 (0.499)	-0.316 (0.470)
Percent sought	-20.984*** (2.844)	-20.023*** (3.286)	-17.311*** (4.396)	-13.971*** (4.206)	-19.322*** (4.401)	-16.203*** (5.813)
Tender offer	-1.39 (0.948)	0.724 (1.076)	0.707 (0.968)	1.370* (0.772)	1.225 (1.023)	4.098** (1.666)
Cash payment	0.545 (0.570)	1.481* (0.792)	1.593* (0.867)	1.836* (1.013)	1.662 (1.019)	2.081* (1.204)
Horizontal deal	0.565 (0.543)	0.613 (0.676)	0.666 (0.642)	0.608 (0.692)	0.961 (0.731)	0.915 (0.847)
Cultural distance	0.849*** (0.328)	0.923** (0.418)	0.943** (0.472)	1.002** (0.491)	1.051* (0.599)	0.979* (0.556)
Institutional distance	1.471** (0.713)	1.415 (0.870)	1.493* (0.845)	1.878** (0.950)	1.626* (0.960)	2.258** (1.147)
Intercept	8.951*** (1.055)	9.974*** (1.330)	9.542*** (1.359)	9.158*** (1.186)	10.314*** (1.578)	10.313*** (1.785)
Target country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Target industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo R-squared	0.4350	0.5886	0.6128	0.6395	0.6613	0.6974
Model likelihood ratio test	87.06*	121.24***	126.8***	133.01***	138.14***	146.73***
Number of observations	578	578	578	578	578	578

Note: The dependent variable, deal completion, takes a value of one for completed deals and zero for abandoned deals.

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

3.5.2. Logistic regression

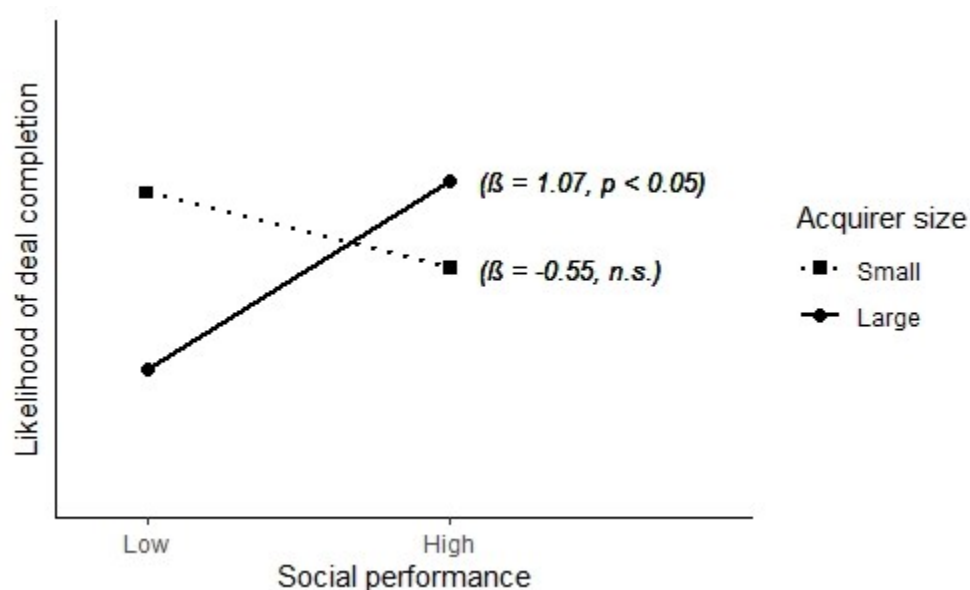
The results of the logistic regression analysis are reported in Table 14. Model 1 employs only the control variables. The coefficients of *cultural distance* ($\beta = 0.849, p < 0.01$) and *institutional distance* ($\beta = 1.471, p < 0.05$) are positive and significant, denoting that cross-border acquirers are more likely to complete a deal when acquiring a target in a culturally or institutionally different country than when acquiring one in a culturally or institutionally similar country. The coefficient of *percent sought* is negative and significant ($\beta = -20.984, p < 0.01$), denoting that the likelihood of deal completion decreases when acquirers seek higher stakes in their targets. Model 2 adds the direct effect of the moderating variables (*acquirer size* and *public target*). *Public target* is negative and significant ($\beta = -3.751, p < 0.01$), suggesting that acquirers are less likely to complete a deal involving a public target than one involving a private target.

In Model 3, I add the direct effect of the acquirers' SP. The coefficient of *SP* is positive and significant ($\beta = 0.731, p < 0.10$). This indicates that cross-border acquirers with high SP are more likely to reach deal completion than those with low SP. Thus, H2a is supported. In terms of effect size, I would classify an *SP* value one standard deviation below the mean as a *low* score and an *SP* value one standard deviation above the mean as a *high* score. In this case, I find that the odds of reaching deal completion for high-performing acquirers are 331.46% higher than those for low-performing acquirers. The calculations are done as follows. If an acquirer's *SP* increases by one unit (or one standard deviation since my continuous explanatory variables are standardized), the log odds of the likelihood of CBAC increase by 0.731. Small and large acquirers are assumed to be located two standard deviations apart on the x-axis. Thus, if I move two standard deviations on the x-axis, the log odds of the likelihood of deal completion increase by $0.731 \times 2 = 1.462$. Thus,

the percentage increase in odds can be calculated as $[\exp(1.462) - 1] = 331.46\%$. The rest of the effect sizes in the study are calculated in the same way.

In Model 4, I add the interaction term between *SP* and *acquirer size*. This interaction term is positive and significant ($\beta = 0.811, p < 0.05$), suggesting that the positive relationship between acquirers' *SP* and their likelihood of deal completion is stronger for large acquirers than for small acquirers. Thus, H2b is supported. In Figure 6, I show an interaction plot depicting the impact of *SP* and *acquirer size* on deal outcomes, along with the results of a simple slope analysis. A small acquirer size relates to one standard deviation below the mean, whereas a high acquirer size corresponds to one standard deviation above the mean. The low and high *SP* values are marked in the same way. Simple slope analysis estimates the effect size of *SP* on deal outcomes for small and large acquirers. The results show that the odds of deal completion for high-performing large acquirers are 749.94% higher than those for low-performing large acquirers. In contrast, the relationship between *SP* and the likelihood of CBAC is nonsignificant for small acquirers.

Figure 6 Moderating impact of acquirer size on the relationship between social performance and the likelihood of deal completion (Study 2)



Note: The results of a simple slope analysis are reported in parentheses.

In Model 5, I add the interaction term between *SP* and *public target*. This interaction term is positive and significant ($\beta = 2.288, p < 0.01$), suggesting that the positive relationship between acquirers' *SP* and their deal outcomes is stronger for deals involving public targets than for those involving private targets. Thus, H2c is supported. In Figure 7, I present an interaction plot depicting the impact of *SP* and *public target* on deal outcomes, as well as the results of a simple slope analysis. The low and high *SP* values are marked in the same way as in Figure 6. The analysis regarding the effect size shows that for public targets, the odds of deal completion for high-performing acquirers are 7725.70% higher than those for low-performing acquirers. In contrast, the relationship between *SP* and deal outcomes is nonsignificant for private targets.

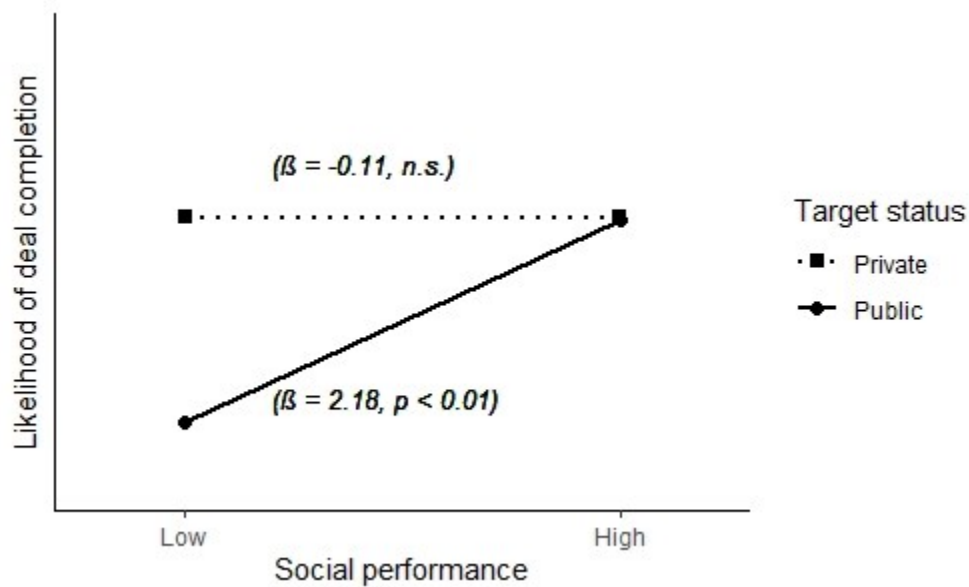
In Model 6, I add all the variables together to evaluate the stability of the interaction terms. I find that the results remain stable. That is, both interaction terms continue to retain their significance and signs.

3.5.3. Robustness checks

My dependent variable is binary. Thus, I used a logistic model to obtain the main results. As mentioned earlier, dichotomous dependent variables can also be analyzed with a probit model. In the robustness analysis, I used a probit model and obtained consistent results. These results are reported in Table 15. In addition, based on the logistic model, I reported the results regarding the average marginal effects (AME) along with the results of the linear probability models (LPM) in Table 16. As per the AME, a one-unit increase in social performance increases the likelihood of deal completion by 0.06%. The corresponding increase in the likelihood of deal completion when social performance changes from its lowest value to the highest value is 5.79%. As per the LPM, a one-standard-deviation increase in social performance increases the likelihood of deal

completion by 2.20%. This converts to an increase in the likelihood of deal completion of 7.55% when social performance changes from its lowest value to the highest value. These conclusions are consistent with the main results. Moreover, I reconducted the analysis after adding three additional control variables for the acquirer: the leverage ratio, the market-to-book ratio, and return on assets. Again, the results remained similar, and they are reported in Table 17.

Figure 7 Moderating impact of target status on the relationship between social performance and the likelihood of deal completion (Study 2)



Note: The results of a simple slope analysis are reported in parentheses.

Table 15 Results of probit regression (Study 2)

	(1)	(2)	(3)	(4)	(5)	(6)
Social performance * Public target					1.277*** (0.316)	1.616*** (0.539)
Social performance * Acquirer size				0.418** (0.184)		0.593** (0.252)
Social performance			0.315* (1.641)	0.07 (0.253)	-0.092 (0.276)	-0.523 (0.418)
Public target		-1.911*** (0.382)	-1.928*** (0.405)	-2.148*** (0.523)	-1.885*** (0.451)	-2.230*** (0.659)
Acquirer size		-0.102 (0.150)	-0.103 (0.151)	-0.051 (0.143)	-0.173 (0.142)	-0.261* (0.136)
International experience	-0.11 (0.143)	-0.062 (0.163)	-0.174 (0.229)	-0.105 (0.240)	-0.165 (0.254)	-0.111 (0.234)
Percent sought	-5.374*** (1.151)	-5.042*** (1.418)	-4.233** (2.083)	-3.015*** (1.097)	-4.979** (1.975)	-2.961 (2.444)
Tender offer	-0.724 (0.505)	0.543 (0.585)	0.556 (0.548)	0.944** (0.417)	0.854 (0.554)	2.053*** (0.768)
Cash payment	0.305 (0.287)	0.668* (0.404)	0.677 (0.432)	0.74 (0.512)	0.673 (0.478)	0.799 (0.579)
Horizontal deal	0.318 (0.282)	0.326 (0.329)	0.352 (0.354)	0.277 (0.383)	0.513 (0.357)	0.479 (0.402)
Cultural distance	0.849** (0.352)	0.806* (0.476)	0.827* (0.438)	1.010** (0.462)	0.991** (0.459)	1.258** (0.538)
Institutional distance	0.440*** (0.157)	0.476** (0.210)	0.471** (0.213)	0.491** (0.217)	0.494** (0.251)	0.498** (0.248)
Intercept	3.352*** (0.521)	3.766*** (0.651)	3.632*** (0.700)	3.507*** (0.509)	3.985*** (0.791)	3.774*** (0.933)
Target country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Target industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo R-squared	0.4379	0.5806	0.5977	0.6251	0.6531	0.6836
Model likelihood ratio test	87.697*	119.4***	123.33***	129.66***	136.22***	143.42***
Number of observations	578	578	578	578	578	578

Note: The dependent variable, deal completion, takes a value of one for completed deals and zero for abandoned deals.

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

Table 16 Average marginal effects (AME) and linear probability models (LPM) (Study 2)

	(1)	(2)	(3)
	AME	LPM	LPM
Social performance * Public target			0.1623*** (0.0391)
Social performance * Acquirer size			0.0150* (0.0080)
Social performance	0.0006** (0.0003)	0.0220** (0.0103)	0.0013 (0.0084)
Public target	-0.1653*** (0.0372)	-0.2801*** (0.0632)	-0.2879*** (0.0591)
Acquirer size	-0.0062 (0.0067)	-0.012 (0.0086)	-0.0154* (0.0083)
International experience	-0.0112 (0.0097)	-0.006 (0.0097)	-0.0043 (0.0085)
Percent sought	-0.0334 (5.2874)	-0.0133*** (0.0048)	-0.0113* (0.0058)
Tender offer	0.0151 (0.0209)	0.1864*** (0.0791)	0.1918*** (0.0676)
Cash payment	0.0394** (0.0167)	0.0407** (0.0173)	0.0310* (0.0165)
Horizontal deal	0.0163 (0.0144)	0.0045 (0.0202)	0.0028 (0.0182)
Cultural distance	0.022** (0.0101)	0.0193* (0.0099)	0.0217** (0.0095)
Institutional distance	0.0315 (0.0214)	0.0321 (0.0201)	0.0352* (0.0197)
Intercept		0.9655*** (0.0275)	0.9745*** (0.0262)
Target country fixed effects	Yes	Yes	Yes
Target industry fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Number of observations	578	578	578

Note: AME are calculated for original (unstandardized) variables. The LPM use standardized continuous explanatory variables.

* p < 0.1.

** p < 0.05.

*** p < 0.01.

Table 17 Results of logistic regression with three additional control variables (Study 2)

	(1)	(2)	(3)	(4)	(5)	(6)
Social performance * Public target					2.218*** (0.693)	3.406** (1.555)
Social performance * Acquirer size				0.787** (0.365)		1.41* (0.721)
Social performance			0.823* (0.461)	0.314 (0.556)	0.012 (0.683)	-1.244 (1.281)
Public target		-3.685*** (0.842)	-3.748*** (0.862)	-4.249*** (1.151)	-3.809*** (1.043)	-4.994** (2.023)
Acquirer size		-0.273 (0.29)	-0.306 (0.295)	-0.161 (0.268)	-0.381 (0.279)	-0.612* (0.34)
Acquirer leverage ratio	-0.002 (0.472)	-0.009 (0.295)	0.07 (0.285)	0.065 (0.34)	0.24 (0.313)	0.312 (0.372)
Acquirer market-to-book ratio	-0.121 (0.079)	-0.128* (0.075)	-0.14** (0.069)	-0.088 (0.072)	-0.05 (0.073)	0.15 (0.134)
Acquirer return on assets	0.376 (0.479)	0.205 (0.326)	0.03 (0.326)	0.153 (0.382)	0.052 (0.408)	0.393 (0.632)
International experience	-0.35 (0.312)	-0.208 (0.339)	-0.566 (0.442)	-0.446 (0.458)	-0.509 (0.501)	-0.353 (0.488)
Percent sought	-20.964*** (2.904)	-19.895*** (3.281)	-17.203*** (4.158)	-14.574*** (3.436)	-19.184*** (4.594)	-16.481*** (5.047)
Tender offer	-1.254 (1.07)	0.776 (1.146)	0.841 (1.005)	1.728* (0.907)	1.443 (1.101)	4.848** (2.341)
Cash payment	0.456 (0.597)	1.391 (0.858)	1.411 (0.871)	1.657 (1.082)	1.523 (1.09)	2.102 (1.504)
Horizontal deal	0.553 (0.603)	0.682 (0.666)	0.728 (0.648)	0.671 (0.729)	1.09 (0.715)	0.995 (0.802)
Cultural distance	1.068*** (0.382)	1.166*** (0.44)	1.249** (0.526)	1.242** (0.487)	1.339** (0.601)	1.356** (0.599)
Institutional distance	1.767** (0.839)	1.714* (0.931)	1.986** (0.991)	2.435** (1.091)	2.084* (1.088)	2.684*** (1.023)
Intercept	8.929*** (1.084)	9.858*** (1.291)	9.417*** (1.288)	9.178*** (1.206)	10.256*** (1.748)	10.789*** (2.53)
Target country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Target industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Number of observations	554	554	554	554	554	554
Pseudo R-squared	0.4756	0.6117	0.6379	0.6632	0.6799	0.7202
Model likelihood ratio test	95.45**	126.09***	132.17***	138.14***	142.10***	151.78***

Note: The dependent variable, deal completion, takes a value of one for completed deals and zero for abandoned deals. In this robustness test, I included three additional control variables for the acquirer: the leverage ratio, the market-to-book ratio, and return on assets.

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

Furthermore, I conducted a number of unreported robustness tests in this study. I used a natural logarithmic transformation of my independent variable to address any possible skewness. Regarding my moderating variable, I measured acquirer size based on sales instead of assets (Fuad & Gaur, 2019). I also operationalized several control variables using alternative measures and methods. First, in the main results, I measured international acquisition experience based on the number of cross-border investments completed by the acquirer prior to the focal transaction. In a robustness test, I used the number of years since the completion of the first cross-border investment made by the focal acquirer (Ahmed et al., 2020; Chen, 2008; Chen & Hennart, 2004). Second, in the main results, my sample comprised all the acquisitions in which the focal acquirer received more than 50% ownership in the target. In a robustness test, I repeated all the analyses again on a subsample composed of full acquisitions (Becher et al., 2015; Waqar, 2020). Third, regarding cultural and institutional distance, I used a standardized Euclidean distance formula in the main results (Konara & Mohr, 2019). Thus, in a robustness test, I measured the cultural and institutional distance variables based on the commonly used Kogut and Singh index (Kogut & Singh, 1988). In the main analysis, I employed country, industry and year fixed effects. In a robustness analysis, I added country-industry fixed effects and industry-year fixed effects. These fixed effects controlled for country-specific industry characteristics and time-varying industry trends, respectively, that influence the likelihood of deal completion (Bernstein et al., 2017). In all cases, the results were qualitatively similar to the main results. Precisely, the direct effects of *SP* and both interaction terms were significant and positive.

3.6. Discussion and conclusion

The study makes three contributions to the literature. First, the study adds to the acquisition outcomes literature (Kumar & Sengupta, 2020). The acquisition outcomes literature shows that

acquirer characteristics such as size and experience are important in explaining the likelihood of deal completion. I show that the SP of acquirers is also a significant predictor of deal outcomes. In addition, I enrich the acquisition outcome literature by introducing the concept of acquisition complexity. Notably, the idea of complexity is not new in the overall body of acquisition literature (Lauser, 2010; Meglio et al., 2008; Saorín-Iborra, 2008). Nonetheless, the application of complexity has not been extended the CBAC. Zorn et al. (2019) studied nested acquisitions—deals in which acquirers buy target firms that have themselves recently bought other firms. Zorn et al. (2019) contended that post-acquisition performance decreases when acquisition complexity increases as a result of variance within embedded nested targets (greater number, more recent, less related, and larger nested targets). Likewise, Kang et al. (2021) contended that acquisition complexity both moderates and mediates the relationship between cross-border acquisition experience and post-acquisition performance. McCarthy & Noseleit (2021) claimed that value creation decreases when acquisition complexity is higher (in competing bids). This study broadens the application of acquisition complexity in the acquisition literature by showing that acquisition complexity also matters before the post-acquisition phase.

Second, this study adds the theoretical boundaries of the reputation for SP literature from an IB perspective. Despite the importance of prior contributions, the literature on reputation for SP had yet to fully integrate the cross-country nature of corporate social performance in their theorizing (Acharya et al., 2021; Cooper et al., 2018; Gardberg et al., 2019; Zyglidopoulos, 2001, 2004). While investigating the moderating influence of reputation for SP on the relationship between greenhouse gas emissions and firm value, Cooper et al. (2018) used a single-country context for the data and hypothesis development portions of their study. Gardberg et al. (2019) analyzed whether a corporation's reputation for SP is affected by its philanthropic contributions.

Nevertheless, both the data and the hypothesis development sections of this study focused on a corporation's existence in a single country. Acharya et al. (2021) reasoned that a reputation for SP is important for socially considerate firms—without discussing whether such a reputation is judged only domestically or by international actors as well. This study advances the discussion on the reputation for SP theory, showing that signals pertaining to firms' reputation for SP are received by international stakeholders who judge firms and subsequently affect their acceptability in a cross-country context.

Third, this study contributes to the nonmarket strategy literature by illustrating the importance of reputation for SP in an interorganizational transactional context. The nonmarket strategy literature focuses on how firms manage their activities in an institutional or societal context to improve their financial performance (Baron, 1995). This strand of literature primarily draws on one of five theories to explore the link between nonmarket strategy and positive organizational outcomes: institutional theory, stakeholder theory, resource dependence theory, resource-based theory and agency theory (for a review, see Mellahi et al., 2016). Notably, the literature largely focuses on the benefits (such as acceptability) a firm can receive from noncommercial organizations such as governments and social activists. In the recent years, scholars have begun showing a growing interest in how a nonmarket strategy may prove to be beneficial in commercial dealings with for-profit organizations. Krishnamurti et al. (2019) show that socially responsible acquirers experience numerous benefits during acquisitions: they pay lower premiums and earn significantly more positive abnormal returns than less socially responsible acquirers. Cho et al. (2020) show that value creation for the shareholders of the target firm in an acquisition is positively affected by the target's relative CSR performance (as compared with that of the acquirer), meaning that the higher the target's relative CSR is, the more value is

created in an acquisition deal for the shareholders of the target firm. Ma et al. (2020) find that nonstate-owned enterprises in competitive markets are more likely to become M&A targets if their CSR disclosures are of high quality. This study timely adds to this nascent literature by showing that an effective nonmarket strategy can help firms receive positive treatment from host country stakeholders in the form of a higher likelihood of CBAC.

This study has several practical and policy implications. This study highlights the importance of investing in social issues for acquirers. Managers of acquirers must note that their firms' SP is essentially used as a reputation scale by host country and target stakeholders. In addition, this study suggests that acquirer managers further prioritize SP if they belong to a large firm. Target managers should also try to diligently analyze the SP of acquirers, particularly if their firm is private. As highlighted by prior research, private companies are usually owned by families or a few partners (Draper & Paudyal, 2006). Hence, decision makers in private firms should be cautious when scrutinizing an acquirer. For policy makers, this study suggests that acquirers should be thoroughly evaluated based on their SP. Companies that have a poor record with respect to SP may not only transfer bad practices to their targets but also normalize such practices in the industry. Thus, policy makers should be cautious of this issue, especially when dealing with large acquirers, since they have higher exploitation power. Moreover, regulators tend to scrutinize deals that involve public targets more strictly. I caution regulators that deals involving private targets should also be given similar attention so that private firms do not fall prey to acquirers that aim to exploit private targets.

The study has several limitations. In this study, I relied on Sustainalytics data to measure the SP of acquirers. While this approach increases the comparability of my study with the vast CSR literature built on the same data source, future studies could verify whether the relationship

between SP and deal outcomes is positive if SP is measured with the questionnaire responses of target-firm managers and target country regulators. Additionally, most deals in my sample represent full acquisitions and only about 8% of deals in my sample represent partial acquisitions. Hence, my sample could not examine the interesting phenomenon of the subsequent change in equity ownership in the partially-acquired targets. Future studies may gather a large sample of partial acquisitions from all industries and analyze whether the subsequent increase in equity ownership in the partially-acquired targets is affected by the SP of the acquirers. In addition, since my data consists of only about 12% public targets in my sample, I could not analyze the effect of target SP on the likelihood of deal completion. Future studies may gather a large dataset of announced deals involving public acquirers and public targets and jointly analyze the effect of acquirer SP and target SP on the likelihood of deal completion.

Overall, this study shows that host country stakeholders judge an acquirer's reputation based on its SP, and thus, acquirers with superior SP are more likely to reach deal completion. This study further show that this phenomenon is more pronounced for large acquirers and for those that buy public targets. I hope that this study inspires future research on the positive effects of SP in the context of cross-border acquisitions.

Chapter 4

Study 3: The effects of acquirers' corporate governance performance

4.1. Abstract

The corporate governance ratings of companies, which are published by independent agencies, are actively used by all stakeholders to analyze agency hazards. Nonetheless, little is known about whether stakeholders of European cross-border acquirers influence the outcomes of announced deals (in terms of completion versus abandonment) based on these ratings. I argue that the agency costs of acquirers who have better corporate governance ratings are perceived to be lower, resulting in a higher likelihood of deal completion. Based on a sample of 1246 announced cross-border deals undertaken by European acquirers, my results show that acquirer corporate governance ratings—as measured by Sustainalytics data—are positively associated with the likelihood of cross-border deal completion. This study further shows that the relationship between acquirer corporate governance ratings and the likelihood of deal completion is stronger for large acquirers (as compared to small acquirers) and for public targets (as compared to private targets), since such deals are subject to additional agency costs. This study adds to agency theory, the literature on European acquisition outcomes, and the literature on European corporate governance.

Keywords: agency theory; corporate governance ratings; deal outcomes; deal completion; European acquirers; cross-border acquisitions

4.2. Introduction

European firms have been actively making cross-border acquisitions for many decades. Thus, the line of research on European cross-border acquisitions is not new and has been the focus of scholars even before the 21st century (see Angwin & Savill, 1997; Norburn & Schoenberg, 1994). Interestingly, this literature is quite diverse and provides profound insights into various factors, such as long-run stock return performance, premiums, and the likelihood of conducting subsequent cross-border acquisitions (e.g., Jensen-Vinstrup et al., 2018; Mateev & Andonov, 2018). Notwithstanding the vastness of this literature, few studies have analyzed the deal outcomes of European cross-border acquirers (Kumar & Sengupta, 2020).

I argue that agency theory offers a meaningful perspective on cross-border acquisition outcomes. Agency theory proposes that managers prioritize actions that cater to their self-interests instead of following policies that maximize the wealth of shareholders (Eisenhardt, 1989). Managers also conduct cross-border acquisitions for self-interested reasons such as enhancing their fame or dominance over a diversified business. Thus, whenever a deal is announced, stakeholders thoroughly scrutinize it to determine whether it has been initiated opportunistically or to genuinely pursue synergy. If the announced deal seems to have a positive long-term financial impact, stakeholders support it, and the deal reaches completion. In contrast, if it seems that the announced deal is motivated by the self-interests of managers, stakeholders resist it until it is formally abandoned. As a deal is examined, stakeholders thoroughly analyze the corporate governance of the corresponding cross-border acquirer to judge the honesty of the deal. Literature advocates that stakeholders actively use the firm ratings provided by independent rating agencies (Kölbel & Busch, 2021). In the context of this study, I argue that stakeholders can handily assess the corporate governance of cross-border acquirers by checking the corporate governance ratings provided by

independent agencies (based on issues such as board independence, board compensation, and shareholder rights). Stakeholders influence deal outcomes based on these acquirer corporate governance ratings. However, whether the deal outcomes of European cross-border acquirers are affected by these governance ratings represents a neglected area within academic research. I argue that European cross-border acquirers provide an interesting context in which to examine this relationship. First, the European Union has been actively improving its corporate governance legislations over the last two decades. This is evident in the detailed action plans released by the European Commission in 2003 and 2012. Second, European cross-border acquisitions characterize a globally significant phenomenon. Roughly, half of the foreign direct investment outflows from 2010 to 2020 were undertaken by European firms (UNCTAD, 2021: 53).

This study measures the corporate governance ratings of European public firms based on Sustainalytics data, which are governance data that are widely used in both academia and industry (La Rosa et al., 2021), and analyze their effect on the likelihood of deal completion. The Sustainalytics data not only are valued for their robust methodology but also have been shown to be of practical importance. These data sounded alarms months in advance regarding infamous scandals such as the Volkswagen emissions scandal and the Fiat Automobiles emission scandal. Hence, this study advances the discussion on whether the corporate governance ratings of European cross-border acquirers—as judged by host country stakeholders based on independent rating agencies such as Sustainalytics—affect the likelihood of deal completion.

Based on agency theory, this study hypothesizes that European acquirers with higher governance ratings are perceived as firms with lower agency costs, which results in a higher likelihood of deal completion. To be consistent with the first two studies of this dissertation, I further analyze the moderating effect of two variables on the relationship between acquirer

corporate governance ratings and the likelihood of deal completion: acquirer size and target public/private status. I contend that perceived agency costs are higher for large acquirers and for those acquiring a public target. Hence, I expect that these variables reinforce the relationship between acquirer governance ratings and the likelihood of deal completion. This study provides support for these hypotheses based on a sample of 1246 cross-border deals undertaken by European cross-border acquirers from 2014-2018.

This study makes three contributions to literature. First, it adds to the literature on agency theory in the context of cross-border mergers and acquisitions (Jensen, 1986; Zhao et al., 2019). This literature proposes that managers conduct acquisitions to pursue self-interests. This chapter takes this debate a step further and show that deals initiated to pursue self-interests are strongly resisted by stakeholders, as evidenced by the positive relationship between corporate governance ratings and the likelihood of deal completion. Second, this study adds to the literature on European cross-border acquisition completion. Only a few studies have been conducted on European cross-border acquisition completion using multicountry data (Bessler & Schneck, 2015; Moschieri & Campa, 2014). These studies have recognized various deal-level variables (such as premiums and payment methods) that affect the deal completion likelihood. This study reveals that deal outcomes are also affected by the corporate governance ratings of European acquirers. Third, this study adds to the literature on European corporate governance. The extant literature on European corporate governance mainly focuses on the effect of corporate governance on financial performance (Taliento et al., 2019). Some studies have examined nontraditional organizational outcomes such as R&D intensity and information disclosure (Alonso Carrillo et al., 2019; Cerbioni & Parbonetti, 2007; Munari, & de La Potterie, 2015). A neglected area of research relates to whether the corporate governance of European firms is relevant in the cross-border acquisition process. This

study shows that the corporate governance ratings of European cross-border acquirers are keenly scrutinized by host country agents, which results in a higher likelihood of deal completion for European firms with better corporate governance ratings.

This study is organized as follows. In the next section, I discuss the theoretical background and formulate three hypotheses, and this is followed by the research methodology. Later, the results are presented. In the last section, I present the contributions, limitations and future research directions of this study and provide concluding remarks.

4.3. Theoretical background and hypotheses

4.3.1. European deal outcomes

The European deal outcomes literature is comprised of only a few studies, but it can still be divided into two major groups: studies that use a sample from a single country (group 1) and those that use a sample from multiple countries (group 2). Most papers in the European deal outcome literature fall in the first group, and they predominantly use UK samples. McCann (2013) conducted a general review of deal abandonments in the UK from 1969 to 2010. He showed that deal abandonments in the UK—both in terms of number and percentage—have declined, especially since 2000. He further argued that the sharp decline that has occurred since 2000 may be attributed to two phenomena. First, the introduction of the put-up or shut-up (PUSU) clauses in the City Code on Takeovers and Mergers has decreased the number of hostile bids made, thus increasing deal completions. Second, a large percentage of the deals made after 2000 have been cross-border acquisitions, which are seldom hostile and are often cash-financed; these factors increase the likelihood of deal completion. Faelten et al. (2015) showed that UK cross-border acquirers are more likely to complete acquisitions if their deals are supported by knowledge-intensive institutional investors. Restrepo & Subramanian (2017) analyzed whether completion rates in the

UK have been affected by the government ban on deal protections (such as termination fees) implemented in 2011. Their results showed that completion rates have not been affected by the ban. Fung et al. (2019) discussed three case studies from the UK in the period 2018 to 2019: the Experian/ClearScore merger, the Hotel Online Booking enforcement case, and the proposed merger between Sainsbury's and Asda. A key conclusion from their study is that the market power of digital platforms is keenly scrutinized by policy makers.

Few studies in the first stream of European deal outcomes literature use non-UK samples. Based on a sample of 200 acquisitions undertaken by public French firms, Chikh & Filbien (2011) analyzed the effect of CEO characteristics on acquisition outcomes. Chikh & Filbien (2011) revealed that while making decisions regarding acquisition outcomes, French CEOs rely more on their networks of elite school alumni and corporate boards than on market reactions. Roos & Postma (2016) conducted a questionnaire-based study to inspect deal abandonments in the healthcare sector of the Netherlands. They demonstrated that deal abandonments are mainly caused by two factors: (1) changing insights into the desirability/feasibility of a merger and (2) the stance of executives toward a merger, the relationships between executives, and changes in these factors.

I could find only two studies in the second stream of European deal outcomes literature, and this finding (that there are just two studies in the second stream) is also supported by a recent literature review on deal abandonment (Kumar & Sengupta, 2020). Using a 1990-2012 sample of acquisitions involving European targets, Bessler & Schneck (2015) analyzed the impact of excess premiums on the likelihood of deal completion. They found that deals in which acquirers give excess premiums to their targets have a higher likelihood of completion. Based on a 1995-2007 sample of acquisitions involving targets in 15 European countries, Moschieri & Campa (2014)

showed that pure cash deals and friendly deals are more likely to reach completion; in contrast, deals with competing bids are less likely to reach completion.

4.3.2. Corporate governance of European firms

The corporate governance issues of firms have been studied for all geographical regions, and European firms are no exception. Many studies have been conducted based on European samples that demonstrate the positive impacts of corporate governance on financial performance. Employing a sample of 300 firms from 14 European countries, Renders et al. (2010) found that corporate governance ratings are positively associated with five performance measures: Tobin's Q, the market-to-sales ratio, the market-to-book ratio, return on assets, and return on equity. Schauten et al. (2013) showed that European firms that have better corporate governance (with respect to takeover defenses) also have higher market-to-book ratios. Velte (2017) showed a positive association between corporate governance ratings and return on assets among German firms. Taliento et al. (2019) examined a sample of 150 firms from five European countries (Belgium, France, Germany, Italy and Spain) and found that the financial performance of a firm is positively affected by the level of its corporate governance in comparison to that of other firms in the same industry.

The positive outcomes of corporate governance are not limited to financial performance. Honoré et al. (2015) examined a sample of 177 European firms to examine the effect of corporate governance on R&D intensity. They found that R&D intensity is negatively affected by three governance practices that are often implemented to respond to the short-term expectations of financial markets: (a) limitations of anti-takeover devices, (b) financial performance-based remuneration systems for managers, and (c) a higher shareholders' consensus at annual general assemblies. Examining European biotechnology companies, Cerbioni & Parbonetti (2007) found

that corporate governance strongly influences the quantity of information disclosure. Three major findings from their study is as follows: the proportion of independent directors positively affects the disclosure of internal structure, CEO duality negatively impacts the disclosure of forward-looking information, and board structure positively affects the overall readability of annual reports. Alonso Carrillo et al. (2019) found that outside directors and CEO duality positively impact the corruption disclosure of European companies.

4.3.3. Corporate governance ratings and agency costs in cross-border acquisitions

In the previous section (Section 4.3.2), I argued that European firms enjoy the benefits of good corporate governance not only in relation to financial performance but also in relation to R&D intensity and information disclosure. In this section, I contend that the corporate governance ratings of a European cross-border acquirer are negatively associated with the perceptions of target stakeholders about the agency costs of the acquirer. Stated differently, when a European cross-border acquirer has good corporate governance ratings, stakeholders are likely to perceive that the acquirer has lower agency cost, and vice versa.

Agency theory proposes that managers pursue goals that maximize their personal returns rather than those that maximize the wealth of shareholders. While gains to managers and shareholders are usually high when companies are broadly performing well, there are a few areas, such as compensation and the autonomy of top managers, where managers and shareholders are likely to have competing objectives (Eisenhardt, 1989). From an international business perspective, managers may be willing to conduct cross-border acquisitions that may not be ideal from the perspective of shareholder wealth but that may increase managers' power over the business or bring them fame (Zhou et al., 2016; Erel et al., 2012). Therefore, shareholders, particularly institutional investors, resort to corporate governance mechanisms to reduce agency costs (Zhou

et al., 2016). As the corporate governance ratings of public firms are actively published by independent ratings agencies, they are often used as points of reference in judgments of the agency costs of acquirers (Kölbel & Busch, 2021).

I argue that the likelihood of deal completion is higher when an acquirer is perceived by target stakeholders to have low agency costs. As host country stakeholders have limited information about cross-border acquirers, they determine the agency costs of cross-border acquirers based on their corporate governance ratings. In other words, when a firm conducts a cross-border acquisition, it is more likely to be perceived favorably by target stakeholders if it has a high level of transparency in relation to corporate governance issues (Kling & Weitzel, 2011). This phenomenon is important to examine in today's world of powerful media. When acquisition deals are announced, the corporate governance issues of the relevant companies and their tentative impacts in the postacquisition phase are discussed via traditional media and social media (Ang et al., 2021; Hawn, 2021).

For these reasons, I expect that European cross-border acquirers with relatively high corporate governance ratings are more likely to be perceived by target stakeholders as firms with relatively low agency costs and thus such firms enjoy a higher likelihood of deal completion.

Hypothesis 3a. Acquirers' corporate governance performance is positively associated with the likelihood of cross-border deal completion.

4.3.4. The moderating role of acquirer size

I argue that large cross-border acquirers are subject to more agency problems than small cross-border acquirers. Agency theory suggests that agency costs increase with an increase in the information asymmetry between a principal and an agent (Panda & Leepsa, 2017). In the context

of this study, firm size and information asymmetry are positively associated. Large firms typically have multiple business segments and are more geographically diversified; this increases the information asymmetry between shareholders and top executives, resulting in high agency costs. Agency costs are also expected to be high when an agent has an opportunity to exploit resources. Managers who have power over a large amount of free cash flow may conduct value-destroying takeovers (Jensen, 1986). This argument is applicable in my study since large firms usually have enormous capital. Managers in large firms may be enticed to use capital to follow personal goals.

Agency costs are also high when an agent seeks fame. Large firms are more actively discussed by the media. Luo et al. (2019) reported a positive correlation of 0.349—significant at the 1% level—between firm size and the frequency of media coverage. A high level of media coverage may distract managers from focusing on business operations to becoming famous through media channels. Additionally, as large firms are covered more actively on media, it becomes more likely that their corporate governance characteristics and shortcomings will become widely known; this is not as likely to happen in the case of small companies (De Fontnouvelle et al., 2006). Such media coverage makes target country stakeholders inquisitive about corporate governance issues and the ratings of acquirers.

Based on these arguments, I expect that the relationship between corporate governance ratings and the likelihood of deal completion is stronger for large European cross-border acquirers than their small counterparts.

Hypothesis 3b. The relationship between acquirers' corporate governance performance and the likelihood of cross-border deal completion is more pronounced for large acquirers than for small acquirers

4.3.5. The moderating role of target public status

I argue that perceived agency hazards are higher for cross-border acquirers when they buy public companies as opposed to private companies. First, public firms often have more resources than private firms. In other words, public firms are usually larger than private firms (Zhu & Malhotra, 2008). Because of the vast resources held by target firms, stakeholders consider whether the cross-border acquirers of public targets are motivated by empire-building intentions (Chatterjee et al., 2021). Stakeholders analyze the postacquisition strategies proposed by acquirers. Since public acquirers are large and diverse, acquirers are sometimes unable to offer a convincing postacquisition strategy to their stakeholders. In contrast, the postacquisition strategy of a private target company is less ambiguous. This explanation is in line with Bessler et al.'s (2020) view that shareholders' confidence in the success of acquisitions of private targets is considerably higher than that in the success of acquisitions of public targets.

Second, cross-border acquisitions of public targets often come under the media spotlight (Li et al., 2017). It is likely that acquirers may pursue the self-interested goal of becoming famous. Additionally, public target stakeholders may prefer to engage in excessive due diligence on their own, scrutinizing the agency problems of cross-border acquirers before any of these organizations' corporate governance issues are highlighted by the media. Certainly, several acquisition outcome studies show that the likelihood of deal completion is lower for deals involving public targets than for those involving private targets (Ten Brug & Sahib, 2018).

Based on these arguments, I expect that deals that involve public targets (as opposed to private targets) result in the application of greater scrutiny to the agency problems of the corresponding European cross-border acquirers; thus, the relationship between corporate

governance ratings and the likelihood of deal completion is stronger for public targets than for private targets.

Hypothesis 3c. The relationship between acquirers' corporate governance performance and the likelihood of cross-border deal completion is more pronounced for public targets than for private targets.

4.4. Research methodology

4.4.1. Data and sample

The data collection for this chapter was done in a similar way as in the first study (Section 2.4.1) and second study (Section 3.4.1) with one major difference that cross-border acquires had to be from Europe. After downloading the data on the same seven control variables used in the first and the second study, the final sample consisted of 1246 cross-border deals.

4.4.2. Measures

As in the first two studies, the dependent variable, deal completion, took the value of one for completed deals and zero otherwise.

The independent variable of primary interest for this third study, the corporate governance ratings of the acquirer, is measured using Sustainalytics data (Auer & Schuhmacher, 2016). The corporate governance scores ranged from zero to hundred based on issues such as board independence, transparency, auditor independence, executive compensation, voting and shareholder rights. Since this variable is time-varying, I used a one-year lagged value to control for possible endogeneity issues.

The moderating variables (acquirer size and public targets) and the control variables are adopted from the first two studies of this dissertation. The measurements, definitions and the data sources

of the variables are summarized in Table 18. Furthermore, I included year fixed effects, target country fixed effects, and target industry fixed effects in all the models.

Table 18 Variables, definitions/measures, and data sources (Study 3)

Variable names	Definitions/measures	Data sources
Dependent variable		
Deal completion	A dummy variable that takes a value of one for completed deals and zero for abandoned deals (Kim & Song, 2017; Li et al., 2019).	Bloomberg
Independent variable		
Corporate governance	Acquirers' corporate governance on a scale from 0 to 100 as reported by Sustainalytics and based on social issues such board independence, transparency, auditor independence, executive compensation, voting and shareholder rights (Auer & Schuhmacher, 2016).	Sustainalytics
Moderating variables		
Public target	A dummy variable that takes a value of one for public targets and zero for private targets (Dikova et al., 2010; Li et al., 2019).	Bloomberg
Acquirer size	Natural logarithm of acquirer assets (Chakrabarti & Mitchell, 2016; Li et al., 2017).	Bloomberg
Control variables		
International experience	Natural logarithm of one plus the number of cross-border investments completed by the acquirer prior to the focal transaction (Reuer et al., 2012, Waqar, 2020).	Bloomberg
Percent sought	Natural logarithm of the percentage of equity sought by the acquirer in the focal transaction (Fuad & Gaur, 2019).	Bloomberg
Tender offer	A dummy variable that takes a value of one for tender offers and zero otherwise (Hukkanen & Keloharju, 2019).	Bloomberg
Cash payment	A dummy variable that takes a value of one if the method of payment was purely cash and zero otherwise (Fuad & Gaur, 2019; Liou & Rao-Nicholson, 2019; Rao-Nicholson & Svystunova, 2020; Roh et al., 2021).	Bloomberg
Horizontal deal	A dummy variable that takes a value of one if the acquirer and target belonged to the same third-level industry according to the Bloomberg Industry Classification System (BISC) and zero otherwise (Ahmed et al., 2019; Waqar, 2020)	Bloomberg
Cultural distance	Standardized Euclidean distance between the acquirer and target countries based on Hofstede's (1980) four cultural dimensions (Konara & Mohr, 2019).	Hofstede et al. (2010)
Institutional distance	Standardized Euclidean distance between the acquirer and target countries based on the six dimensions of the Worldwide Governance Indicators (Konara & Mohr, 2019).	Worldwide Governance Indicators

Table 19 Sample characteristics (Study 3)

Acquirer country							
Austria	13	Finland	38	Italy	16	Spain	21
Belgium	12	France	304	Luxembourg	11	Sweden	144
Britain	193	Germany	150	The Netherlands	58	Switzerland	153
Denmark	21	Ireland	85	Norway	27		
Target country							
Argentina	2	Denmark	18	Japan	9	Russia	1
Australia	42	Estonia	4	Lithuania	1	Singapore	9
Austria	14	Finland	15	Luxembourg	5	Slovakia	1
Belgium	20	France	46	Malaysia	4	Slovenia	5
Brazil	46	Germany	83	Mexico	9	South Africa	12
Britain	102	Greece	5	Morocco	1	South Korea	8
Bulgaria	4	Guatemala	1	The Netherlands	47	Spain	36
Canada	52	Hong Kong	7	New Zealand	8	Sweden	28
Chile	9	Hungary	4	Norway	15	Switzerland	11
China	19	India	10	Panama	2	Taiwan	2
Colombia	6	Indonesia	3	Peru	4	Thailand	1
Costa Rica	1	Ireland	12	Poland	9	Turkey	16
Croatia	1	Israel	7	Portugal	5	The United States	406
Czechia	8	Italy	39	Romania	10	Vietnam	1
Acquirer industry							
Basic Materials	105	Consumer, Cyclical	124	Energy	29	Technology	100
Communications	173	Consumer, Noncyclical	315	Industrial	331	Utilities	69
Target industry							
Basic Materials	61	Consumer, Cyclical	144	Energy	51	Technology	175
Communications	162	Consumer, Noncyclical	355	Industrial	274	Utilities	24

Table 20 Descriptive statistics and correlation matrix (Study 3)

	Mean	Std. Dev.	(1)	(2)	(3)	(4)
(1) Deal completion	0.95	0.21				
(2) Corporate governance	70.88	24.96	0.14			
(3) Public target	0.08	0.27	-0.40	-0.08		
(4) Acquirer size	23.66	1.16	-0.11	0.04	0.12	
(5) International experience	3.79	0.93	0.14	0.16	-0.13	0.31
(6) Percent sought	4.57	0.13	0.01	0.07	-0.02	-0.02
(7) Tender offer	0.02	0.15	-0.02	0.04	0.51	0.08
(8) Cash payment	0.30	0.46	-0.02	-0.01	0.23	0.05
(9) Horizontal deal	0.21	0.41	-0.08	-0.04	0.11	-0.11
(10) Cultural distance	2.20	1.01	0.05	-0.03	-0.05	-0.08
(11) Institutional distance	1.42	1.16	-0.02	-0.08	-0.06	-0.02
	(5)	(6)	(7)	(8)	(9)	(10)
(6) Percent sought	0.07					
(7) Tender offer	-0.03	0.00				
(8) Cash payment	-0.19	0.03	0.22			
(9) Horizontal deal	-0.12	-0.05	0.04	0.03		
(10) Cultural distance	0.03	-0.08	-0.03	-0.08	0.03	
(11) Institutional distance	0.07	-0.18	-0.03	-0.11	0.09	0.34

Note: Correlations with absolute values greater than or equal to 0.06 are significant at the 5% level. Std. Dev. refers to standard deviation. The number of observations is 1246.

4.5. Results

4.4.1. Descriptive statistics

The sample of 1246 observations is comprised of 1186 cases of completed deals and 60 cases of abandoned deals. Completed deals represent around 95% of the total sample, making my sample similar to many past studies on deal completion (Kim & Song, 2017; Li et al., 2017). The number of cases with respect to the countries and industries of both acquirers and targets are presented in Table 19. The descriptive statistics and correlation matrix are presented in Table 20. I also calculated the variance inflation factors. The highest VIF was 2.87. This suggests that my results were not biased by multicollinearity.

Table 21 Main results based on logistic regression (Study 3)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Corporate governance * Public target					1.69*** (0.43)	1.58*** (0.42)
Corporate governance * Acquirer size				0.46*** (0.14)		0.42*** (0.14)
Corporate governance			0.40*** (0.14)	0.19 (0.15)	-0.25 (0.19)	-0.41* (0.22)
Public Target		-3.70*** (0.46)	-3.46*** (0.44)	-3.54*** (0.45)	-2.62*** (0.53)	-2.83*** (0.53)
Acquirer size		-0.55*** (0.21)	-0.52*** (0.20)	-0.36* (0.22)	-0.51** (0.23)	-0.48** (0.23)
International experience	0.60*** (0.14)	0.57*** (0.17)	0.50*** (0.18)	0.50*** (0.19)	0.51*** (0.20)	0.51*** (0.20)
Percent sought	-0.19 (0.16)	-0.31 (0.23)	-0.33 (0.23)	-0.36 (0.23)	-0.23 (0.21)	-0.25 (0.21)
Tender offer	-0.28 (0.88)	2.93*** (0.87)	2.81*** (0.90)	3.02*** (1.00)	3.15** (1.33)	3.48** (1.48)
Cash deal	0.04 (0.34)	0.38 (0.42)	0.36 (0.40)	0.31 (0.40)	0.14 (0.43)	0.12 (0.43)
Horizontal deal	-0.84** (0.33)	-0.59 (0.43)	-0.66 (0.44)	-0.70 (0.45)	-0.80* (0.47)	-0.84* (0.47)
Cultural distance	0.44** (0.18)	0.27 (0.22)	0.28 (0.22)	0.40* (0.22)	0.32 (0.24)	0.40* (0.23)
Institutional distance	0.04 (0.36)	0.42 (0.36)	0.52 (0.35)	0.58 (0.37)	0.54 (0.39)	0.58 (0.40)
Intercept	3.70*** (0.55)	4.67*** (0.60)	4.80*** (0.63)	5.05*** (0.68)	5.17*** (0.70)	5.37*** (0.75)
Number of observations	1246	1246	1246	1246	1246	1246
Pseudo R squared	25.81%	48.37%	49.57%	51.23%	53.42%	54.49%
Model likelihood ratio test	107.52***	209.71***	215.4***	223.3***	233.81***	238.96***

Note: The dependent variable, deal completion, takes the value of one for completed deals and zero for abandoned deals. All the models control for year fixed effects, target country fixed effects, and target industry fixed effects.

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

Table 22 Average marginal effects and linear probability models (Study 3)

	AME Model 1	LPM Model 1	LPM Model 2	LPM Model 3	LPM Model 4	LPM Model 5	LPM Model 6
Corporate governance * Public target						0.2058*** (0.0302)	0.1991*** (0.0306)
Corporate governance * Acquirer size					0.0231*** (0.0067)		0.0098* (0.005)
Corporate governance	0.0005** (0.0002)			0.0176*** (0.0057)	0.0166*** (0.0055)	-0.0055 (0.0035)	-0.0051 (0.0036)
Public target	-0.0979*** (0.0124)		-0.4012*** (0.0551)	-0.3921*** (0.0536)	-0.3851*** (0.0526)	-0.2991*** (0.048)	-0.2991*** (0.048)
Acquirer size	-0.0127*** (0.0047)		-0.0225*** (0.0069)	-0.0225*** (0.0069)	-0.0182*** (0.007)	-0.0188*** (0.0066)	-0.0171** (0.0068)
International experience	0.0151*** (0.0055)	0.0301*** (0.0086)	0.0285*** (0.0076)	0.0259*** (0.0078)	0.025*** (0.0079)	0.0226*** (0.0074)	0.0223*** (0.0075)
Percent sought	-0.0744* (0.0438)	-0.007 (0.0068)	-0.0112 (0.0068)	-0.0117* (0.0068)	-0.0117* (0.0067)	-0.0078 (0.0067)	-0.0079 (0.0067)
Tender offer	0.0794*** (0.0306)	-0.0092 (0.0467)	0.3578*** (0.0697)	0.3447*** (0.0683)	0.3313*** (0.0659)	0.2074*** (0.0649)	0.2062*** (0.0636)
Cash deal	0.0103 (0.011)	0.0102 (0.0154)	0.0365** (0.0144)	0.0363** (0.0143)	0.0357** (0.0142)	0.0238* (0.0138)	0.024* (0.0138)
Horizontal deal	-0.0187 (0.0116)	-0.0372** (0.0174)	-0.0187 (0.016)	-0.0192 (0.0159)	-0.0204 (0.0158)	-0.0247 (0.0152)	-0.025* (0.0151)
Cultural distance	0.0078 (0.0067)	0.0047 (0.017)	0.0099 (0.0144)	0.0119 (0.0144)	0.0115 (0.0142)	0.0145 (0.0136)	0.0142 (0.0135)
Institutional distance	0.0128 (0.0106)	0.0131** (0.0064)	0.009 (0.0057)	0.0086 (0.0057)	0.011* (0.0056)	0.0067 (0.0053)	0.0078 (0.0053)
Intercept		0.9605*** (0.0206)	0.9818*** (0.0163)	0.9807*** (0.0162)	0.9792*** (0.0162)	0.9954*** (0.0155)	0.9943*** (0.0155)
Number of observations	1246	1246	1246	1246	1246	1246	1246

Note: The dependent variable, deal completion, takes the value of one for completed deals and zero for abandoned deals. All the models control for year fixed effects, target country fixed effects, and target industry fixed effects. AVE stands for average marginal effect and LPM stands for linear probability model.

* p < 0.1.

** p < 0.05.

*** p < 0.01.

4.5.2. Hypothesis testing

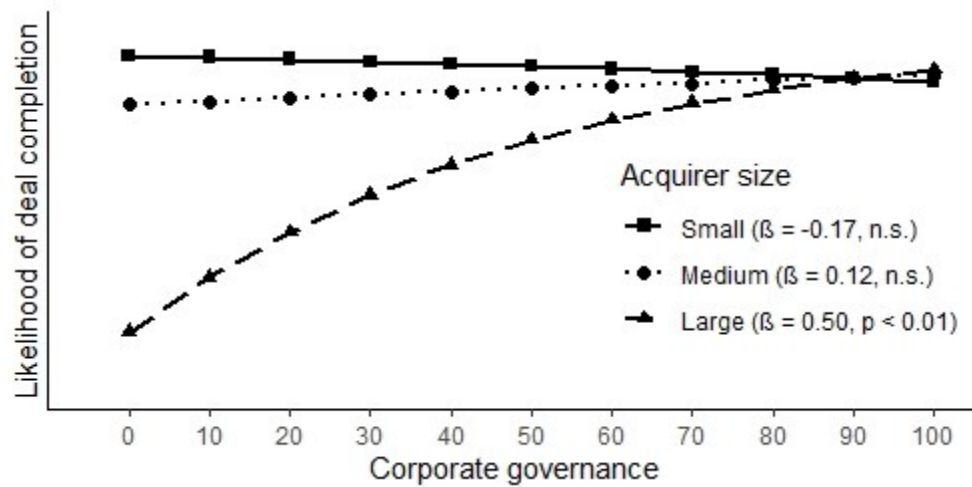
I used logistic regression model for the main results (Table 21). Average marginal effects and linear probability models are also reported in Table 22. Probit models are considered in the robustness analysis (Table 23). As in previous two studies of this dissertation, I standardized all

the continuous explanatory variables to facilitate meaningful interpretation of the results. Furthermore, I used heteroskedasticity-consistent robust standard errors (White, 1980). The results of the logistic regression models are presented in Table 21.

In the first model, I employed only the control variables. In the second model, I included the direct effects of the two moderating variables. In the third model, I added the direct effect of corporate governance, the primary independent variable. The coefficient of corporate governance was positive and significant ($\beta = 0.40$, $p < 0.01$). This finding supports H3a. To understand the effect size, a one-standard-deviation increase in corporate governance increases the log odds of deal completion by 0.40. According to average marginal effects reported in Table 22, a marginal increase in corporate governance enhances the likelihood of deal completion by 0.05%. According to linear probability model in Table 22, an interquartile increase in corporate governance increases the likelihood of deal completion by 2.85%.

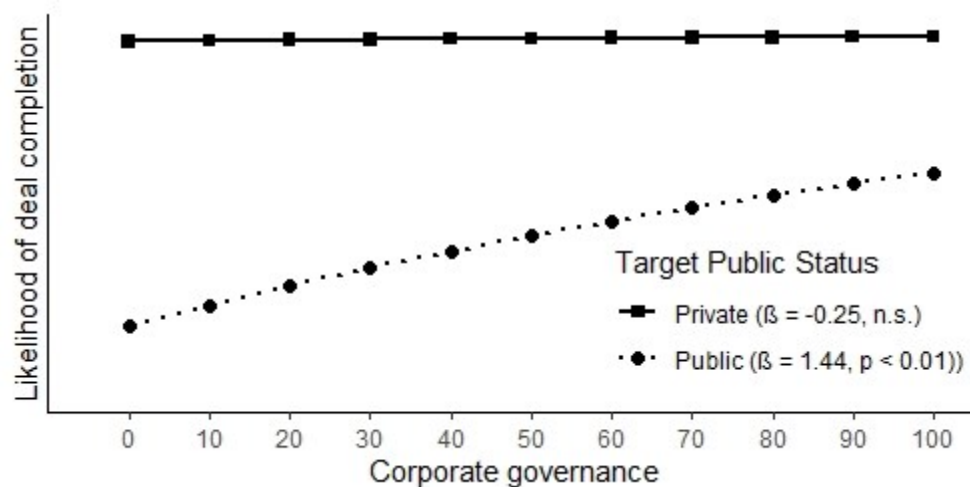
In model 4 (Table 21), I added the interaction term between corporate governance and acquirer size to test H3b. This interaction term was significant and positive ($\beta = 0.46$, $p < 0.01$), meaning that the relationship between corporate governance and the likelihood of deal completion is stronger for large acquirers. Thus, H3b was supported. I present the interaction plot of the effect of corporate governance and acquirer assets on the likelihood of deal completion in Figure 8. I have also reported the results of a simple slope analysis alongside this figure. Small acquirers are assumed at the 25th percentile of acquirer size. Medium acquirers assumed at the 50th percentile (median). Large acquirers are assumed at the 75th percentile. My results suggest that corporate governance does not affect the likelihood of deal completion for small and medium acquirers. The effect is significant for acquirers larger than a certain size, and the effect continues to become stronger as the size of the acquirer increases.

Figure 8 Moderating role of acquirer size in the relationship between corporate governance and the likelihood of deal abandonment (Study 3)



In model 5 (Table 21), I employed the interaction term between corporate governance and public targets. This interaction term was significant and positive ($\beta = 1.69$, $p < 0.01$). This finding indicates that the relationship between corporate governance and the likelihood of deal completion is stronger for public targets than for private targets. Thus, H3c was supported. I present the interaction plot of the effect of corporate governance and target public/private status on the likelihood of deal completion in Figure 9. The results of a simple slope analysis indicate that the effect of corporate governance on the likelihood of deal completion is nonsignificant in the case of private targets. In contrast, in the case of public targets, the effect of corporate governance on the likelihood of deal completion is significant and positive.

Figure 9 Moderating role of target status in the relationship between corporate governance and the likelihood of deal abandonment (Study 3)



In model 6 (Table 21), I added both interaction terms together to evaluate the stability of the results. Both interaction terms remained significant and positive, as in the previous models.

Notably, in Model 6, the coefficient of corporate governance was significant and negative. In this Model 6, the coefficient of corporate governance denoted the effect of corporate governance on the likelihood of deal completion when the variables public target and acquirer size took the value of zero. Public target took the value of zero (0) for private targets. Acquirer size variable was standardized, i.e., the value of zero denoted an average-sized acquirer. It suggests that corporate governance was negatively associated with the likelihood of deal completion for private targets acquired by medium-sized acquirers. To confirm if this is true, I calculated average marginal effects at respective values of public target and acquirer size. The average marginal effect of corporate governance was positive and significant, suggesting that significant and negative coefficient in Model 6 are not against H3a. For further clarification, I calculated average marginal effects of corporate governance at five values of acquirer size (Tukey five-number summary: minimum, first quartile, median, third quartile, maximum) for both private and public targets. All

average marginal effects were significant and positive, suggesting that H3a is unconditionally supported.

Table 23 Robustness analysis based on probit regression (Study 3)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Corporate governance * Public target					0.92*** (0.21)	0.87*** (0.20)
Corporate governance * Acquirer size				0.23*** (0.06)		0.19*** (0.06)
Corporate governance			0.19*** (0.07)	0.09 (0.07)	-0.11 (0.08)	-0.17* (0.10)
Public target		-1.90*** (0.21)	-1.78*** (0.20)	-1.8*** (0.20)	-1.34*** (0.24)	-1.42*** (0.24)
Acquirer size		-0.24** (0.10)	-0.23** (0.10)	-0.16 (0.11)	-0.22** (0.11)	-0.21* (0.11)
International experience	0.27*** (0.08)	0.26*** (0.09)	0.23** (0.09)	0.23** (0.10)	0.23** (0.10)	0.23** (0.10)
Percent sought	-0.05 (0.09)	-0.11 (0.13)	-0.12 (0.13)	-0.13 (0.13)	-0.08 (0.11)	-0.08 (0.12)
Tender offer	-0.11 (0.41)	1.57*** (0.43)	1.50*** (0.43)	1.56*** (0.45)	1.54*** (0.58)	1.65** (0.65)
Cash deal	0.02 (0.16)	0.16 (0.20)	0.15 (0.19)	0.14 (0.19)	0.06 (0.20)	0.06 (0.20)
Horizontal deal	-0.35** (0.16)	-0.24 (0.20)	-0.27 (0.21)	-0.28 (0.21)	-0.33 (0.21)	-0.33 (0.21)
Cultural distance	0.19** (0.09)	0.14 (0.11)	0.14 (0.11)	0.20* (0.11)	0.15 (0.11)	0.19* (0.11)
Institutional distance	-0.02 (0.17)	0.18 (0.17)	0.22 (0.17)	0.22 (0.18)	0.23 (0.19)	0.23 (0.19)
Intercept	1.90*** (0.25)	2.42*** (0.29)	2.46*** (0.30)	2.56*** (0.32)	2.64*** (0.34)	2.70*** (0.36)
Number of observations	1246	1246	1246	1246	1246	1246
Pseudo R squared	24.54%	47.47%	48.54%	50.18%	53.12%	53.95%
Model likelihood ratio test	101.98**	205.49***	210.55***	218.29***	232.39***	236.39***

Note: The dependent variable, deal completion, takes the value of one for completed deals and zero for abandoned deals. All the models control for year fixed effects, target country fixed effects, and target industry fixed effects.

* p < 0.1.

** p < 0.05.

*** p < 0.01.

Table 24 Robustness analysis based on logistic regression with different measurements for selected explanatory variables (Study 3)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Corporate governance * Public target					2.01*** (0.60)	2.12*** (0.63)
Corporate governance * Acquirer size				0.38*** (0.14)		0.51*** (0.15)
Corporate governance			0.36*** (0.11)	0.25 (0.16)	-0.83*** (0.41)	-1.09*** (0.45)
Public target		-4.31*** (0.57)	-3.94*** (0.54)	-3.94*** (0.56)	-3.61*** (0.58)	-3.76*** (0.61)
Acquirer size		-0.33*** (0.18)	-0.33*** (0.17)	-0.15 (0.20)	-0.22 (0.20)	-0.20 (0.20)
International experience	0.39*** (0.09)	0.41*** (0.11)	0.39*** (0.11)	0.38*** (0.11)	0.44*** (0.13)	0.41*** (0.13)
Tender offer	-0.59 (0.84)	2.67*** (0.86)	2.71*** (0.92)	2.87*** (1.21)	2.86*** (1.37)	2.78*** (1.47)
Cash deal	0.26 (0.37)	0.71 (0.52)	0.65 (0.50)	0.62 (0.52)	0.47 (0.56)	0.46 (0.57)
Horizontal deal	-1.05*** (0.33)	-0.74*** (0.45)	-0.87*** (0.46)	-0.84*** (0.48)	-0.92*** (0.48)	-0.90*** (0.49)
Cultural distance	0.58*** (0.20)	0.48*** (0.25)	0.51*** (0.25)	0.62*** (0.26)	0.61*** (0.27)	0.71*** (0.26)
Institutional distance	0.49 (0.53)	0.93 (0.59)	0.96 (0.63)	1.04*** (0.63)	0.85 (0.58)	0.82 (0.57)
Intercept	3.68*** (0.53)	4.86*** (0.61)	4.97*** (0.65)	5.1*** (0.68)	5.47*** (0.72)	5.62*** (0.76)
Number of observations	1144	1144	1144	1144	1144	1144
Pseudo R squared	26.98%	52.36%	53.79%	55.30%	57.96%	59.06%
Model likelihood ratio test	100.84**	204.6***	210.72***	217.24***	228.84***	233.64***

Note: The dependent variable, deal completion, takes the value of one for completed deals and zero for abandoned deals. For further details about the different measurements of the selected explanatory variables, refer to Section 5.3. All the models control for year fixed effects, target country fixed effects, and target industry fixed effects.

* p < 0.1.

** p < 0.05.

*** p < 0.01.

4.5.3. Robustness analysis

I conducted two robustness tests in this study. First, I reran the analysis using a probit model since dichotomous variables can also be analyzed using probit models. The results were consistent and are reported in Table 23.

Second, I reran the logistic regression after changing the method of operationalization for several variables. First, I used the logarithm of the independent variable (to address any skewness in the original variable). Since the lowest corporate governance value was zero, I added one to all the original values and then took their natural logarithms. Second, I used acquirer sales instead of acquirer assets to measure acquirer size. Third, I calculated cultural distance and institutional distance based on the Kogut and Singh index (Kogut & Singh, 1988) instead of the standardized Euclidean distance formula. Fourth, in the main analysis, I measured international experience based on the number of cross-border acquisitions completed by the focal acquirer. In the robustness models, I measured it based on the number of years since the first cross-border acquisition of the acquirer was completed. Fifth, I limited my analysis to full acquisitions (thus, the variable percent sought had to be removed from this model). The results were consistent and I have reported them in Table 24.

4.6. Discussion and conclusion

4.6.1. Contributions

This study makes at least three contributions to the literature. First, this study advances the debate on agency hazards in the context of cross-border acquisitions. Agency problems in the M&A process have been a central topic of debate among agency theorists. Amihud & Lev (1981) reasoned that managers conduct conglomerate mergers to reduce their employment risk. Jensen (1986) argued that managers with a large amount of free cash flow are more likely to conduct value-destroying acquisitions. Shleifer & Vishny (1989) reasoned that managers try to conduct manager-specific investments such that it becomes difficult for shareholders to replace them. Recent studies also suggests that large firms experience more agency conflicts, as large acquirers gain fewer announcement returns (Zhao et al., 2019). Maas et al. (2019) reasoned that similar to the principal-

agent problem in acquisitions whereby managers try to conduct acquisitions for self-interested purposes, the principal-principal problem in acquisitions, where controlling shareholders act in a way that is economically unfavorable for minority shareholders, is also of considerable importance. This study advances the debate on the impact of agency problems on the likelihood of acquisition completion. Precisely, I show that when the perceived agency hazards of cross-border acquirers are relatively low (as demonstrated by better corporate governance ratings), the likelihood of deal completion is higher.

Second, this study contributes to the literature on European deal outcomes. This literature is largely based on single-country datasets. To the best of my knowledge, only two studies are exceptions to this rule (Bessler & Schneck, 2015; Moschieri & Campa, 2014). Interestingly, both studies focused on European targets. That is, their samples were comprised of deals that involved all European targets irrespective of the corresponding acquirer countries. In contrast, since my focus is on cross-border acquisitions *by* European acquirers, my findings are more relevant to the phenomenon of cross-border acquisitions conducted by European acquirers. Additionally, this is the first study that has examined how the likelihood of cross-border acquisition completion is affected by the corporate governance of European acquirers.

Third, this study adds to the literature on European corporate governance. A major portion of the European corporate governance literature focuses on the effect of corporate governance on general financial performance (García-Ramos & Díaz, 2021; La Torre et al., 2021; Nirino et al., 2021). Few recent studies examine how corporate governance affects other domains of business, such as R&D (Rodrigues et al., 2020) and reporting behavior (Gad, 2020). Unfortunately, little is known about the consequences of corporate governance in the context of European acquisitions. Feito-Ruiz & Menéndez-Requejo (2010) demonstrated that family-owned European firms have

significantly higher M&A valuations than non-family-owned European firms. Examining a sample of UK firms that had recently experienced deal abandonment, McCann & Ackrill (2015) found that the likelihood of postabandonment discipline (such as strategic retrenchment and the sale of significant assets) in an acquirer is higher if the abandoned deal involves an unrelated target (as compared to a related target). Independent board directors were not found to affect this postabandonment discipline. This study provides a direct link between the corporate governance ratings of European cross-border acquirers and the likelihood of deal completion. My results suggest that stakeholders in target countries/companies actively use independent party ratings to evaluate the corporate governance of European cross-border acquirers.

4.6.2. Limitations and future research directions

The results of this third study should be interpreted in light of its limitations. While acknowledging the limitations of my research, I believe that these limitations open doors for future research. I would like to highlight four points in this subsection. First, as in the first two studies of this dissertation, I measured corporate governance ratings based on a single dataset, Sustainalytics. While I still believe that this approach increases the comparability of my study with prior literature and makes this study relevant for the thousands of stakeholders who use the mentioned data, future studies may use multiple datasets to determine whether corporate governance *performance* and corporate governance *disclosure* have heterogeneous effects on the likelihood of deal completion. Precisely, researchers argue that some firms, despite their low corporate governance performance, still manage to retain a respectable image in the eyes of stakeholders through active/deceitful reporting (Tashman et al., 2019). It would be valuable to determine whether such a greenwashing attitude helps European acquirers in cross-border acquisitions (Lashitew, 2021).

Second, in the literature review and empirical work, I focused on only European acquirers. One possible future research direction involves extending this analysis to a non-European sample and comparing the results from a European sample with those from a non-European sample. The effect of corporate governance on deal completion may be stronger in countries where shareholder rights are well protected.

Third, in the conceptual model, I did not take industry factors into account. In the empirical model, I controlled for the effect of industry on the likelihood of deal completion by employing dummy variables. One promising area of future research entails focusing on a certain industry and examining relevant corporate governance factors that may be of greater relevance in the given industry (Roos & Postma, 2016). Another area of future research is to compare results among industries such as between the service industry and the rest (Ozdemir et al., 2022).

Fourth, I did not take into consideration how the number of third-party advisors may affect the focal relationship between corporate governance ratings and deal outcomes. On the one hand, it can be argued that a deal in which the acquirer has a greater number of third-party advisors may give a more positive signal about its corporate governance. On the other hand, deals involving single advisors are shown to be more effective (McCarthy & Noseleit, 2021). Future research could assess whether the focal relationship is stronger in case of a single advisor or multiple third-party advisors.

4.6.3. Concluding remarks

The corporate governance of European multinationals has been discussed widely in academic literature. While this literature proposes that corporate governance has a positive impact on organizational outcomes, little is known about its effect in the context of cross-border acquisitions.

Do the corporate governance ratings of European acquirers affect the likelihood of cross-border deal completion? In answering this research question, I used Sustainalytics data to measure the corporate governance ratings of European acquirers and examined a sample of 1246 deals. My results showed that European acquirers with better corporate governance ratings had a higher likelihood of deal completion. Furthermore, the focal relationship between corporate governance ratings and the likelihood of deal completion was found to be stronger if the deal involved a large acquirer or a public target. My research confirms a positive impact of corporate governance ratings in cross-border acquisitions and inspires future research on the positive impact of corporate governance ratings in other domains of cross-border acquisitions.

Chapter 5

Conclusion

5.1. Summary of thesis

This section summarizes the thesis by answering the research questions.

The first three research questions are related to Study 1. RQ1a concerns whether acquirers' environmental performance affect the likelihood of deal completion. The results show that the two variables are positively associated. A one-standard-deviation change in the environmental performance increases the likelihood of deal completion by 1.5% according to the logistic model, and by 1.3% according to the probit model, and by 2.4% according to LPM. RQ1b concerns whether acquirer size moderates the focal relationship between acquirers' environmental performance and the likelihood of deal completion. The logistic regression results show that the focal relationship at 92nd percentile of acquirer size is statistically stronger than that at 0th to 14th percentile of acquirer size. Similarly, according to probit model, the focal relationship at 96th percentile of acquirer size is statistically stronger than that at 0th to 14th percentile of acquirer size. RQ1c concerns whether target public/private status moderates the focal relationship between acquirers' environmental performance and the likelihood of deal completion. The results show that focal relationship is stronger for public targets than private targets. The results show that deals involving private targets have a very high likelihood of deal completion—to the extent that environmental performance of the acquirer has a little part to play. However, in case of deals involving public targets, the focal relationship is very strong. The fine-grained analysis not only show that the focal relationship is stronger for public targets than private targets, but also shows

that for public targets, the focal relationship is the strongest for cross-border acquirers with mediocre environmental performance (i.e., environmental performance score between 25th percentile to 75th percentile value).

The next three research questions are related to Study 2. RQ2a deals with whether acquirers' social performance affects the likelihood of deal completion. The results show that acquirers' social performance positively affects the likelihood of deal completion. The analysis further shows that the increase in the likelihood of deal completion when social performance changes from its lowest value to the highest value is 5.79%. RQ2b deals with whether acquirer size moderates the focal relationship between acquirers' social performance and the likelihood of deal completion. The results suggest that the focal relationship is stronger for large acquirers than small acquirers. My analysis shows that the odds of deal completion for high-performing large acquirers are 749.94% higher than those for low-performing large acquirers. In contrast, for small acquirers, the relationship between SP and the likelihood of CBAC is not significant. RQ1c deals with whether target public/private status moderates the focal relationship between acquirers' social performance and the likelihood of deal completion. The results show that the focal relationship is stronger for public targets than private targets. My analysis regarding the effect size shows that for public targets, the odds of deal completion for high-performing acquirers are 7725.70% higher than those for low-performing acquirers. In contrast, for private targets, the relationship between SP and deal outcomes is not significant.

The last three research questions deal with Study 3. RQ3a relates to whether acquirers' corporate governance performance affect the likelihood of deal completion. My results show that the two variables are positively associated. The results further show that, as per average marginal effects, a marginal increase in corporate governance enhances the likelihood of deal completion

by 0.05%. As per linear probability models, an interquartile increase in corporate governance increases the likelihood of deal completion by 2.85%. RQ3b relates to whether acquirer size moderates the focal relationship between acquirers' corporate governance performance and the likelihood of deal completion. The results show that focal relationship is stronger for large acquirers than small acquirers. RQ3c relates to whether target public/private status moderates the focal relationship between acquirers' corporate governance performance and the likelihood of deal completion. My results show that the focal relationship is stronger for public targets and private targets.

5.2. Theoretical implications of the thesis

In this section, I would like to shed light on the theoretical contributions of this dissertation for three theoretical literatures.

5.3.1. Environmental legitimacy

In Study 1, this dissertation extends the application of environmental legitimacy in the context of cross-border M&A. The literature on environmental legitimacy mainly focuses on the performance effects of legitimacy based on general accounting-based or market-based measures. As an example, Truong & Berrone (2022) showed that industrial firms with greater number of environmental patents have higher environmental legitimacy, which in turn positively affects the market value of the firms. De Mendonca & Zhou (2019) demonstrated that environmental orientation that targets ecological sustainability has a greater positive impact on environmental legitimacy than the environmental orientation that does not target ecological sustainability. De Mendonca & Zhou (2019) further showed that environmental legitimacy mediates the relationship between environmental orientation and long-run profitability as well as that between environmental orientation and market value. Although these studies advance the discussion on the benefits of

environmental legitimacy, little is known about how and whether environmental legitimacy affects firms in specific contexts such as cross-border acquisitions. I use a context-specific measure of firm performance (cross-border acquisition completion) that allowed me to conclude that environmental legitimacy of a firm is diligently analyzed by international stakeholders upon deal announcement. This dissertation discusses in details how environmental legitimacy of cross-border acquirers is thoroughly examined by many stakeholders who influence a specific outcome of a firm—deal completion.

5.3.2. Reputation for social performance

In Study 2, my dissertation extends the theoretical borders of the reputation for social performance literature from an international business perspective. The literature on reputation for social performance has not yet fully integrate the cross-country nature of corporate social performance in the theorizing (Acharya et al., 2021; Cooper et al., 2018; Gardberg et al., 2019; Zyglidopoulos, 2001, 2004). For example, Cooper et al. (2018) investigated the moderating influence of reputation for social performance on the relationship between greenhouse gas emissions and firm value, but used a single-country context in the data and in the hypothesis development sections. Gardberg et al. (2019) analyzed whether a corporation's reputation for social performance is affected by its philanthropic contributions. However, both the data and the hypothesis development sections of the study focused on a corporation's existence in a single country. Acharya et al. (2021) reasoned that a reputation for social performance is important for socially considerate firms—without discussing whether such a reputation is judged only domestically or by international actors as well. This dissertation advances the discussion on the reputation for social performance theory by showing that signals pertaining to firms' reputation for social performance are received by

international stakeholders who judge firms and subsequently affect their acceptability in a cross-country context.

5.3.3. Agency theory

In Study 3, this dissertation adds the debate on agency hazards in the context of cross-border acquisition process. Agency problems in the context of M&A have been a key debate among agency theorists. For example, Amihud & Lev (1981) contended that managers conduct conglomerate mergers to reduce their employment risk. Jensen (1986) argued that managers with a large free cash flows are more likely to conduct value-destroying acquisitions. Shleifer & Vishny (1989) contended that managers try to conduct manager-specific investments such that it becomes difficult for shareholders to replace them. Recent studies also show that large firms experience more agency conflicts, as large acquirers gain fewer announcement returns (Zhao et al., 2019). Maas et al. (2019) reasoned that similar to the principal-agent problem in acquisitions whereby managers try to conduct acquisitions for self-interested purposes, the principal-principal problem in acquisitions, where controlling shareholders act in a way that is economically unfavorable for minority shareholders, is also of considerable importance. My dissertation adds the debate on the impact of agency problems on the likelihood of acquisition completion. Precisely, I show that when the perceived agency hazards of cross-border acquirers are relatively low (as demonstrated by better corporate governance ratings), the likelihood of deal completion is higher.

5.4. General conclusion

This thesis examined how three dimensions of acquirers' CSR (environmental, social, and corporate governance) affect the likelihood of cross-border acquisition completion. I examined the effect of each dimension in a separate study.

The first study investigated the effect of environmental performance on the likelihood of deal completion. Drawing on the environmental legitimacy literature, I hypothesized that acquirers' environmental performance positively influences the likelihood of deal completion. I further hypothesized that focal relationship is stronger for larger acquirers and public targets. Based on a sample of cross-border deals announced by acquirers in two environmentally sensitive industry sectors: basic materials and industrial, my results support all three hypotheses.

Drawn on the reputation for social performance literature, the second study analyzed whether acquirers' social performance affects the likelihood of deal completion. I used a sample of deals announced by acquirers in non-cyclical consumer industry—as social issues are of critical importance in the given industry. The results showed that acquirers' social performance and the likelihood of deal completion are positively associated. The results further showed that the focal relationship is stronger for large acquirer (as compared to small acquirers) and public targets (as compared to private targets).

Drawing on agency theory, the third study analyzed whether acquirers' corporate governance performance affects the likelihood of deal completion. I used a sample of cross-border deals announced by European acquirers—as corporate governance has been a priority of the European Union in the recent years. The results showed that acquirers' corporate governance performance positively affects the likelihood of deal completion. I further tested moderating influence of two variables (acquire size and target public/private status). Acquirer size strengthened the relationship between acquirers' corporate governance performance and the likelihood of deal completion. Likewise, the focal relationship was stronger for acquirer that buy public targets than private targets.

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