THE EFFECTS OF ADDED DISTANCE ON OWNERSHIP DECISION AND MARKET REACTION IN CROSS-BORDER ACQUISITIONS

by

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ABSTRACT OF THE DISSERTATION

The effects of added distance on ownership decision and market reaction in cross-border acquisitions

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In this dissertation, I argue that as multinational companies (MNCs) enter different countries, the extent of cultural that they face is likely to depend on their most recent entry. Based on this, I examine the pattern of adding cultural distance between newly entered target country and the closest previous one, and its effect on acquiring firms' ownership decision and shareholder market reactions to each cross-border acquisition (CBA) announcement. Further, I examine the effect of time in adding cultural distance between successive acquisitions on ownership decision in CBAs and market reaction to CBA announcement. I test the arguments on a sample of 10,423 CBAs involving U.S. acquirers and targets in 138 countries during 1980 - 2014 time period. This study finds that added cultural distance and time in adding cultural distance significantly influence the ownership share decision and market reaction to CBA announcement. In addition, an acquirer's prior ownership, CBA experience and geographic distance moderate the relationship between the added distance and the ownership decision in CBAs and market reaction to CBA announcement.

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CHAPTER ONE

INTRODUCTION

This dissertation examines the effect of additional complexity resulting from added cultural distance on ownership decision and market reaction to cross-border acquisitions (CBAs) announcement. The two essays attempt to explain theoretical and empirical conflicts on the relationship between cultural distance and ownership decision, cultural distance and market reaction to CBA announcement in CBA literature.

In the first essay, I examine the effect that the increased complexity due to cultural differences affects MNCs' strategic choices, including their ownership decisions. However, there is no consensus in theoretical and empirical literature on how cultural distance affects the level of ownership sought in international activities. One stream of literature, delving into the dynamics of CBA ownership decisions, theoretically focuses on information asymmetry. Studies in this literature argue that an acquirer tends to seek lower (greater) share under greater (lower) information asymmetry (Balakrishnan & Koza, 1993; Chari & Chang, 2009; Chen & Hennart, 2004; Reuer & Koza, 2000; Kim & Hwang, 1992; Wilkinson et al., 2008). The other stream of studies takes into consideration transaction cost theory and cultural similarity, and argue that an acquirer tends to prefer greater (lower) share under greater (lower) cultural distance due to the trade-off between the costs and the risks, and the benefits (Anderson & Gatignon, 1986; Delios & Beamish, 1999; Kogut & Singh, 1988; Malhotra et al., 2011; Padmanabhan & Cho, 1996; Williamson, 1985; Zhao, Luo, & Suh, 2004).

To address the theoretical and empirical conflict, I argue that more nuanced added cultural distance patterns represent a balance between the information asymmetry

perspective and transaction cost theory in ascertaining the costs and benefits of high ownership in CBAs. In doing so I examine the added cultural distance between newly entered target country and the closest previous CBA, and the ownership taken by an acquirer on a target firm. I develop two main hypotheses about the effect of added cultural distance and the time between two successive acquisitions on ownership decision. I further hypothesize, how the effect of cultural distance is contingent on other firm-specific, and environmental factors that affect uncertainty in CBAs.

In the second essay, I examine the effect of added cultural distance on shareholder value creation for acquiring firms, as shown as market reaction to CBA announcement. In this stream of literature, the theoretical assumptions and the associated empirical evidence differ across different studies, with many studies producing inconclusive evidence between cultural distance and market reaction. One stream of research that focuses value maximization on investment decisions argues that cultural distance in CBAs increases the coordination and transaction costs, lowering an acquiring firm's market value (Chatterjee et al., 1992; Datta and Puia, 1995; Doukas & Travlos, 1988; Stahl & Voigt, 2008; Zhao et al., 2004), or negative relationship (Datta & Puia, 1995; Stahl & Voigt, 2008). On the other hand, the literature in the resource-based view and the organizational learning perspective argues that the acquiring firm benefits from the potential competitive advantage with newer resources and capabilities from an acquisition, which in turn result in positive market reactions (Chakrabarti et al., 2009; Chatterjee et al., 1992; Evans et al., 2002; Goulet & Schweiger, 2006; Stahl & Voigt, 2008).

To address the second issue, I argue that the stock market gains and shareholder value to an acquiring firm's CBA decisions will be greater in higher added cultural distance than in lower because an acquirer's shareholders tend to positively react when CBA decisions reduce associated costs with the complexity and the information asymmetry. I also argue that the stock market gains and shareholder value to an acquiring firm's CBA decisions will be stronger in shorter time in adding cultural distance due to the negative wealth effect by transaction costs associated with the complexity and the information asymmetry and consequent ownership decision. Moreover, I examine firm, industry, and country-level moderating factors and their effects that would strengthen or weaken the relationship between added cultural distance and market reaction in CBAs.

The empirical analyses are based on a sample collected from the *Thomson Financial Securities Data Corporation* (SDC) Platinum database about CBAs from different source and target countries for a 25 year time period from 1980 to 2014. I also collected firm (acquirers and targets)-, industry-, country-, and transaction-level variables from SDC. I collected firm level variables from COMPUSTAT. After merging information from different sources, the final sample for the first essay consists of 10,423 CBAs observations from 138 target countries. For the second essay, I merged the first study data with the stock market return data from *University of Chicago's Center for Research in Security Prices* (CRSP). After merging datasets from different sources, the final sample consists of 4,347 CBAs from 138 target countries for a 15 year time period from 1990 to 2014.

I find that added cultural distance and time in adding cultural distance significantly influence the ownership share decision and market reaction to CBA

announcement. In addition, an acquirer's prior ownership, CBA experience and geographic distance moderate the relationship between the added distance and the ownership decision in CBAs and market reaction to CBA announcement.

This is one of the first studies to explain theoretical and empirical conflicts in CBAs by analyzing CBA activities in a detailed manner using much longer time period data. The theoretical arguments about added cultural distance help reconcile the inclusive findings about the relationship between cultural distance and ownership share, and cultural distance and market reaction to CBA announcement. This study implies that MNC's managers who consider next cross-border acquisition need to carefully examine closest previous target information and CBA experience, rather than focusing direct cultural distance between focal firm and target firm. The added cultural distance, therefore, sophisticatedly influences the acquiring firm's ownership decision to target firm and its consequence market reaction to CBA announcement.

The dissertation is organized as follows. In section 2 and 3, the two essays fully describe theories and empirical analyses. In section 5, I discuss the findings, contributions, limitation and future research prospect.

CHAPTER TWO

THE EFFECTS OF ADDED CULTURAL DISTANCE ON OWNERSHIP DECISION IN CROSS-BORDER ACQUISITIONS

ABSTRACT

This study argues that as multinational companies (MNCs) enter different countries, the extent of cultural unfamiliarity that they face is likely to depend on their most recent entry. Based on this, I examine the pattern of adding cultural distance between newly entered target country and the closest previous one, and its effect on ownership decision in each cross-border acquisition (CBA). I also examine the effect of added cultural distance and time between successive acquisitions on ownership decision in CBAs. The study tests the arguments on a sample of 10,423 CBAs involving U.S. acquirers and targets in 138 countries during 1980 - 2014 time period. I find that the ownership share decision is negatively affected by the added cultural distance, and positively by the time between two successive acquisitions. In addition, prior ownership and geographic distance moderate the relationship between the added cultural distance and the ownership in CBAs.

Keywords:

Added cultural distance; cultural distance; ownership structure; ownership strategy; cross-border mergers and acquisitions

INTRODUCTION

A review of the last three decades of strategy and international business (IB) literatures underscores the importance of cultural distance as an important variable in explaining internationalization behavior of firms (e.g., Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008; Richards & Yang, 2007; Slangen & Hennart, 2008). Cultural distance refers to the differences in national cultural systems between MNE's home and host country of operation (Tihanyi, Griffith, & Russell, 2005). In this literature stream, scholars have argued that increased distance leads to a greater level of complexity associated with collecting, analyzing and interpreting information about foreign markets (Hutzschenreuter, Kleindienst, & Lange, 2014). The increased complexity due to cultural differences affects MNCs' strategic choices, including their ownership decisions. However, there is no consensus in literature on how cultural distance affects the level of ownership sought in international activities (Malhotra, Sivakumar, & Zhu, 2011). For example, studies have reported a positive (Anand & Delios, 1997; Padmanabhan & Cho, 1996), negative (Chari & Chang, 2009; Kim & Hwang, 1992; Wilkinson, Peng, Brouthers, & Beamish, 2008), as well as no relationship between cultural distance and level of ownership in foreign affiliates (Erramilli, 1990; Morschett, Schramm-Klein, & Swoboda, 2010; Tihanyi et al., 2005).

One stream of literature, delving into the dynamics of CBA ownership decisions, theoretically focuses on information asymmetry that explains "the market for lemons" (Akerlof, 1970), and the valuation and motivation problems in acquisitions (Balakrishnan & Koza, 1993; Chari & Chang, 2009; Chen & Hennart, 2004). These studies argue that both buyers and sellers in the acquisition market have incomplete and asymmetric

information. The information asymmetry causes the adverse selection hazards and valuation problems that need substantial *pre-screening* costs to overcome (Chari & Chang, 2009). These problems worsen when there is uncertainty such as in different cultural environments (Reuer, Shenkar, & Ragozzino, 2004; Shimizu, Hitt, Vaidyanath, & Pisano, 2004). Empirical studies supporting this theoretical argument find that an acquirer tends to seek lower (greater) share under greater (lower) information asymmetry (Balakrishnan & Koza, 1993; Chari & Chang, 2009; Chen & Hennart, 2004; Reuer & Koza, 2000; Kim & Hwang, 1992; Wilkinson et al., 2008).

The other stream of studies takes into consideration transaction cost theory and cultural similarity that affect firms' boundary activities and costs associated with cross country differences (Anand & Delios, 1997; Buono, Bowditch, & Lewis, 1985; Dunning, 1989; Willamson, 1985). Collectively, this body of literature argues that higher cultural difference leads to culture clashes and substantial transaction cost between a foreign firm and its local partner, especially under partial ownership structures. As a result, acquiring firms prefer full ownership to avoid these problems in culturally distant countries (Brock, 2005; Brock, Barry, & Thomas, 2000; Buono et al., 1985; Li & Guisinger, 1992; Tsang, 1994). Subsequent empirical findings show that acquirers tend to prefer greater (lower) share under greater (lower) cultural distance due to the trade-off between the costs and the risks, and the benefits (Anderson & Gatignon, 1986; Delios & Beamish, 1999; Kogut & Singh, 1988; Malhotra et al., 2011; Padmanabhan & Cho, 1996; Williamson, 1985; Zhao, Luo, & Suh, 2004).

The above theoretical conflict can be explained by more nuanced added cultural distance patterns. In doing so, I argue that added cultural distance represents a balance

between the information asymmetry perspective and transaction cost theory in ascertaining the costs and benefits of high ownership in CBAs. As added cultural distance represents only additional complexity from the previous acquisition entry, I assume that the ownership decision is differently affected by different added cultural distance patterns. More specifically, the acquisition decision in culturally distant country followed by previous closer distant acquisitions may not be the same as in culturally proximate country followed by previous distant acquisition. Accordingly, I propose a negative relationship between added cultural distance and ownership in CBAs.

To further illustrate the point, I take the case of two acquirers, Pfizer Inc. and the Dow Chemical Co. from United States, which acquire different target firms in culturally distant country, South Korea. Pfizer Inc. has had previous CBA experiences in culturally closer to United States, whereas the Dow Chemical Co. has had CBA experiences near South Korea. The negative nature of the added cultural distance explains that Pfizer tends to decide lower ownership shares due to the higher added cultural distance pattern. The Dow Chemical Co., however, tends to choose higher ownership shares due to the lower added cultural distance pattern around South Korea. Although the two firms move along the same cultural distance, Pfizer case is associated with the positive relationship between cultural distance and ownership share as transaction cost (TC) theory supports, whereas the Dow Chemical Co. case is related to the negative relationship as information asymmetry explicates.

To foster theoretical support, I utilize the concept of "added cultural distance" (Hutzschenreuter and Voll, 2008; Hutzschenreuter, Voll & Verbeke, 2011; Hutzschenreuter & Horskotte, 2013) for a more nuanced understanding of ownership

choice in CBAs. Collectively, the works of Hutzschenreuter and his colleagues suggest that in international expansion "it is not the distance between the home country and the new host country that matters. What matters is the distance between the new host country and the country where the MNE already operates and that is the closest to the new host country, a perspective similar to the new internationalization model developed in Johanson and Vahlne (1977)" (Hutzschenreuter et al., 2011, p. 323). I enrich this line of literature by examining each step of adding cultural distance and its resulting impact on ownership, so as to identify why the relationship between cultural distance and ownership differs across studies that use different theoretical lenses.

In addition to the direct effect of added cultural distance and time in adding cultural distance on CBA ownership decisions, I examine important moderators that condition this relationship. Specifically, I examine that an acquirer's prior ownership presence in the target firm, industry relatedness between the acquirer and the target firm, high technology industry affiliation of a target firm, and geographic distance between the acquirer and the target countries as important moderators as they affect the level of information asymmetry that acquirers face in conducting CBAs. I test the arguments on a sample of 10,423 CBAs between 1980 and 2014 involving U.S. acquirers and targets in 138 countries. The empirical models provide strong support for the hypothesized relationships.

THEORY AND HYPOTHESES

Background: Cultural Distance and Ownership in CBAs

CBAs have become one of the major strategic choices for international expansion in recent years. Several scholars have highlighted cultural differences and distance between acquirer's and target's countries as important barriers in conducting CBAs (Chari & Chang, 2009). In this literature stream, scholars have examined the relationship between cultural distance and the equity ownership sought in CBAs. However, the theoretical assumptions and the associated empirical evidence differ across different studies (Malhotra et al., 2011).

One stream of research in this domain focuses on information asymmetry (Akerlof, 1970) and the motivation problem (Chari & Chang, 2009; Williamson, 1985). This theoretical perspective suggests that acquiring firms tend to seek a lower share of ownership in a target firm as cultural distance increases. According to the information asymmetry perspective, an acquiring firm encounters high information asymmetry in general (Reuer & Koza, 2000), and *ex ante* adverse selection problem and *ex post* moral hazard problem in particular (Malhotra & Gaur, 2014). These studies argue that since both buyers and sellers have incomplete and asymmetric information, *ex ante* adverse selection hazard confuses buyers when placing right value on targets, and thus makes it difficult to choose good-quality targets from "lemons" (Akerlof, 1970; Balakrishnan and Koza, 1993; Chari & Chang, 2009). At the same time, an acquirer may encounter *ex post* moral hazard problem which makes it difficult to monitor a target firm or to enforce contractual agreements (Cain et al., 2011; Malhotra & Gaur, 2014). As a result, an acquirer that faces high level of information asymmetry related problems has to consider

substantial *pre-screening* and *post-monitoring* costs to mitigate those hazards (Balakrishnan & Koza, 1993; Reuer & Koza, 2000). Acquiring lower level of ownership can mitigate these problems; both an acquirer and a higher-quality target firm, under greater information asymmetry, would be willing to offer and accept a lower share of ownership as a credible signal of their firms' higher quality (Balakrishnan & Koza, 1993; Chari & Chang, 2009; Chen & Hennart, 2004; Reuer & Koza, 2000).

Along with the information asymmetry perspective, "the motivation problem" also explains why an acquiring may prefer a lower ownership in CBAs as cultural distance increases. The motivation problem occurs when target firm's managers, post-acquisition, are no longer the beneficiaries of stock sharing (Chari & Chang, 2009). If an acquirer takes up high ownership stake in a target firm, the target firm's managers may start behaving opportunistically, and not be motivated to cooperate and transfer their tacit knowledge (Chen & Hennart, 2004). Cooperation by target firm managers is especially important in CBAs when cultural distance increases because an acquiring firm needs greater local knowledge, and a target firm's managers are the primary source to transfer such locally embedded knowledge (Kogut & Singh, 1988). To promote these incentives, acquirers are likely to assume partial ownership instead of full ownership in target firms (Chari & Chang, 2009; Chi, 1994; Kogut & Singh, 1988).

Another set of studies, based on the TC theory argue that acquiring firms tend to seek a higher share of ownership in targets as cultural distance increases (Anand & Delios, 1997; Erramilli, Agarwal, & Kim, 1997; Malhotra et al., 2011; Padmanabhan & Cho, 1996). TC theory is utilized to examine a firm's boundary activities with other firms in terms of cost minimizing activities. In the case of CBAs, the costs are associated

with target selection and target integration including post-acquisition monitoring of target firm managers (Dunning, 1989; Williamson, 1985). As higher cultural distance increases the uncertainty level, the costs of target integration also rise. Partial ownership accentuates these problems as acquirers need to deal with the opportunistic behavior of the target firms. Moreover, there are greater day-to-day conflicts and the lack of trust in inter-organizational communication due to higher cultural difference. These factors may lead to culture clashes and process losses between an acquiring and a target firm, and increase related costs (Brock, 2005; Brock et al., 2000; Malhotra et al., 2011). Dealing with higher costs and risks is more difficult under partial ownership structures than full ownership. Therefore, acquirers tend to assume higher ownership in culturally distant countries (Anand & Delios, 1997; Erramilli et al., 1997; Padmanabhan & Cho, 1996).

To reconcile these conflicting theoretical predictions, Malhotra et al. (2011) suggest "U-shaped relationship" between cultural distance and equity participation. They argue that an acquiring firm tends to prefer lower equity ownership at low to moderate levels of cultural distance, and higher equity ownership at moderate to high levels of cultural distance. The curvilinear relationship is on the basis of TC's optimum risk-adjusted benefits and trade-off between the benefits of the high level of ownership and the costs of integration process in CBAs.

Although the "U-shaped curvilinear relationship" shows that both TC's optimum risk-adjusted benefits and information asymmetry have an identical result at lower cultural distance, the result at higher cultural distance are still in opposite directions. The theoretical inconclusive and empirical ambiguity at moderate to high cultural distance levels suggest the lack of clarity on ownership decision in CBAs (Malhotra et al., 2011). I

proposed a more nuanced perspective on cultural distance by looking at the added cultural distance and the time between two successive acquisitions in the next section. Additionally, I also look at important firm level; industry level and country level boundary conditions that have an impact of the extent of uncertainty in the case of CBAs. Figure 1 presents the conceptual framework of this study.

----------Insert Figure 1 about here----------

Hypotheses

Added Cultural Distance and Ownership Decision in CBAs

The concept of added cultural distance was proposed by Hutzschenreuter and Voll (2008), who conceptualized it as the total amount of cultural distance that a firm moves forward in its international expansion in a given time period. The authors argued that too much added cultural distance per unit of time, and irregular added cultural pattern negatively influence firm profitability. They also argued that higher cultural distance movement needs more calibration and adaptation time to manage the complexity arising due to cultural distance (Barkema et al., 1996; Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008; Kirkman, Lowe, & Gibson, 2006; Scott, 1992). Hutzschenreuter and Voll (2008) measured added cultural distance for a MNC's international expansion by summing each added cultural distance per year and computing the five year average of cultural distance of the international expansion moves.

While Hutzschenreuter and Voll's (2008) added cultural distance examines the impact of a firm's aggregated cultural distance on firm performance, I examine how an acquirer's previous cultural distance movement pattern in CBAs influences its ownership

decision. The approach is advancement from the previous studies which measure the cultural distance as the distance between the home country and each host country. For example, suppose that a U.S. firm has a plan to acquire a Korean firm, and it has already acquired another Korean target previously. In the current approach, studies would consider the cultural distance between U.S and Korea for the focal acquisition. However, in this approach, the cultural distance for the focal acquisition is zero as the U.S firm has already conducted an acquisition in Korea.

The relationship between added cultural distance and ownership decision depends on the level of complexity (Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008; Kirkman et al., 2006) and information asymmetry (Akerlof, 1970; Balakrishnan & Koza, 1993; Chari & Chang, 2009; Chen & Hennart, 2004; Gaur & Lu, 2007; Reuer & Koza, 2000) between culturally distant countries. As mentioned earlier, an acquirer that encounters complexity and information asymmetry problems has to consider substantial *pre-screening* and *post-monitoring* costs (Reuer & Koza, 2000; Scott, 1992). If a firm conducts other CBA(s) in much higher cultural distance, more complexity and information asymmetry problems may devalue prior experiences, and thus overwhelms the firm in making greater level of commitment in the target (Barkema et al., 1996; Hutzschenreuter & Voll, 2008).

The amount of complexity depends on the added cultural distance between a new target and previously entered countries (Hutzschenreuter & Voll, 2008; Scott, 1992). As Vermeulen and Barkema (2002) posit, firms have limits to deal with the amount of complexity per unit of time in a foreign setting. Adding more cultural distance creates more friction between entities, and thus increases the complexity of organizational

control system (Cho & Lee, 2004; Gomez-Mejia & Palich, 1997). Moreover, these cultural differences affect not only individual behavior complexity, but also firm level complexities including decision-making and the leadership (Adler, 2002; Kirkman et al., 2006). Specifically, the limitation of knowledge-sharing as a part of cultural complexities requires more *pre-screening* and *post-monitoring* costs (Balakrishnan & Koza, 1993; Cho & Lee, 2004; Reuer & Koza, 2000; Scott, 1992).

Both theory and empirical findings suggest that a firm should consider the costs when encountering cultural complexity and information asymmetry in adding cultural distance. As scholars have suggested, an acquirer's lower ownership decision under higher information asymmetry works as an assurance about the quality of the target firm (Chari & Chang, 2009). Consequently, the lower ownership decision can mitigate information asymmetry hazard problems by substantially reducing burdensome costs and risks (Balakrishnan & Koza, 1993; Chari & Chang, 2009; Chen & Hennart, 2004; Reuer & Koza, 2000). Therefore, I expect a negative relationship between added cultural distance and ownership decision in CBAs (Chari & Chang, 2009; Gaur & Lu, 2007; Kim & Hwang, 1992; Wilkinson et al., 2008).

> ***Hypothesis 1:*** *The greater the added cultural distance between a new target and the nearest country of a previous CBA, the lower the equity share taken by the acquirer in the target.*

Time in Adding Cultural Distance and Ownership Decision in CBAs

Another important element to consider in adding cultural distance is time between subsequent CBAs. As cultural distance is a major source of complexity for MNEs, firms need more time to deal with such complexity (Gomez-Mejia & Palich, 1997; Vermeulen & Barkema, 2002). Adding cultural distance within a short time period or adding too

much cultural distance per unit of time overwhelms the MNCs and their leadership teams due to unexpected complexity and friction caused by cultural differences (Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008). Previous studies on international expansion support that an organization and its individuals need a certain amount of time to learn and adapt to a new cultural setting (Eisenhardt & Martin, 2000; Hannan & Freeman, 1984). Specifically, Hutzschenreuter and Voll (2008) argue that a foreign firm in adding cultural distance needs more time to know about target information when the added cultural distance is higher. They also address that adding cultural distance without sufficient time makes it difficult for a parent firm to implement proper systems and processes in the new subsidiaries as well as in the overall network of subsidiaries.

On similar lines, I argue that time in adding cultural distance is associated with complexity and information asymmetry of MNE activities and affect an acquirer's ownership decision in CBAs. Given that added cultural distance is positively related to information asymmetry and complexity (Barkema et al., 1996; Hutzschenreuter & Voll, 2008; Scott, 1992), an acquirer will tend to take lower ownership in higher added cultural distance CBAs. When a foreign acquirer plans for other CBAs, some acquirers may take a longer time to search for the target information and some may take a shorter time depending on various factors. However, literature suggests that firms need sufficient time to learn about a target firm, and to adapt to new cultural setting (Eisenhardt & Martin, 2000; Hutzschenreuter & Voll, 2008). For this reason, an acquirer that spends longer time to acquire new target information is likely to be in a better position to mitigate possible information asymmetry problems and handle the complexity better than acquirers that

spend less time between two consecutive acquisitions (Hutzschenreuter & Voll, 2008; Vermeulen & Barkema, 2002).

In essence, collectively the literature shows that time in adding cultural distance is negatively related to complexity and information asymmetry (Eisenhardt & Martin, 2000; Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008). As a result, I expect a positive effect of the time in adding cultural distance on the ownership share taken in CBAs (Chari & Chang, 2009; Kim & Hwang, 1992; Wilkinson et al., 2008). Accordingly, I hypothesize:

> ***Hypothesis 2:*** *The shorter the time in adding cultural distance between a new target and the nearest country of a previous CBA, the lower the equity share taken by the acquirer in the target.*

The Contingency Factors

The extent of information asymmetry that firms face in host markets is likely to be dependent on firm specific, industry specific and country specific factors. I expect the effect of added cultural distance on ownership to be contingent on these factors. As information asymmetry exacerbates CBA target evaluation and negotiation process, I focus on interaction effects of prior ownership presence in the target firm, industry relatedness and industry type of the target firm and geographic distance as factors that may ease or worsen the information asymmetry and thereby affect the ownership decision.

First, prior ownership presence in the target firm determines the level of an acquirer's capability of successfully dealing with the risks of foreign operations (Kogut & Singh, 1988). Prior ownership presence also reduces the challenges associated with target evaluation (Chen & Hennart, 2004; Zahra, Ireland, & Hitt, 2000). At the industry level,

industry relatedness and high technology industry, may affect the extent of information asymmetry in CBAs. An acquiring firm may encounter more difficulty to assess a target firm belonging to a different industry and a high technology industry owing to the information gap. Finally, at the country-environmental level I consider geographic distance between an acquiring and the target country which may further exacerbate the challenges associated with conducting CBAs, and in turn, impact the ownership decision. A rich body of literature has examined how spatial geographic distance affects *pre-screening* costs such as communication and transportation costs and how such costs are associated with acquiring firm's investment decision (Ports & Rey, 2005; Lerner, 1995) and ownership decision in CBAs (Grote & Rucker, 2007; Malhotra & Gaur, 2014; Ragozzino, 2009; Ragozzino & Reuer, 2011). I discuss each of these in the following section.

Prior ownership presence. CBA experience is considered to be an important engine to develop general and specific knowledge, and to control the risk for subsequent and new CBAs. Internationalization theorists argue that prior experience helps firms develop organizational capabilities that are suitable for the target countries (Johanson & Vahlne, 1977). Prior ownership presence refers to the situation where the acquirer already holds a small equity share in the target firm. Such specialized knowledge gained through prior ownership experience may help firms to better evaluate a target firm and avoid local knowledge disadvantages (Chen & Hennart, 2004; Kogut & Singh, 1988; Makino & Delios, 1996). More specifically, studies show that an acquiring firm with more prior ownership presence is likely to succeed in new CBA deals (Bruton, Oviatt, & White, 1994), and is also likely to own a higher share of equity positions in long distance

CBAs (Delios & Beamish, 1999). The main reason is that prior CBA experiences help an acquiring firm to mitigate information disadvantages (Davidson, 1980: Delios & Beamish, 2001).

An acquiring firm possessing prior ownership experience perceives less information asymmetry and risks in new CBA(s) than the one without prior ownership presence (Chari & Chang, 2009; Makino & Delios, 1996). For instance, research has found that parties involved in past negotiations often develop suitable strategies for future ones and are able to better predict the other parties' true intentions and behavior (Cuypers, Cuypers & Martin, 2016). Consequently, for such acquiring firms I expect that the acquirer would not decrease ownership share in new CBAs even when the added cultural distance increases. On the other hand, a non-experienced acquirer does not have sufficient capabilities to deal with information asymmetry and thus encounters higher levels of risk and uncertainty and would prefer lower ownership share in new CBAs. Accordingly, I hypothesize:

> ***Hypothesis 3:*** *Acquirer's prior ownership presence positively moderates the relationship between the added cultural distance and ownership share decision such that the negative effect of the added cultural distance on ownership share becomes weaker as prior ownership presence experience of the acquirer increases.*

Industry relatedness. Relatedness refers to market similarities between the acquirer and the target firm. Previous studies have found that related acquisitions reduce the information asymmetry and the associated risk perceptions of the acquirer (Balakrishna & Koza, 1993; Chen & Hennart, 2004; Chari & Chang, 2009; Reuer & Koza, 2000). This can happen for many reasons. Acquiring a target firm in the same industry makes it easier for an acquirer to evaluate the target firm's true value (*ex ante*

screening) as the acquirer has more intimate knowledge about the primary stakeholders of the given industry. Such knowledge may also reduce *ex post* monitoring costs during the post integration period, because the acquirer already has certain knowledge and experience in the relevant industry (Chari & Chang, 2009; Reuer & Koza, 2000).

Indeed, studies show that relatedness increases post-acquisition integration (Larsson & Finkelstein, 1999), which implies more interaction and more information sharing between the target and acquiring firm. Consequently, related acquisitions avoid possible adverse selection and moral hazard problems and therefore are perceived as less risky than unrelated acquisitions (Malhotra et al., 2011). Conversely, acquiring a target from a different industry may place more burdens on acquirer to understand the target's industry and identify cross business synergistic resources in the target firm (Chari & Chang, 2009; Malhotra & Gaur, 2014). This increases information asymmetry and the associated risks for an acquirer's ownership decision on the target firm (Malhotra & Gaur, 2014).

Based on the above arguments, the industry relatedness should affect the relationship between added cultural distance and the ownership decision. An acquiring firm should become less confident about higher information asymmetry when they add its cultural distance for new CBA(s) (Gaur & Lu, 2007; Kim & Hwang, 1992; Wilkinson et al., 2008). As I have argued at the outset, related industry CBAs reduce information asymmetry and associated risks than unrelated CBAs. Thus, the level of added cultural distance should have weaker influence on ownership share decision in CBAs in related industries (Malhotra et al., 2011). On the contrary, acquiring a target firm in a different industry makes it much more difficult for the acquirer to assess the target information

when the cultural distance is greater. For unrelated acquisitions, the level of added cultural distance more strongly affects the degree of ownership, i.e., the acquirers will own a lower share in unrelated CBAs than related CBAs. Accordingly, I hypothesize:

> ***Hypothesis 4:*** *Industry relatedness positively moderates the relationship between the added cultural distance and ownership share decision such that the negative effect of the added cultural distance on ownership share becomes weaker in related industry CBAs than unrelated CBAs.*

High technology industry. In addition to relatedness, I focus on the inherent nature of industries that may affect information asymmetry that firms face in conducting CBAs. The high versus low technological nature of industry is one such variable. There has been a tremendous increase in CBAs in the high technology industry in recent years (Kang & Johansson, 2000). An acquirer may encounter more challenges to assess a target firm in a high-tech industry as such industries are characterized by high levels of tacit knowledge. On the other hand, it may be easier to assess the targets in low technology industry as information about such industries is easily available from market intermediaries and published documents such as financial statements and company reports (Reuer et al., 2004).

Thus, due to the difficulties in assessing the true value of a target in high technology industry, I argue that high-tech industry CBAs would exacerbate the problems associated with added cultural distance. There is also a greater level of motivation problem as the true value of a high technology target can be realized only if there is successful knowledge transfer from the target to the acquirer. Acquirers may have to give greater incentives to the target firm managers to ensure effective knowledge transfer.

Taking lower ownership position may provide such an incentive for the target firm managers (Chen & Hennart, 2004; Williamson, 1985). At the same time, acquiring a target firm in a low technology industry makes it easier for the acquirer to manage information asymmetry (Chari & Chang, 2009; Malhotra & Gaur, 2014). The acquiring firm, thus, may not consider reducing ownership share even if the added cultural distance is high. Accordingly, I hypothesize:

> ***Hypothesis 5:*** *High technology industry negatively moderates the relationship between the added cultural distance and ownership share decision such that the negative effect of the added cultural distance on ownership share becomes stronger for CBAs in high technology industries than CBAs in low technology industries.*

Geographic distance. Geographic distance is a country level factor that affects the extent of information asymmetry that firms face as well as their ability to manage the information asymmetry (Green, 1990; Grote & Rucker, 2007; Malhotra & Gaur, 2014; Ragozzino, 2009; Ragozzino & Reuer, 2011). CBA success is often contingent on the needs of availing credible information regarding a target firm, its industry, and country of operation. It is important to obtain such information via both formal and informal channels (Ragozzino, 2009). According to the information asymmetry perspective, it is more difficult for an acquirer to obtain informal information from informal channels such as through frequent visits and meetings with managers if the target is located in geographically distant country (Kang & Kim, 2008). Consistent with this, research suggests that there are more returns and benefits associated with geographically proximate targets (Grote & Rucker, 2007).

Clearly the geographic distance between the acquirer country and the target country affects the level of information that firms face in conducting CBAs. If an

acquirer adds higher cultural distance for new CBAs, and if the target is also in geographically distant country, the geographic distance impedes the acquirer's ability to manage information asymmetry related challenges using formal and informal channels. Consequently, an acquirer with a greater geographic distance from the target may prefer to opt for lower degree of ownership share than closer geographic distance CBAs as the added cultural distance increases. Therefore, I expect geographic distance to strengthen the relationship between added cultural distance and the ownership decision, such that the geographic distance amplifies the tendency to acquire a target with lower ownership at higher added cultural distance, and vice versa. Accordingly, I hypothesize:

> ***Hypothesis 6:*** *Geographic distance negatively moderates the relationship between the added cultural distance and ownership share decision such that the negative effect of the added cultural distance on ownership share becomes stronger as the geographic distance between the acquirers and target firms' countries increases.*

METHODS

Sample

The sample is collected from the *Thomson Financial Securities Data Corporation* (SDC) Platinum database about CBAs from different source and target countries for a 25 year time period from 1980 to 2014. I also collected firm (acquirers and targets)-, industry-, country-, and transaction-level variables from SDC. I collected firm level variables from COMPUSTAT. After merging information from different sources, the final sample consists of 10,423 CBAs observations from 138 target countries.

Dependent Variable

The dependent variable is the ownership share taken by the acquirer in a target firm. It is a continuous variable ranging from 0.1% to 100%. Using full range of ownership provides is more appropriate than using discrete ownership categories for studies on ownership in CBAs (Malhotra & Gaur, 2014).

Independent Variables

Added cultural distance. This study measures the added cultural distance in accordance with Kogut and Singh's (1988) cultural distance measurement and Hutzschenreuter and Voll's (2008) approach to measure added cultural distance. Kogut and Singh (1988) determined the cultural distance value between two countries by computing the average of the differences for each cultural dimension as proposed by Hofstede (1989). Based on this measure, Hutzschenreuter and Voll (2008) introduced "added cultural distance," as measured by summing each added cultural distance per year and computing five year average of cultural distance of the international expansion moves.

Hutzschenreuter and Voll's (2008) added cultural distance examines the average level of a firm's cultural distance at a given period of time and its impact on firm performance. This study, however, proposes how an acquirer's added cultural distance pattern by observing every single step of CBAs influences its ownership decision for a target firm. To do that, I first computed the distance between every single target and all already existing CBAs, and took the closest distance, including the U.S if it is closest distance - the added cultural distance in this case is "0". Then, I calculated the cultural

distance value between two countries by Kogut and Singh's (1988) method. They determined the cultural distance value between two countries by computing the average of the differences for each cultural dimension as proposed by Hofstede (1980) - there are four dimensions- , such as power distance, uncertainty avoidance, individualism, and masculinity. Algebraically, the measure of cultural distance is as follows.

$$CD_{jk} = \sum_{i=1}^{4} \left\{ \left(I_{ij} - I_{ik} \right)^2 / V_i \right\} / 4 \quad (1)$$

where CD_{jk} is cultural distance index between *j*th and *k*th countries; $I_{ij}$and I_{ik} stand for the *i*th cultural dimension for *j*th and *k*th countries; and $V_i$is the variance of the index of the *i*th dimension.

Time in adding cultural distance. Based on the added cultural distance measures in this dataset, time in adding cultural distance is measured as the number of years added between the focal acquisition and the previously culturally closest acquisition. For example, suppose that a U.S firm had three CBAs, one each in Canada in 1999, Australia in 2000 and South Korea in 2004. The first added cultural distance is from the U.S to Canada, and is accordingly set "0" as the time in adding cultural distance. The next added cultural distance is the measure between the U.S and Australia one year later, with "1" as time in adding cultural distance. The last is between Australia and South Korea, with "4" years as the time dimension.

Prior ownership presence. In line with Chari and Chang 2009, and Malhotra et al 2011, I used the prior ownership presence, a binary variable, as reported by SDC platinum database that takes a value of 1 for an acquiring firm that has had some ownership in the target firm and 0 otherwise.

Industry relatedness. As SDC platinum database reported most detailed industry codes and information, I measured industry relatedness by using the four digit standard industrial classification (SIC) codes for both the acquirers and the target firms. In line with previous literature (e.g., Malhotra et al., 2011; Malhotra & Gaur, 2014; Reuer et al., 2004), I used a binary variable that takes a value of 1 for the same four digit SIC code between the acquirer and the target, and 0 otherwise.

High technology industry. I used the target firms' high technology industry information, as reported by SDC platinum database. In line with Reuer et al., 2012, I developed a binary variable that takes a value of 1 for target firms in high technology industry, and 0 otherwise.

Geographic distance. I used the geographic distance calculator program in the Geodatasource.com. I calculated the geographic distance in log of kilometers between two capital cities of cultural distance related countries in line with previous literature (Malhotra & Gaur, 2014; Malhotra et al., 2009; Slangen & Beugelsdijk, 2010).

Control Variables

I controlled for the effects of several firm -, deal -, and country specific factors, found in prior studies to have an influence on CBA ownership decisions. For acquiring firm specific variables, I controlled for an acquiring firm's size, measured as log of total assets (Barkema & Vermeulen, 1998; Kang & Kim, 2010). Chari and Chang (2009) found that the size of acquiring firms is negatively related to share of ownership in target firms. I also controlled an acquiring firms' return on assets, as previous studies argued that acquiring firms that have greater profitability may encounter agency problems and

assume higher ownership in target firms (Barkema & Vermeulen, 1998; Chari & Chang, 2009). I used acquiring firm's R&D intensity that may positively affect CBA ownership decision, as some studies have shown that acquiring firms that have greater technological intangible assets tend to fully control target firms for avoiding potential opportunistic behavior by the partners (Chari & Chang, 2009; Kogut & Zander, 1993; Williamson, 1985). I measured acquiring firm's R&D intensity as the percentage of acquiring firm's R&D expenditure over its total operating expenses prior to the CBA (Chari & Chang, 2009). In line with Jensen (1986), I controlled for acquiring firm's cash flow, as Jensen (1986) argues that firms with large cash flows encounter higher agency problem and thus may waste firm's resources. This tends to lead to acquirers taking full ownership in target firms (Barkema & Vermeulen, 1998; Chari & Chang, 2009). I measured acquiring firm's cash flow by using a dummy that takes the value one if the ratio of cash flow and total assets is above the sample median, and zero otherwise (Kang & Kim, 2010).

For target firm-specific variables, I controlled the target firm's ownership status whether it is public or private, as Malhotra and Gaur (2014) mentioned that acquiring a higher equity stake in a private firm is less expensive than in a public firm. The study showed that acquiring a public target firm is negatively related to ownership participation. I measure the target firm's ownership status by using a dummy variable that equals one if the target firm is public and zero otherwise.

Some deal-specific variables affect acquirer's ownership decisions in CBAs. I controlled for tender offer. Comment and Schwert (1995) suggest that tender offers are often associated with higher ownership in target firms. I used the tender offer data, as reported by SDC platinum database, and measured it as a dummy variable that equals 1 if

the acquirer had tender offer transactions with the target firm, and 0 otherwise. I also controlled for payment method by looking at the percentage of cash payment. Previous studies found that stock payments, in comparison to cash payments are likely to reduce information asymmetry (Malhotra & Gaur, 2014). I used the percentage of cash payment data, as reported by SDC platinum database, and measured as a continuous variable that value 100% as a full cash payment, and 0% as a full stock payment.

Country-specific characteristics also significantly influence CBAs. I controlled the level of development of the target country. Previous empirical studies have found that foreign firms tend to favor partial ownership of joint venture and acquisition rather than outright acquisition in the target countries where the level of economic growth is higher (Barkema & Vermeulen, 1998; Chari & Chang, 2009). I used the level of development of the target country, measured as log of GDP in the year of CBA, reported by the World Development Indicator database.

Since I collected the data from SDC platinum and COMPUSTAT across 1990 - 2014, I included time fixed effects in order to control for the various business environments during the time, as used a dummy variable for each year except 1990 as the reference year. I also included industry fixed effects for both acquiring firms and target firms, with a dummy variable based on SIC codes. Finally, I included country fixed effects for all countries.

Analysis

I conducted Tobit regression in line with previous literature (Chari & Chang, 2009; Cuypers & Martin, 2010; Malhotra & Gaur, 2014; Pan, 2002; Ragozzino, 2009). Since

the dependent variable, share of equity ownership (%), is bound between 0.1 and 100, ordinary least squares (OLS) analysis will be inconsistent and biased (Maddala, 1983). The mathematical general formula for Tobit analysis follows:

$$Y_i = 100 \; when \; Y_i^* \geq 100$$

and

$$Y_i = Y_i^* \; when \; 0 < Y_i^* < 100 \tag{2}$$

where Y_i is the dependent variable, share of equity ownership for an acquiring firm i. Y_i^* is the real value of share for the firm i. Then, a Tobit regression model follows to test the hypotheses:

$$\begin{aligned} Share\ of\ Equity\ Ownership_i \\ = \alpha_i + \beta_1 Added\ Cultural\ Distance_i \\ + \beta_2 Time\ in\ Adding\ Cultural\ Distance_i \\ + \beta_3 Prior\ Ownership\ Presence_i + \beta_4 Industry\ Relatedness_i \\ + \beta_5 High\ Technology\ Industry_i + \beta_6 Geographic\ Distance_i \\ + \beta_7 Added\ Cultural\ Distance * Prior\ Ownership\ Presence_i \\ + \beta_8 Added\ Cultural\ Distance * Industry\ Relatedness_i \\ + \beta_9 Added\ Cultural\ Distance * High\ Technology\ Industry_i \\ + \beta_{10} Added\ Cultural\ Distance * Geographic\ Distance_i \\ + \beta_{11} Control\ Variables_i + \varepsilon_i \end{aligned} \tag{3}$$

RESULTS

Table 1 shows the descriptive statistics and correlation matrix for the variables respectively. The share of ownership by the U.S. acquiring firms to foreign targets has a

mean of 85% with the standard deviation of 29%. This is consistent with other studies based on the SDC database (Chari & Chang, 2009; Malhotra & Gaur, 2011). The added cultural distance has a mean of 0.53, with a standard deviation of 0.85. Time in adding cultural distance has a mean of 1.77 years, with a standard deviation of 3.49 years.

----------Insert Table 1 about here----------

In the correlation matrix, I find expected sign on the correlation coefficients of key variables. For example, the share of ownership is negatively correlated with added cultural distance, and positively with time in adding cultural distance. Table 2 shows the results of Tobit regression analysis. Model 1 is basic model, and includes only the control variables; Model 2 and 3 include added cultural distance and time in adding cultural distance, respectively; Model 4, 5, 6 and 7 contain the interaction terms for moderating effect; and Model 8 shows full model. A likelihood ratio test between Model 1 and other models show that each model is significantly improved with added variables. Furthermore, all variance inflation factors (VIFs) are much lower than 10, which is the critical threshold value that indicates multicollinearity problems (Hair, Anderson, Tatham, & Black, 1998).

Hypothesis 1 predicted the negative relationship between the share of ownership and added cultural distance in CBAs. The results of Tobit regressions show that the coefficients for the variable added cultural distance, from Model 2 to Model 8, are all negative and significant ($p < 0.001$), strongly supporting Hypothesis 1. For example, if the added cultural distance goes up by one unit, an acquiring firm lowers about 2.7% of the share of ownership in a target. In support of Hypothesis 2, in which expected the positive relationship between the share of ownership and time in adding cultural distance,

the coefficients of the variable time in adding cultural distance in Models 3 through Model 8 are consistently positive and significant ($p < 0.10$), supporting Hypothesis 2. For example, if an acquiring firm spends one more year in adding cultural distance, the firm tends to increase the share of ownership in a target about 0.1%. Moreover, in Hypothesis 3, I predicted that prior ownership presence between the acquirer and the target firm weakens the relationship between added cultural distance and the share of ownership in CBAs. Model 4 shows that the coefficient of interaction term between added cultural distance and prior ownership presence is positive and significant i.e. weaken the relationship between added cultural distance and ownership share, supporting Hypothesis 3.

In Hypothesis 4, I predicted that industry relatedness between the acquirer and the target firm weakens the relationship between added cultural distance and the share of ownership in CBAs. Model 5 shows that the coefficient of interaction term between added cultural distance and industry difference is positive but insignificant, failing to support Hypothesis 4. For another moderating effect, Hypothesis 5 expected that acquiring a target firm in high-tech industry strengthens the relationship between added cultural distance and the share of ownership in CBAs. Model 6 shows that the coefficient of interaction term between added cultural distance and target high-tech shows positive and insignificant, failing to support Hypothesis 5. Finally, in Hypothesis 6, I predicted that geographic distance between the acquirer's and the target firm's country strengthens the relationship between added cultural distance and the share of ownership in CBAs. Model 7 shows that the coefficient of interaction term between added cultural distance and geographic distance shows negative and significant ($p < 0.10$), i.e. strengthen the

relationship between added cultural distance and ownership share, supporting Hypothesis 6.

----------Insert Table 2 about here----------

Robustness Tests

To check the robustness of the findings in this study, I ran ordered logistic regression with same data, as previous similar studies have used for their robustness check (Pan, 2002; Chari & Chang, 2009). To do so, the dependent variable, share of equity ownership, is categorized into four groups such as less than 50%, 50%, greater than 50% but less than 100%, and 100%. The important reason for the categorization is that ownership decision around 50% is much more important than around 10% or 70% (Chari & Chang, 2009). As table 3 shows, the results are quite robust to this alternate specification of the ownership variable.

----------Insert Table 3 about here----------

In addition to the first robustness test, I ran Tobit regression with the original data that only include the acquiring firms that enter new host country; the added cultural distance is greater than zero. In this robustness checks, I use the CBA experience as the number of prior acquisitions instead of prior ownership presence. As table 4 shows, the results are almost similar with the original Tobit results and ordered logistic regression results.

----------Insert Table 4 about here----------

DISCUSSION AND CONCLUSION

In this study I seek to explain the theoretical conflicts and ambiguous empirical results in the context of cultural distance and the ownership decision in CBAs. Drawing on the literature on information economics and cultural complexity, I examine the effects of sequential CBA activities, and find that added cultural distance in CBAs is negatively related to ownership share sought in such acquisitions. In other words, I argue and find that an acquirer seeks a lower share when acquiring a target firm if such acquisition results in greater added cultural distance for the acquirer. This effect is not only statistically significant across models, but also economically meaningful. I calculated the difference of residuals between two fitted values--the fitted value including added cultural distance effect and the other excluding the added cultural distance effect. The difference of residuals indicates that the economic impact of added cultural distance is mostly higher than 5% and even more than 15% in some cases. Figure 2 shows the graph of economical impact of the added cultural distance on ownership share.

----------Insert Figure 2 about here----------

I further examine the complexities in the relationship between added cultural distance and ownership in CBAs. I propose that in addition to the added cultural distance, the time in adding cultural distance is also important. Consistent with the arguments, the findings suggest that adding cultural distance in shorter time results in acquirers opting for lower ownership in CBAs. This implies that, an acquirer that spends greater time in gaining crucial information and evaluating the target may mitigate possible information asymmetry and cultural complexity problems more effectively than firms that spend less time in adding cultural distance.

I also examine the firm-, industry- and country-specific boundary conditions that affect the relationship between added cultural distance and ownership in CBAs. First, the results show that having a prior ownership presence in the target firm weakens the negative relationship between added cultural distance and ownership share. In other words, an acquiring firm's prior ownership presence makes it easier for the acquirer to obtain information about target firm, and consequently the acquirer is more confident to deal with information asymmetry and complexity than an inexperienced firm. Thus the negative impact of the added cultural distance on the ownership decision for a non-experienced acquiring firm is greater than an experienced firm. Figure 3 shows the graphical result of the moderating effect. However, I find no evidence about the effect of industry level factors on the relationship between added cultural distance and ownership share. One explanation for no evidence is that possible synergistic gains by reverse knowledge transfer from those industries may motivate greater control through larger ownership share in a target firm (Chari & Chang, 2009; Kang & Kim, 2010; Kogut & Zander, 1993).

Third, as expected I find that greater geographic distance between an acquirer and a new target strengthens the negative relationship between added cultural distance and ownership share. This implies that greater geographic distance for a new target makes harder for an acquirer to obtain a target firm's information even though there are closer contact points near the target country. Figure 3 and 4 present the graphical display of the moderating relationships.

----------Insert Figure 3 about here----------

----------Insert Figure 4 about here----------

I contribute to the literature on mergers and acquisitions and foreign entry modes. First, this is one of the first studies to explain theoretical and empirical conflicts in CBAs by analyzing CBA activities in a detailed manner using much longer time period data. The theoretical arguments about added cultural distance help reconcile the inclusive findings about the relationship between cultural distance and ownership in CBAs. Additionally, I contribute to the foreign entry mode literature by analyzing in a more nuanced manner a particular entry mode, i.e. CBAs. Although previous entry mode studies have focused on wholly owned subsidiaries and joint ventures, CBAs have become a principal conduit for foreign direct investment (Chari & Chang, 2009), and warrant a closer examination. Furthermore, this study implies that MNC's managers who consider next cross-border acquisition need to carefully examine closest previous target information and CBA experience, rather than focusing direct cultural distance between focal firm and target firm. The added cultural distance, therefore, sophisticatedly influences the acquiring firm's ownership decision to target firm and its consequence market reaction to CBA announcement.

This study has some limitations. First, since this study only focuses on the sample of the U.S. acquirers and 138 target countries, I could not examine if these relationships will hold for acquirers from other countries such as emerging markets. Future studies may examine the heterogeneity of acquirers' cultural differences and ownership preferences from different home countries or different segmented host countries such as emerging market vs. developed market. Another limitation is that I focus on CBAs while other entry modes such as green-field, joint venture and wholly owned subsidiaries may yield different results. Finally, future research may examine other added distance

measures such as added geographic distance, added institutional distance, added economic distance and added linguistic and psychic distance to see how a firm's ownership decision is associated with different distance factors.

CHAPTER THREE

MARKET REACTION TO CROSS-BORDER ACQUISITION ANNOUNCEMENTS: THE EFFECT OF ADDED CULTURAL DISTANCE

ABSTRACT

This study explains theoretical and empirical conflicts on the relationship between cultural distance and market reaction. The study examines the pattern of adding cultural distance between newly entered target country and the closest previous one, and its effect on acquiring firms' shareholder market reactions to each cross-border acquisition (CBA) announcement. The study uses the event study analysis and tests the arguments on a sample of 4,347 CBAs involving U.S. acquirers and targets in 138 countries from 1990 to 2014. This study finds that the added cultural distance positively affects an acquiring firm's market reaction to CBA announcement. The time between two successive acquisitions has a negative effect. In addition, an acquirer's CBA experience and geographic distance moderate the relationship between the added cultural distance and market reactions to CBA announcement.

Keywords:

Added cultural distance; cultural distance; shareholder value; firm performance; market reaction; cross-border acquisition

INTRODUCTION

Over the last three decades the cultural distance has played a crucial role for cross-border acquisitions (CBAs) literature in strategic management and international business (IB) research. Many researchers' results, however, have shown inconclusive evidence on the effect of cultural distance on shareholder and firm value creation for acquiring firms in the existing CBAs (Andrade, Mitchell, & Stafford, 2001; Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2010; King, Dalton, Daily, & Covin, 2004; Moeller & Schlingemann, 2005; Seth, Song, & Pettit, 2002). Some evidence, for example, shows a positive relationship between cultural distance and firm performance (Chakrabarti et al., 2009; Chatterjee et al., 1992; Evans et al., 2002; Goulet & Schweiger, 2006; Stahl & Voigt, 2008), or negative relationship (Datta & Puia, 1995; Stahl & Voigt, 2008).

One stream of research in this domain focuses value maximization on investment decisions and social identity. This theoretical perspective suggests that cultural distance has a negative impact on socio-cultural integration, shareholder wealth and post-acquisition firm performance (Datta & Puia, 1995; Stahl & Voigt, 2008). Some studies argue that firms tend to encounter "unavoidable cultural collisions" after culturally distant CBAs and the culture clashes hinder socio-cultural integration (Buono et al., 1985; Jemison & Sitkin, 1986; Krug & Nigh, 2001; Olie, 1990). Some other studies posit that the cultural distance is a source of information asymmetry (Kang & Kim 2010; Roth & O'Donnell 1996) and "target firm management resistance at the time of acquisition" (Cartwright & Cooper, 1992). This cultural distance in CBAs increases the coordination and transaction costs, lowering an acquiring firm's market value and its shareholder

wealth (Chatterjee et al., 1992; Datta and Puia, 1995; Doukas & Travlos, 1988; Stahl & Voigt, 2008; Zhao et al., 2004).

On the other hand, the literature in international business and strategy has been discussing some benefits from culturally distant operations. First, the resource-based view literature suggests that an acquiring firm benefits from the potential competitive advantage with newer resources and capabilities (Chakrabarti et al., 2009). In addition, the organizational learning perspective literature argues that acquiring firms can develop their innovation and learning system by culturally distant CBAs (Chakrabarti et al., 2009). Finally, some studies specifically find the positive relationship between the culturally distant CBAs and firm performance. These studies emphasize that the national cultural differences and factors make it more sensitive for both acquiring and acquired firms in CBAs to pay more attention to the cultural distance (Evans et al., 2002; Goulet & Schweiger, 2006). Consequently, the consistent routines between perceptions of cultural distance and managing CBAs embedded in national cultural improve CBA performance (Barney, 1991; Chakrabarti et al., 2009; Hofstede, 1980; Kogut & Singh, 1988).

To address this issue, I use the term “added cultural distance” from Hutzschenreuter and Voll’s (2008) international expansion study. I develop the added cultural distance for closer observation of CBAs and market reaction with regard to acquiring firms’ value and their shareholders wealth. This is the first study that examines each step of adding cultural distance activities and market reaction, so that the trend of adding cultural distance may explain the theoretical conflicts and ambiguity on firm value and shareholder wealth creation in CBAs.

Theoretically, the relationship between added cultural distance and market reaction in CBAs is on the basis of complexity (Barkema, Bell, & Pennings, 1996; Daft, 1992; Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008; Kirkman et al., 2006; Newman & Nollen, 1996; Scott, 1992), information asymmetry (Akerlof, 1970; Balakrishnan and Koza, 1993; Chari & Chang, 2009; Malhotra & Gaur, 2014), and the capital market perspective (Chatterjee et al., 1992; Datta and Puia, 1995; Doukas & Travlos, 1988; Stahl & Voigt, 2008; Zhao et al., 2004). Based on classical literature, I argue that added cultural distance, as a source of complexity and information asymmetry, creates more friction within merging entities and burdensome *ex ante* and *ex post* hazard costs in CBAs (Akerlof, 1970; Balakrishnan and Koza, 1993; Chari & Chang, 2009; Cho & Lee, 2004; Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008; Malhotra & Gaur, 2014). Consequently, I argue that the stock market gains and shareholder value to an acquiring firm's CBA decisions will be greater in higher added cultural distance than in lower, an acquirer's shareholders tend to positively react when CBA decisions reduce associated costs with the complexity and the information asymmetry. Moreover, this study examines firm, industry, and country-level moderating factors and their effects that would strengthen or weaken the relationship between added cultural distance and market reaction in CBAs.

For the empirical findings, I use the event study and test 4,347 CBAs observations from 138 target countries for a 15 year time period from 1990 to 2014. In the following section I review previous theoretical literature. I then develop the hypotheses with theoretical arguments. In the last section, the empirical model follows and a discussion and potential distribution of this study.

THEORY AND HYPOTHESES

Literature Review

Market Reaction to Corporate Strategic Decisions in CBAs

For over a decade, scholars in strategic management, international business, finance and economics have drawn attention to corporate strategic investment decisions. Amongst others, it has become important because the studies underlying the imperfectly competitive market structure assumption allow a firm to generate positive net present value, and gain competitive advantage by successful strategic investments decisions (Porter, 1980, 1985; Shapiro, 1985; Woolridge & Snow, 1990). In the context of CBAs, potential foreign market opportunities and reduced market risks motivate the strategic CBA decisions. As an entry strategy, a CBA helps an acquiring firm quickly enter a new market at lower costs. Consequently, the corporate announcement of the decision influences the firm's market value and shareholder wealth as market reactions (Datta and Puia, 1995). The studies for market reaction, especially stock market reaction to the CBAs, have focused on either shareholder wealth creation effect (Brealey & Myers, 1988; Datta & Puia, 1995; Jory & Ngo, 2014), or firm valuation with respect to firm performance (Aybar and Ficici, 2009; Gubbi et al., 2010; Chakrabarti et al., 2009, Jory & Ngo, 2014).

One stream of research in this domain addresses that the stock market positively reacts when investors anticipate higher expected CBA benefits by publicly announced potential CBAs (Aybar & Ficici, 2009; Datta & Puia, 1995). According to the shareholder wealth creation effect perspective, the stock market is informationally efficient, and stock price represents the market evaluation of corporate strategic decisions (Brealey & Myers, 1988; Woolridge & Snow, 1990). The theoretical literature posits that

there are a number of benefits from CBAs for an acquiring firm to create its shareholders' wealth (Datta & Puia, 1995). The benefits include that some acquiring firms can easily adapt to new market through overcoming international trade barriers (Caves, 1982; Cooke, 1988). Some other firms can reduce potential risks by diversifying investors' portfolios in international market places (Cooke, 1988; Root, 1987).

Another set of studies, based on firm valuation and performance perspective, suggest that firms extend their international network by CBAs and internalizing local market imperfections (Buckley & Casson, 1976; Caves, 1971; Hymer, 1976). The assets and resources by internalization in turn translate into the capitalized value of the acquiring firms. The value becomes greater under the multinational network due to the positive network externality benefits (Aybar & Ficici, 2009). According to the resource-based view (RBV) and the dynamic capability perspective, a firm is considered a bundle of resources, and Merger & Acquisition (M&A) is a recombination of resources that create the firm's value (Barney, 1991; Penrose, 1959; Teece et al., 1997). Specifically, CBAs allow an acquiring firm to obtain strategic resources including intangible tacit knowledge and capabilities to be quickly adapted to a fast dynamic environment (Gubbi et al., 2010). Based on the above literature, stock prices represent not only an acquiring firm's shareholder value changes, but also actual market evaluation for firm performance. Subsequent empirical studies support these theoretical arguments, even though the results are inconclusive (Aybar & Ficici, 2009).

Cultural Distance and Market Reaction in CBAs

In recent year, CBAs have become a major entry mode of internationalization. Scholars studying entry mode, the strategic alliance, and the joint venture have highlighted cultural

differences and distance between acquirer's and target's countries as important barriers in conducting CBAs (Chari & Chang, 2009). The traditional literature on M&A has already emphasized that cultural difference is an important factor that affects M&A performance, especially for CBAs than domestic M&As (Chatterjee et al., 1992; Datta 1991; Datta & Puia, 1995; Evans et al., 2002; Jemison and Sitkin, 1986). More specifically, Kogut and Singh (1988) also argue that cultural distance between two countries is positively related to the "differences in organizational characteristics and practices." In this literature stream, scholars have examined the relationship between cultural distance, and shareholder wealth in CBAs. However, the theoretical assumptions and the associated empirical evidence differ across different studies.

One stream of research in this domain focuses value maximization on investment decisions and social identity. This theoretical perspective suggests that cultural distance has a negative impact on socio-cultural integration, shareholder wealth and post-acquisition firm performance (Datta & Puia, 1995; Stahl & Voigt, 2008). Some studies argue that firms tend to encounter "unavoidable cultural collisions" after culturally distant CBAs and the culture clashes hinder socio-cultural integration (Buono et al., 1985; Jemison & Sitkin, 1986; Krug & Nigh, 2001; Olie, 1990). Some other studies posit that the cultural distance is a source of information asymmetry (Kang & Kim 2010; Roth & O'Donnell 1996) and "target firm management resistance at the time of acquisition" (Cartwright & Cooper, 1992). This cultural distance in CBAs increases the coordination and transaction costs, lowering an acquiring firm's market value and its shareholder wealth (Chatterjee et al., 1992; Datta and Puia, 1995; Doukas & Travlos, 1988; Stahl & Voigt, 2008; Zhao et al., 2004).

On the other hand, the literature in international business and strategy has been discussing some benefits from culturally distant operations. First, the RBV literature suggests that an acquiring firm benefits from the potential competitive advantage with newer resources and capabilities (Chakrabarti et al., 2009). In addition, the organizational learning perspective literature argues that acquiring firms can develop their innovation and learning system by culturally distant CBAs (Chakrabarti et al., 2009). Finally, some studies specifically find a positive relationship between the culturally distant CBAs and firm performance. These studies emphasize that the national cultural differences and factors make it more sensitive for both acquiring and acquired firms in CBAs to pay more attention to the cultural distance (Evans et al., 2002; Goulet & Schweiger, 2006). Consequently, the consistent routines between perceptions of cultural distance and managing CBAs embedded in national cultural improve CBA performance (Barney, 1991; Chakrabarti et al., 2009; Hofstede, 1980; Kogut & Singh, 1988).

As previous studies have shown, the theoretical conflicting views and inconclusive empirical evidence impede an acquiring firm's functioning in the global business. This ambiguity makes it unclear for managers to consider whether the cultural distance may lead to challenges and shareholder wealth devaluation, or to successful post-merger integration and shareholder value creation (Chakrabarti et al., 2009). For example, the negative shareholder value effects could be the result of overbid and overpayment for a target firm, mainly due to the overestimation of target information without considering the cultural fit (Datta and Puia, 1995). In other words, the overpayment is caused by the lack of perception of information asymmetry and cultural difference (Davis, Shore, & Thompson, 1991), and managers' overestimation of benefits

due to hubris, hypothesized by Roll (1986). On the contrary, some studies suggest contextual conditions in which acquiring firms create shareholder value, so that managers can refer to the conditions when they plan a CBA (Gubbi et al., 2010: 412). Figure 5 presents the conceptual framework of this study.

----------Insert Figure 5 about here----------

Hypotheses

Added Cultural Distance and Market Reaction in CBAs

Hutzschenreuter and Voll (2008) proposed the concept of added cultural distance, and conceptualized it as the total amount of cultural distance that a firm moves forward in its international expansion in a given time period. The authors argued that too much added cultural distance per unit of time, and irregular added cultural pattern negatively influence firm profitability. They also argued that higher cultural distance movement needs more calibration and adaptation time to manage the complexity arising due to cultural distance (Barkema et al., 1996; Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008; Kirkman et al., 2006; Scott, 1992). Hutzschenreuter and Voll (2008) measured the added cultural distance for a MNC's international expansion by summing each added cultural distance per year and computing the five year average of cultural distance of the international expansion moves.

While Hutzschenreuter and Voll's (2008) added cultural distance examines the impact of a firm's aggregated cultural distance on firm performance, I examine how an acquirer's previous cultural distance and its movement pattern in CBAs influence market reaction, as an acquiring firm's value and its shareholder wealth creation. This approach is advancement from the previous studies which measure the cultural distance as the

distance between a home country and each host country. For example, suppose that a U.S firm has a plan to acquire a Korean firm, and it has already acquired another Korean target previously. In the current approach, studies would consider the cultural distance between U.S and Korea for the focal acquisition. However, in this approach, the cultural distance for the focal acquisition is zero as the U.S firm has already conducted an acquisition in Korea. This may explain that the U.S. acquirer's shareholder wealth creation and firm performance depends on not only the distance between U.S. and Korea, but also between the U.S. and prior CBAs near Korea.

The relationship between added cultural distance and market reaction in CBAs depends on the cultural complexity (Barkema et al., 1996; Daft, 1992; Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008; Kirkman et al., 2006; Newman & Nollen, 1996; Scott, 1992), information asymmetry (Akerlof, 1970; Balakrishnan and Koza, 1993; Chari & Chang, 2009; Malhotra & Gaur, 2014) between culturally distant countries, and the capital market perspective (Chatterjee et al., 1992; Datta and Puia, 1995; Doukas & Travlos, 1988; Stahl & Voigt, 2008; Zhao et al., 2004). The amount of complexity depends on the added cultural distance between a new target and previously entered countries (Hutzschenreuter & Voll, 2008; Scott, 1992). As Vermeulen and Barkema (2002) address, firms have limits to deal with the amount of complexity per unit of time in a foreign setting. Adding more cultural distance creates more friction between entities, and thus increases the complexity of organizational control system (Cho & Lee, 2004; Gomez-Mejia & Palich, 1997). Moreover, these cultural differences affect not only individual behavior complexity, but also firm level complexities including decision-making and leadership (Adler, 2002; Kirkman et al., 2006). Specifically, the limitation of

knowledge-sharing as a part of cultural complexities requires more pre-screening and post-monitoring costs (Balakrishnan & Koza, 1993; Cho & Lee, 2004; Reuer & Koza, 2000; Scott, 1992).

Both theory and empirical findings suggest that a firm should consider the costs when encountering cultural complexity and information asymmetry in adding cultural distance. As scholars have explained, an acquiring firm meets *ex ante* adverse selection and *ex post* moral hazard problem that makes it difficult to assess a true value, and to monitor the target firm after the CBA (Akerlof, 1970; Balakrishnan and Koza, 1993; Chari & Chang, 2009; Malhotra & Gaur, 2014). To avoid these problems the acquiring firm should consider substantial pre-screening and post-monitoring costs as well as the complexity (Balakrishnan & Koza, 1993; Reuer & Koza, 2000). Consequently, the lower ownership decision can mitigate information asymmetry hazard problems by substantially reducing burdensome costs and risks (Balakrishnan & Koza, 1993; Chari & Chang, 2009; Chen & Hennart, 2004; Reuer & Koza, 2000).

The expected costs and the consequent ownership decisions, affected by cultural distance, are highly associated with market reaction to CBA announcement. The capital market perspective suggests that these coordination and transaction costs adversely affect investors' expectations about the acquiring firm's future performance and market returns (Chatterjee et al., 1992; Doukas & Travlos, 1988; Stahl & Voigt, 2008). The main reason is that because investors evaluate either the financial impact on CBAs and future consolidation costs, perceptions of the increasing costs result in lowering current stock market gains and shareholder value (Chatterjee et al., 1992; Stahl & Voigt, 2008). These studies imply that the lower ownership decision against burdensome costs and risks in

adding cultural distance may attenuate the pressure of uncertain investment. Taken together, I expect that, *ceteris paribus,* the stock market gains and shareholder value to an acquiring firm's CBA decisions will be greater in higher added cultural distance than in lower due to the negative wealth effect by transaction costs associated with the complexity and the information asymmetry and consequent ownership decision. Therefore, I hypothesize:

> ***Hypothesis 1:*** *The greater the added cultural distance between a new target and the nearest country of a previous CBA, the positively stronger the market reaction to CBA announcement.*

Time in Adding Cultural Distance and Market in CBAs

Another important element to consider in adding cultural distance is time between subsequent CBAs. As cultural distance is a major source of complexity for MNEs, firms need more time to deal with such complexity (Gomez-Mejia & Palich, 1997; Vermeulen & Barkema, 2002). Adding cultural distance within a short time period or adding too much cultural distance per unit of time overwhelms the MNCs and their leadership teams due to unexpected complexity and friction caused by cultural differences (Gomez-Mejia & Palich, 1997; Hutzschenreuter & Voll, 2008). Previous studies on international expansion support that an organization and its individuals need a certain amount of time to learn and adapt to a new cultural setting (Eisenhardt & Martin, 2000; Hannan & Freeman, 1984). Specifically, Hutzschenreuter and Voll (2008) argue that a foreign firm in adding cultural distance needs more time to know about target information when the added cultural distance is higher. They also address that adding cultural distance without sufficient time makes it difficult for a parent firm to implement proper systems and processes in the new subsidiaries as well as in the overall network of subsidiaries.

On similar lines, I argue that time in adding cultural distance is associated with complexity and information asymmetry of MNE activities, and affects an acquirer's shareholder market reaction to CBA announcement. Given that added cultural distance is positively related to information asymmetry and complexity (Barkema et al., 1996; Hutzschenreuter & Voll, 2008; Scott, 1992), previous literature suggests that an acquirer that spends longer time to investigate new target information is likely to be in a better position to mitigate possible information asymmetry problems, and to handle the complexity (Hutzschenreuter & Voll, 2008; Vermeulen & Barkema, 2002). As a consequence, the acquirer will tend to take higher ownership in longer time in adding cultural distance (Chari & Chang, 2009; Kim & Hwang, 1992; Wilkinson et al., 2008). By the capital market perspective as previously mentioned, stock market gains and shareholder value to an acquiring firm's CBA decisions will be greater in shorter time in adding cultural distance due to the negative wealth effect by transaction costs associated with the complexity and the information asymmetry and consequent ownership decision. Therefore, I hypothesize:

> ***Hypothesis 2:*** *The shorter the time in adding cultural distance between a new target and the nearest country of a previous CBA, the positively stronger the market reaction to CBA announcement.*

The Contingency Factors

The extent of information asymmetry that firms face in host markets is likely to be dependent on firm specific, industry specific and country specific factors. I expect the effect of added cultural distance on market reaction to CBA announcement to be contingent on these factors. I focus on interaction effects of acquirer's CBA experience, acquirer's R&D intensity, industry relatedness and industry type of the target firm and geographic distance. These factors may ease or worsen the information asymmetry, the

ownership decision, and thereby affect the market reaction to CBA announcement. In addition, those industry and country factors, as considered more exogenous factors, may directly influence shareholders' market reaction to CBA announcement. Above all, the multi-level moderating effects are important because cultural complexity, information asymmetry and capital market perspective would be different at different firm -, industry -, and country level.

First, acquirer's CBA experience determines the level of an acquirer's capability of successfully dealing with the risks of foreign operations (Kogut & Singh, 1988). An acquirer's CBA experience also reduces the challenges associated with target evaluation (Chen & Hennart, 2004; Zahra, Ireland, & Hitt, 2000). At the industry level, two factors - industry relatedness and high technology industry - affect the extent of complexity, information asymmetry and synergy effect in CBAs (Aybar & Ficici, 2009; Chari & Chang, 2009; Datta & Puia, 1995; Stahl & Voigt, 2008). An acquiring firm may encounter more difficulty to assess a target if the firm belongs to a different industry and a high technology industry owing to the information gap or capital market environment among different type of industry setting. Finally, at the country-environmental level, I consider geographic distance between an acquiring and the target country which may further exacerbate the challenges associated with conducting CBAs. A rich body of literature has examined how spatial geographic distance affects *pre-screening* costs such as communication and transportation costs and how such costs are associated with acquiring firm's investment decision (Ports & Rey, 2005; Lerner, 1995). I discuss each of these in the following section.

Acquirer's CBA experience. CBA experience is considered to be an important engine to develop general and specific knowledge, and to control the risk for subsequent and new CBAs. Internationalization theorists argue that prior experience helps firms develop organizational capabilities that are suitable for the target countries (Johanson & Vahlne, 1977). Subsequent studies support that a foreign firm's local knowledge by previous experiences gives a greater benefit to evaluate a target firm and to avoid local knowledge disadvantages (Chang, 1995; Chen & Hennart, 2004; Kogut & Singh, 1988; Makino & Delios, 1996). More specifically, studies show that an acquiring firm with more prior ownership presence is likely to succeed in new CBA deals (Bruton et al., 1994), even though the evidence of CBA experience on CBA performance is inconsistent (Mantecon, 2008). The main reason is that prior CBA experiences help an acquiring firm to mitigate information disadvantages (Davidson, 1980: Delios & Beamish, 2001).

An acquiring firm possessing previous CBA experience perceives less information asymmetry and risks in new CBA(s) than the one without prior CBA experience (Chari & Chang, 2009; Makino & Delios, 1996). For instance, research has found that the parties involved in past negotiations often develop suitable strategies for future ones, and are able to better predict the other parties' true intentions and behavior (Cuypers, Cuypers & Martin, 2016). For such acquiring firms, I expect that CBA experience loosen the positive relationship between added cultural distance and the shareholders' stock market gains and value. The main reason is that a more CBA experienced firm is more likely to have sufficient capabilities to deal with information asymmetry, and would not decrease ownership share in new CBAs as the added cultural distance increases. Consequently, the shareholders of more CBA experienced firm would

not react in terms of stock market gains and value, as much as less CBA experienced. Accordingly, I hypothesize:

> ***Hypothesis 3:*** *Acquirer's prior CBA experience negatively moderates the relationship between the added cultural distance and the market reaction to CBA announcement such that the positive effect of the added cultural distance on market reaction becomes weaker as prior CBA experience of the acquirer increases.*

Industry relatedness. Relatedness refers to market similarities between an acquirer and a target firm. Previous studies have found that related acquisitions reduce the information asymmetry and the associated risk perceptions of the acquirer (Balakrishna & Koza, 1993; Chen & Hennart, 2004; Chari & Chang, 2009; Reuer & Koza, 2000). This can happen for many reasons. Acquiring a target firm in the same industry makes it easier for an acquirer to evaluate the target firm's true value (*ex ante* screening) as the acquirer has more intimate knowledge about the primary stakeholders of the given industry. Such knowledge may also reduce *ex post* monitoring costs during the post integration period, because the acquirer already has certain knowledge and experience in the relevant industry (Chari & Chang, 2009; Reuer & Koza, 2000).

In addition, the industry- related CBAs affect an acquiring firm and its shareholders' value by influencing their expectations for the future firm performance. A rich body of literature in strategic management, thus, emphasizes the benefits of related CBAs. First, the industry-related CBAs create an acquiring firm's value by operating synergies which result in economies of scale and consequent cost advantage (Cooke, 1988). For example, the related CBAs allow both an acquiring and a target firm to share the fixed and operating costs that can realize the economies of scale and scope. Second, an acquiring firm can achieve competitive advantage and market power by technology

sourcing and complementary resources from the target firm. The industry related CBAs allow the acquiring firms to effectively access to the target resources due to the familiarity of knowledge (Datta and Puia, 1995). Third, the related CBAs have "the co-insurance effect by their combined cash flow" (Aybar & Ficici, 2009) and the efficient resource allocation advantage in diversified firms (Matsusaka & Nanda, 1996; Rieck, 2002). These related CBA benefits are typically greater than unrelated CBAs or not available in unrelated CBAs (Datta & Puia, 1995; Harris & Ravenscraft, 1991). Consequently, the shareholders for more related CBAs would react in terms of stock market gains and value, more than unrelated CBAs. Accordingly, I hypothesize:

> ***Hypothesis 4:*** *Industry relatedness positively moderates the relationship between the added cultural distance and the market reaction to CBA announcement such that the positive effect of the added cultural distance on market reaction becomes stronger in industry related CBAs than unrelated CBAs.*

High technology industry. In addition to industry relatedness, I focus on the inherent nature of industries that may affect information asymmetry that firms face in conducting CBAs. The high versus low technological nature of industry is one such variable. There has been a tremendous increase in CBAs in the high technology industry in recent years (Kang & Johansson, 2000). An acquirer may encounter more challenges to assess a target firm in a high-tech industry as such industries are characterized by high levels of tacit knowledge. On the other hand, it may be easier to assess the targets in low technology industry as information about such industries is easily available from market intermediaries and published documents such as financial statements and company reports (Reuer et al., 2004).

In addition to above arguments, CBAs in high-tech industry affect the acquiring firm value and its shareholders' expectation for the future firm performance. An acquiring firm in high-tech industry CBAs encounters unexpected hazard costs to evaluate a target firm's tacit knowledge value and its potential ability (Reuer et al., 2004). Moreover, an acquirer may need higher-powered incentives to the target firm for the future knowledge transfer to the acquirer, i.e., the motivation problem (Chen & Hennart, 2004; Williamson, 1985). Therefore, the CBA(s) with a target firm in high-tech industry is associated with higher information asymmetry and motivation problems. Specifically, the hazard costs, informational asymmetries related assets, technological capability acquired, and its premium paid may devaluate the acquiring firm's and its shareholders' wealth (Aybar and Ficici, 2009). Consequently, the shareholders for high-tech CBAs would not react in terms of stock market gains and value, as much as for low-tech CBAs. Accordingly, I hypothesize:

> ***Hypothesis 5:*** *High technology industry negatively moderates the relationship between the added cultural distance and the market reaction to CBA announcement such that the positive effect of the added cultural distance on market reaction becomes weaker for CBAs in high technology industries than CBAs in low technology industries.*

Geographic distance. Geographic distance is a country level factor that affects the extent of information asymmetry that firms face as well as their ability to manage the information asymmetry (Green, 1990; Grote & Rucker, 2007; Malhotra & Gaur, 2014; Ragozzino, 2009; Ragozzino & Reuer, 2011). CBA success is often contingent on the needs of availing credible information regarding a target firm, its industry, and country of operation. It is important to obtain such information via both formal and informal channels (Ragozzino, 2009). According to the information asymmetry perspective, it is

more difficult for an acquirer to obtain informal information from informal channels such as through frequent visits and meetings with managers if the target is located in geographically distant country (Kang & Kim, 2008). Consistent with this, research suggests that there are more returns and benefits associated with geographically proximate targets (Grote & Rucker, 2007).

Clearly the geographic distance between the acquirer country and the target country affects the level of information that firms face in conducting CBAs. If an acquirer adds higher cultural distance for new CBAs, and if the target is also in geographically distant country, the geographic distance impedes the acquirer's ability to manage information asymmetry related challenges using formal and informal channels. Consequently, an acquirer with a greater geographic distance from the target may prefer to opt for lower degree of ownership share than closer geographic distance CBAs as the added cultural distance increases. Therefore, the shareholders for greater geographic distant CBAs would not react in terms of stock market gains and value, as much as for proximate CBAs. Accordingly, I hypothesize:

> ***Hypothesis 6:*** *Geographic distance negatively moderates the relationship between the added cultural distance and the market reaction to CBA announcement such that such that the positive effect of the added cultural distance on market reaction becomes weaker as the geographic distance between the acquirers and target firms' countries increases.*

METHODS

Sample

The initial sample is collected from the *Thomson Financial Securities Data Corporation* (SDC) Platinum database about CBAs between the United States acquirers and Non-U.S. targets in 194 countries for a 25 year time period from 1980 to 2014. This sample

includes firm (acquirers and targets) -, industry -, country -, and transaction-level variables. I also collected firm level variables for financial data from COMPUSTAT. After merging information from different sources, the base sample consists of 10,423 CBAs observations from 138 target countries. To conduct the event study and empirical analysis, I merged the base sample with the stock market return data from *University of Chicago's Center for Research in Security Prices* (CRSP) for a 15 year time period from 1990 to 2014. After merging datasets from different sources, the final sample consists of 4,347 CBAs observations from 138 target countries. In the final sample, major firms that have had more than 50 CBAs are, for example, Avnet Inc., Coca-Cola Co., General Electric Corp., Goldman Sachs Inc., HJ Heinz Co., IBM Corp., Illinois Tool Works Inc., Intel Corp., Microsoft Corp., Parker Hannifin Corp., and Thomson Reuters Corp. In addition, Table 4 shows more descriptive industry data information among the acquiring and target firms.

----------Insert Table 5 about here----------

Dependent Variable

The dependent variable is cumulative abnormal returns (CARs) to evaluate the market reaction to the CBA announcement. CAR has been used over time in strategic management and finance studies for several reasons. One of main reasons is that stock market measures in event study are relatively unbiased (Cording, Christmann, & King, 2008). The other is that CARs demonstrate predictive validity between an ex ante and ex post performance (Haleblian, Kim & Rajagoplan, 2006). I cumulate the daily abnormal returns, the difference between predicted return and its actual return over three windows of interest (-3, +3) from the event day, that is, an acquisition is announced.

Independent Variables

Added cultural distance. This study measures the added cultural distance in accordance with Kogut and Singh's (1988) cultural distance measurement and Hutzschenreuter and Voll's (2008) approach to measure added cultural distance. Kogut and Singh (1988) determined the cultural distance value between two countries by computing the average of the differences for each cultural dimension as proposed by Hofstede (1989). Based on this measure, Hutzschenreuter and Voll (2008) introduced "added cultural distance," as measured by summing each added cultural distance per year and computing five year average of cultural distance of the international expansion moves.

Hutzschenreuter and Voll's (2008) added cultural distance examines the average level of a firm's cultural distance at a given period of time and its impact on firm performance. This study, however, proposes how an acquirer's added cultural distance pattern by observing every single step of CBAs influences its shareholder market reaction to CBA announcement. To do that, I first computed the distance between every single target and all already existing CBAs, and took the closest distance, including the U.S if it is closest distance - the added cultural distance in this case is "0". Then, I calculated the cultural distance value between two countries by Kogut and Singh's (1988) method. They determined the cultural distance value between two countries by computing the average of the differences for each cultural dimension as proposed by Hofstede (1980) - there are four dimensions- , such as power distance, uncertainty avoidance, individualism, and masculinity. Algebraically, the measure of cultural distance is as follows in equation (1).

$$CD_{jk} = \sum_{i=1}^{4} \left\{ \left(I_{ij} - I_{ik} \right)^2 / V_i \right\} / 4 \qquad (1)$$

where CD_{jk} is cultural distance index between *j*th and *k*th countries; $I_{ij}$and I_{ik} stand for the *i*th cultural dimension for *j*th and *k*th countries; and $V_i$is the variance of the index of the *i*th dimension.

Time in adding cultural distance. Based on the added cultural distance measures in this dataset, time in adding cultural distance is measured as the number of years added between the focal acquisition and the previously culturally closest acquisition. For example, suppose that a U.S firm had three CBAs, one each in Canada in 1999, Australia in 2000 and South Korea in 2004. The first added cultural distance is from the U.S to Canada, and is accordingly set "0" as the time in adding cultural distance. The next added cultural distance is the measure between the U.S and Australia one year later, with "1" as time in adding cultural distance. The last is between Australia and South Korea, with "4" years as the time dimension.

Acquirer's CBA experience. In line with Aybar and Ficici 2009, and Malhotra et al 2011, I used the acquirer's CBA experience, as reported by SDC platinum database that count the number of CBAs by each acquirer.

Industry relatedness. As SDC platinum database reported most detailed industry codes and information, I measured industry relatedness by using the four digit standard industrial classification (SIC) codes for both the acquirers and the target firms. In line with previous literature (e.g., Chakrabarti et al., 2009; Datta & Puia, 1995; Malhotra et al., 2011; Malhotra & Gaur, 2014; Reuer et al., 2004; Stahl & Voigt, 2008), I used a binary variable that takes a value of 1 for the same four digit SIC code between the acquirer and the target, and 0 otherwise.

High technology industry. I used the target firms' high technology industry information, as reported by SDC platinum database. In line with Aybar & Ficici, 2009, I developed a binary variable that takes a value of 1 for target firms in high technology industry, and 0 otherwise.

Geographic distance. I used the geographic distance calculator program in the Geodatasource.com. I calculated the geographic distance in log of kilometers between two capital cities of cultural distance related countries in line with previous literature (Aybar & Ficici, 2009; Kang & Kim, 2010; Malhotra & Gaur, 2014).

Control Variables

I controlled for the effects of several firm -, deal -, and country specific factors, found in prior studies to have an influence on shareholder market reaction to CBA announcement. For acquiring firm specific variables, I controlled for an acquiring firm's size, measured as log of total assets (Kang & Kim, 2010; Gubbi et al., 2010; Uhlenbruck, Hitt, & Semandeni, 2006). Gubbi et al (2010) suggest that firm size needs to be controlled due to its influence on firms' strategic choice. I also controlled an acquiring firms' return on assets (Barkema & Vermeulen, 1998; Chari & Chang, 2009). I used acquiring firm's R&D intensity that may positively affect market reaction to CBA announcement, as some studies have shown that acquiring firms that have greater technological intangible assets tend to fully control target firms for avoiding potential opportunistic behavior by the partners (Chari & Chang, 2009; Kogut & Zander, 1993; Seth et al., 2002; Williamson, 1985; Zhao et al., 2004). I measured acquiring firm's R&D intensity as the percentage of acquiring firm's R&D expenditure over its total operating expenses prior to the CBA (Chari & Chang, 2009; Kang & Kim, 2010). In line with Jensen (1986), I controlled for

acquiring firm's cash flow, as Jensen (1986) argues that firms with large cash flows encounter higher agency problem and thus may waste firm's resources. I measured acquiring firm's cash flow by using a dummy that takes the value one if the ratio of cash flow and total assets is above the sample median, and zero otherwise (Kang & Kim, 2010).

For target firm-specific variables, I controlled the target firm's ownership status whether it is public or private, as Jory and Ngo (2014) mentioned that stock price and operating performance of public firm fare worse than private firms. I measure the target firm's ownership status by using a dummy variable that equals one if the target firm is public and zero otherwise (Capron & Shen, 2007).

Some deal-specific variables affect an acquirer's shareholder market reaction to CBA announcement. I controlled for tender offer. Chakrabarti, Gupta-Mukherjee and Jayaraman (2009) suggest that tender offers are often associated with the success of the acquisitions. I used the tender offer data, as reported by SDC platinum database, and measured it as a dummy variable that equals 1 if the acquirer had tender offer transactions with the target firm, and 0 otherwise (Chakrabarti et al., 2009). I also controlled for payment method by looking at the percentage of cash payment. Previous studies found that stock payments, in comparison to cash payments are likely to reduce information asymmetry (Malhotra & Gaur, 2014). I used the percentage of cash payment data, as reported by SDC platinum database, and measured as a continuous variable that value 100% as a full cash payment, and 0% as a full stock payment (Capron & Shen, 2007; Chakrabarti et al., 2009).

Country-specific characteristics also significantly influence the success of CBAs. I controlled the level of development of the target country. Previous empirical studies have found that a country's openness economy to international trade is important on the functioning of target firm (Chakrabarti et al., 2009). I used the level of development of the target country, measured as log of GDP per capita in the year of CBA, reported by the World Development Indicator database.

Analysis

I conduct the event study methodology which evaluates the stock price reaction to a specific event as previous CBA studies used (Aybar & Ficici, 2009; Chakrabarti et al., 2009; Datta & Puia, 1995; Jory & Ngo, 2014; Kang & Kim, 2010). Event study is suitable for this study because it concludes whether a CBA event had a negative or a positive effect on the acquiring firm value and its shareholder wealth. In this event study, I compute the expected return on the stock that would have been expected on the day of CBA. The market model is estimated by using 230 continuing days estimation period from t= -11 to t= -240, where t=0 is the event day. This study defines the event window as 3days prior to the event and 3days after the event. The market model is represented by:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad (2)$$

where R_{it} is the returns of acquiring firm *i* at time *t*. R_{mt} is the rate of return of weighted market portfolio during period *t*, which represents the markets' (i.e., investors) evaluation on the CBAs (Aybar & Ficici, 2009; Datta & Puia, 1995). α_i&$\beta_i$are market model coefficient for firm *i*. Since the market model assumes the linearity and the normality returns the relationship between returns of acquiring firm and the return of the market portfolio, ε_{it} is a residual random error for firm *i* at time *t*. Equation (2) is estimated from

the market model regressions by using a given estimation period above. I, then, compute abnormal return (AR) that equals the difference between the actual return and its corresponding predicted normal return as follows:

$$AR_{it} = R_{it} - (\alpha_i + \beta_i R_{mt}) \quad (3)$$

I cumulate the daily abnormal returns to obtain the cumulative abnormal return (CAR) during the event window (T_1,T_2), that is, (-3, +3). More specifically, CARi (T_1,T_2) is given as:

$$CAR_i = \sum_{t=T_1}^{T_2} AR_{it} \quad (4)$$

CAR needs to be tested - when it differs from zero - whether the difference between mean and median is statistically significant (Jory and Ngo, 2014). I use the t-statistics, and Table 6 shows that the mean and median CARs are positive and significant at the 0.01 level. The mean CAR (-3, +3) is 0.52% and the median CAR (-3, +3) window is 0.2%.

----------Insert Table 6 about here----------

To examine the effect of added cultural distance and contingent factors on market reaction, I apply cross-sectional multivariate regression model as follows:

$$CAR_i = \alpha_i + \beta_1 Added\ Cultural\ Distance_i + \beta_2 Time\ in\ Adding\ Cultural\ Distance_i + \beta_3 Acquirer's\ CBA\ experience_i + \beta_4 Industry\ Relatedness_i + \beta_5 High\ Technology\ Industry_i + \beta_6 Geographic\ Distance_i + \beta_7 Added\ Cultural\ Distance * Acquirer's\ CBA\ experience_i + \beta_8 Added\ Cultural\ Distance * Industry\ Relatedness_i + \beta_9 Added\ Cultural\ Distance * High\ Technology\ Industry_i + \beta_{10} Added\ Cultural\ Distance * Geographic\ Distance_i + \beta_{11} Control\ Variables_i + \varepsilon_i \quad (5)$$

RESULTS

Table 7 shows the descriptive statistics and correlation matrix for the variables respectively. To avoid too small value of each coefficient in the model, I multiply 0.01 with every variable. The mean of CARs is 0.52% positive returns with a standard deviation of 0.087. Added cultural distance has a mean 0.72 with a standard deviation of 0.90. Time in adding cultural distance has a mean of 2.82 years with a standard deviation of 4.21 years.

----------Insert Table 7 about here----------

In the correlation matrix, I find expected sign on the correlation coefficients of key variables. For example, Market reaction, CARs, is positively correlated with added cultural distance, and negatively with time in adding cultural distance. Table 8 shows the results of cross-sectional multivariate regression analysis. Model 1 is basic model, and includes only the control variables; Model 2, 3 and 4 include added cultural distance and

time in adding cultural distance; Model 5, 6, 7 and 8 contain the interaction terms for moderating effect; and Model 9 shows full model.

Hypothesis 1 predicted the positive relationship between the added cultural distance and market reaction to announcement of CBAs. The results of multivariate regressions show that the coefficients for the variable added cultural distance, in Model 2, 4, 5, 8 and Model 9, are all positive and significant ($p < 0.05$), supporting Hypothesis 1. For example, if the added cultural distance goes up by one unit, an acquiring firm's CAR increase 0.43% higher. In support of Hypothesis 2, in which expected the negative relationship between time in adding cultural distance and market reaction to CBA announcement, the coefficients of the variable time in adding cultural distance in Models 3 through Model 9 are consistently negative and significant ($p < 0.05$), supporting Hypothesis 2. For example, if an acquiring firm spends one more year in adding cultural distance, the firm's CBA tends to decrease 4.27%. Moreover, in Hypothesis 3, I predicted that previous CBA experience between the acquirer and the target firm weakens the relationship between added cultural distance and market reaction to CBA announcement. Model 5 and 9 show that the coefficient of interaction term between added cultural distance and an acquiring firm's CBA experience is negative and significant ($p<0.10$), supporting Hypothesis 3.

In Hypothesis 4, I predicted that industry relatedness between the acquirer and the target firm strengthens the relationship between added cultural distance and market reaction to CBA announcement. Model 6 and 9 show that the coefficient of interaction term between added cultural distance and industry difference is positive but insignificant, failing to support Hypothesis 4. For another moderating effect, Hypothesis 5 expected

that acquiring a target firm in high-tech industry weakens the relationship between added cultural distance and market reaction to CBA announcement. Model 7 and 9 show that the coefficient of interaction term between added cultural distance and target high-tech is negative and insignificant, failing to support Hypothesis 5. Finally, in Hypothesis 6, I predicted that geographic distance between the acquirer's and the target firm's country weakens the relationship between added cultural distance and market reaction to CBA announcement. Model 8 and 9 show that the coefficient of interaction term between added cultural distance and geographic distance is negative and significant ($p<0.10$), supporting Hypothesis 6.

----------Insert Table 8 about here----------

DISCUSSIONS AND CONCLUSION

Many studies have shown inconclusive evidence on the effect of cultural distance on an acquiring firm's value and its shareholder wealth in the existing CBAs (Andrade et al., 2001; Gubbi et al 2010; King et al., 2004; Moeller & Schlingemann, 2005; Seth et al., 2002). Drawing on the literature on information asymmetry, cultural complexity and capital market perspective, I examine the effects of the patterns of CBA activities, and find that an acquirer's shareholder market reaction to CBA announcement is positively related to the added cultural distance in such acquisitions. I further examine how shareholders react to the time in adding cultural distance in CBAs and find that stock market gains to an acquiring firm's CBA decisions tend to lower in longer time in adding cultural distance due to the negative wealth effect on the relationship between transaction costs associated with the complexity and the information asymmetry and consequent ownership decision.

I also examine the firm-, industry- and country-specific contingent factors that affect the relationship between added cultural distance and market reaction to CBA announcement. First, the result shows that an acquirer's CBA experience weakens the positive relationship between added cultural distance and market reaction to CBA announcement. In other words, a more CBA experienced firm is more likely to have sufficient capabilities to deal with information asymmetry and would not decrease ownership share in new CBAs as the added cultural distance increases. Consequently, the shareholders of more CBA experienced firm would not react in terms of stock market gains and value, as much as less CBA experienced. Second, I find no evidence about the effect of industry level factors on the relationship between added cultural distance and market reaction. Third, as expected I find that greater geographic distance between an acquirer and a new target weakens the positive relationship between added cultural distance and market reaction to CBA announcement. This implies that an acquirer with a greater geographic distance from the target may prefer to opt for lower degree of ownership share than closer geographic distance CBAs as the added cultural distance increases. Therefore, the shareholders for greater geographic distant CBAs would not react in terms of stock market gains and value, as much as for proximate CBAs.

This study contributes to the literature on mergers and acquisitions and foreign entry modes. First, this is one of the first studies to explain theoretical and empirical conflicts in CBAs by analyzing CBA activities in a detailed manner using much longer time period data. The theoretical arguments about added cultural distance help reconcile the inclusive findings about the relationship between cultural distance and shareholder wealth creation by CBAs. Additionally, this study contributes to the foreign entry mode

literature by analyzing in a more nuanced manner a particular entry mode, i.e. CBAs. Although previous entry mode studies have focused on wholly owned subsidiaries and joint ventures, CBAs have become a principal conduit for foreign direct investment (Chari & Chang, 2009), and warrant a closer examination. Furthermore, this study implies that MNC's managers who consider next cross-border acquisition need to carefully examine closest previous target information and CBA experience, rather than focusing direct cultural distance between focal firm and target firm. The added cultural distance, therefore, sophisticatedly influences the acquiring firm's ownership decision to target firm and its consequence market reaction to CBA announcement.

This study has some limitations. First, since this study only focuses on the sample of the U.S. acquirers and 138 target countries, I could not examine if these relationships will hold for acquirers from other countries such as emerging markets. Future studies may examine the heterogeneity of acquirers' cultural differences and ownership preferences from different home countries or different segmented host countries such as emerging market vs. developed market. Another limitation is that I focus on CBAs while other entry modes such as green-field, joint venture and wholly owned subsidiaries may yield different results. Finally, future research may examine other added distance measures such as added geographic distance, added institutional distance, added economic distance and added linguistic and psychic distance to see how a firm's ownership decision is associated with different distance factors.

CHAPTER FOUR

CONCLUSION

This dissertation attempts to explain theoretical conflicts and inconclusive empirical evidence on two related studies such as cultural distance and ownership share, and cultural distance and market reaction to CBA announcement. Drawing on the literature on information asymmetry, cultural complexity and capital market perspective, this study finds that the effects of the patterns of CBA activities and time in terms of added cultural distance are statistically significant on CBA ownership share decision and shareholder market reaction to CBA announcement. In addition to the main findings, a prior ownership presence, previous CBA experience and geographic distance are significant contingent factors that strengthen or weaken information asymmetry and cultural complexity influencing managers' CBA ownership decision and acquiring firm's shareholder market reaction to CBA announcement.

This study contributes to the literature on mergers and acquisitions and foreign entry modes. First, this is one of the first studies to explain theoretical and empirical conflicts in CBAs by analyzing CBA activities in a detailed manner using much longer time period data. The theoretical arguments about added cultural distance help reconcile the inclusive findings about the relationship between cultural distance and shareholder wealth creation by CBAs. Additionally, this study contributes to the foreign entry mode literature by analyzing in a more nuanced manner a particular entry mode, i.e. CBAs. Although previous entry mode studies have focused on wholly owned subsidiaries and joint ventures, CBAs have become a principal conduit for foreign direct investment (Chari & Chang, 2009), and warrant a closer examination. Furthermore, this study

implies that MNC's managers who consider next cross-border acquisition need to carefully examine closest previous target information and CBA experience, rather than focusing direct cultural distance between focal firm and target firm. The added cultural distance, therefore, sophisticatedly influences the acquiring firm's ownership decision to target firm and its consequence market reaction to CBA announcement.

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APPENDICES

TABLE 1 Chapter Two Correlation Matrix & Descriptive Statistics

No.	Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Share of equity ownership	--															
2	Added cultural distance (ACD)	-0.07	--														
3	Time in adding CD	0.01	0.21	--													
4	Fiscal year	0.12	-0.02	0.22	--												
5	Prior ownership presence	-0.42	-0.06	-0.06	-0.10	--											
6	Industry relatedness	0.02	-0.02	0.02	-0.01	-0.02	--										
7	Target high-tech industry	0.08	-0.05	0.00	0.18	-0.02	-0.14	--									
8	Geographic distance	0.01	0.00	-0.00	-0.00	-0.02	0.01	-0.01	--								
9	Acquirer size (logarithm)	-0.15	-0.03	0.16	0.18	0.07	0.04	-0.05	-0.01	--							
10	Acquirer profitability	-0.00	-0.02	0.01	-0.01	0.00	-0.02	0.01	0.01	0.09	--						
11	Acquirer R&D intensity	0.04	-0.03	0.00	0.09	-0.01	-0.07	0.31	-0.01	-0.07	0.00	--					
12	Acquirer cash flow	-0.01	-0.03	0.10	0.09	0.01	0.01	-0.04	-0.02	0.32	0.02	-0.06	--				
13	Target ownership status	-0.36	-0.05	-0.02	-0.07	0.29	-0.03	0.00	-0.01	0.10	0.00	0.00	-0.01	--			
14	Deal tender offer	-0.07	-0.04	-0.01	-0.05	0.13	-0.03	0.01	-0.01	0.06	0.00	0.00	0.01	0.51	--		
15	Deal cash payment	0.01	-0.04	-0.00	0.11	0.03	-0.03	0.07	0.01	-0.02	0.01	0.04	0.02	0.19	0.23	--	
16	Target country GDP	0.12	-0.41	-0.04	0.26	-0.01	0.04	0.06	-0.01	0.00	0.07	0.03	0.05	-0.04	-0.00	0.07	--
	Mean	84.86	0.53	1.77	2001.7	0.08	0.59	0.35	8.73	7.54	-0.22	4.6	0.72	0.1	0.03	18	27.35
	Standard Deviation	29.17	0.85	3.49	6.78	0.27	0.49	0.48	0.68	2.44	16.37	11.73	0.45	0.3	0.16	36.94	1.25
	Minimum	0.1	0	0	1981	0	0	0	7.2	-6.91	-821	0	0	0	0	0	19.72
	Maximum	100	6.24	31	2014	1	1	1	9.72	14.67	811.12	730.3	1	1	1	100	29.99

Notes: N = 10,423. Correlations > | 0.02| significant at p = 0.05

TABLE 2 Chapter Two Results of Tobit Regression Analyses (DV: Ownership Share)

	1	2	3	4	5	6	7	8
Acquirer size (logarithm)	-0.959 (0.121)***	-0.943 (0.121)***	-0.974 (0.122)***	-0.979 (0.122)***	-0.973 (0.122)***	-0.973 (0.122)***	-0.971 (0.122)***	-0.974 (0.123)***
Acquirer profitability	0.005 (0.020)	0.000 (0.020)	0.000 (0.020)	0.000 (0.020)	0.000 (0.020)	0.000 (0.020)	0.000 (0.020)	0.000 (0.020)
Acquirer R&D intensity	0.001 (0.020)	-0.002 (0.019)	-0.002 (0.019)	-0.003 (0.019)	-0.003 (0.019)	-0.002 (0.019)	-0.003 (0.019)	-0.003 (0.019)
Acquirer cash flow	0.621 (0.550)	0.620 (0.548)	0.577 (0.549)	0.575 (0.549)	0.579 (0.549)	0.577 (0.549)	0.562 (0.549)	0.562 (0.549)
Prior ownership presence	-33.920 (0.920)***	-34.212 (0.917)***	-34.117 (0.919)***	-34.818 (1.009)***	-34.116 (0.919)***	-34.118 (0.919)***	-34.086 (0.919)***	-34.785 (1.009)***
Target ownership status	-29.730 (0.954)***	-30.096 (0.952)***	-30.108 (0.952)***	-30.106 (0.952)***	-30.119 (0.953)***	-30.110 (0.952)***	-30.114 (0.952)***	-30.128 (0.952)***
Deal tender offer	21.429 (1.558)***	21.168 (1.553)***	21.186 (1.553)***	21.233 (1.553)***	21.192 (1.553)***	21.184 (1.553)***	21.142 (1.553)***	21.193 (1.553)***
Deal cash payment	0.025 (0.006)***	0.025 (0.006)***	0.024 (0.006)***	0.025 (0.006)***	0.025 (0.006)***	0.024 (0.006)***	0.025 (0.006)***	0.024 (0.006)***
Industry relatedness	0.291 (0.472)	0.221 (0.470)	0.210 (0.470)	0.209 (0.470)	0.106 (0.549)	0.210 (0.470)	0.190 (0.470)	0.070 (0.550)
Target high-tech industry	1.016 (0.570)*	1.021 (0.568)*	1.010 (0.568)*	0.999 (0.568)*	1.004 (0.568)*	0.960 (0.645)	1.001 (0.568)*	0.936 (0.645)
Geographic distance	0.029 (0.335)	0.029 (0.334)	0.028 (0.334)	0.032 (0.334)	0.029 (0.334)	0.027 (0.334)	0.118 (0.338)	0.123 (0.338)
Target country GDP (logarithm)	1.591 (0.202)***	0.844 (0.221)***	0.828 (0.221)***	0.826 (0.221)***	0.828 (0.221)***	0.828 (0.221)***	0.834 (0.221)***	0.831 (0.221)***
Added cultural distance (ACD)		-2.700 (0.328)***	-2.811 (0.335)***	-2.914 (0.340)***	-2.921 (0.450)***	-2.836 (0.376)***	-2.811 (0.335)***	-3.074 (0.495)***
Time in adding CD			0.112 (0.067)*	0.112 (0.067)*	0.112 (0.067)*	0.112 (0.067)*	0.111 (0.067)*	0.110 (0.067)*
Prior ownership x Added CD				2.048 (1.220) †				2.047 (1.220) †
Industry relatedness x Added CD					0.208 (0.566)			0.239 (0.568)
High-tech industry x Added CD						0.094 (0.641)		0.121 (0.643)
Geographic distance x Added CD							-0.053 (0.031) †	-0.053 (0.031) †
Year effects	Included	Included	Included	Included	Included	Included	Included	Included
Industry effects	Included	Included	Included	Included	Included	Included	Included	Included
Country effects	Included	Included	Included	Included	Included	Included	Included	Included
Observations	10,423	10,423	10,423	10423	10,423	10,423	10,423	10,423
Log likelihood (LL)	-47486.82	-47453.12	-47451.72	-47450.31	-47451.65	-47451.71	-47450.29	-47450.20
Likelihood ratio[a]		67.39***	70.19***	73.01***	70.33***	70.21***	73.05***	73.23***
Pseudo R^2	0.040	0.041	0.041	0.041	0.041	0.041	0.041	0.041

Notes: ***p<0.001; **p<0.01; *p<0.05; †p<0.10

a. -2 *[LL of Model1 – LL of other model, respectively]

TABLE 3 Chapter Two Results of Ordered Logit Regression Analyses

	1	2	3	4	5	6	7	8
Cut1[b]	0.037	-2.333	-2.368	-2.382	-2.378	-2.359	-2.299	-2.314
	(1.504)	(1.524)	(1.525)	(1.524)	(1.525)	(1.525)	(1.526)	(1.526)
Cut2	0.311	-2.059	-2.094	-2.108	-2.103	-2.085	-2.023	-2.039
	(1.504)	(1.524)	(1.525)	(1.525)	(1.525)	(1.525)	(1.526)	(1.526)
Cut3	0.965	-1.401	-1.436	-1.449	-1.445	-1.427	-1.365	-1.380
	(1.504)	(1.524)	(1.524)	(1.525)	(1.525)	(1.525)	(1.526)	(1.526)
Acquirer size (logarithm)	-0.100	-0.098	-0.100	-0.100	-0.099	-0.100	-0.099	-0.100
	(0.014)***	(0.014)***	(0.014)***	(0.014)***	(0.014)***	(0.014)***	(0.014)***	(0.014)***
Acquirer profitability	0.000	-0.000	-0.000	-0.000	0.000	0.000	0.000	0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Acquirer R&D intensity	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Acquirer cash flow	0.091	0.087	0.084	0.085	0.085	0.085	0.082	0.085
	(0.063)	(0.063)	(0.063)	(0.063)	(0.063)	(0.063)	(0.063)	(0.063)
Prior ownership presence	-2.370	-2.409	-2.403	-2.467	-2.404	-2.404	-2.400	-2.463
	(0.084)***	(0.085)***	(0.085)***	(0.094)***	(0.085)***	(0.085)***	(0.085)***	(0.094)***
Target ownership status	-2.035	-2.089	-2.090	-2.090	-2.090	-2.090	-2.092	-2.092
	(0.092)***	(0.092)***	(0.092)***	(0.092)***	(0.092)***	(0.092)***	(0.092)***	(0.092)***
Deal tender offer	1.033	1.012	1.014	1.019	1.014	1.014	1.008	1.015
	(0.149)***	(0.149)***	(0.149)***	(0.149)***	(0.149)***	(0.149)***	(0.149)***	(0.149)***
Deal cash payment	0.002	0.003	0.002	0.002	0.002	0.002	0.002	0.002
	(0.001)***	(0.001)***	(0.001)***	(0.001)***	(0.001)***	(0.001)***	(0.001)***	(0.001)***
Industry relatedness	0.040	0.032	0.032	0.032	0.019	0.032	0.029	0.016
	(0.054)	(0.054)	(0.054)	(0.054)	(0.054)	(0.054)	(0.054)	(0.064)
Target high-tech industry	0.197	0.197	0.196	0.196	0.196	0.209	0.196	0.207
	(0.070)**	(0.070)**	(0.070)**	(0.070)**	(0.070)**	(0.080)**	(0.070)**	(0.081)**
Geographic distance	-0.029	-0.027	-0.028	-0.027	-0.027	-0.027	-0.018	-0.017
	(0.039)	(0.039)	(0.039)	(0.039)	(0.039)	(0.039)	(0.039)	(0.039)
Target country GDP	0.179	0.086	0.085	0.085	0.085	0.085	0.085	0.085
	(0.021)***	(0.024)***	(0.024)***	(0.024)***	(0.024)***	(0.024)***	(0.024)***	(0.024)***
Added cultural distance (ACD)		-0.287	-0.292	-0.300	-0.302	-0.287	-0.292	-0.306
		(0.034)***	(0.034)***	(0.035)***	(0.045)***	(0.037)***	(0.034)***	(0.048)***
Time in adding CD			0.006	0.005	0.006	0.006	0.006	0.006
			(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Prior ownership x Added CD				0.195				0.195
				(0.121) ‡				(0.121) ‡
Industry relatedness x Added CD					0.020			0.020
					(0.056)			(0.555)
High-tech industry x Added CD						-0.022		-0.021
						(0.067)		(0.067)
Geographic distance x Added CD							-0.006	-0.006
							(0.003) ‡	(0.003) ‡
Year effects	Included	Included	Included	Included	Included	Included	Included	Included
Industry effects	Included	Included	Included	Included	Included	Included	Included	Included
Country effects	Included	Included	Included	Included	Included	Included	Included	Included
Observations	10,423	10,423	10,423	10,423	10,423	10,423	10,423	10,423
Log likelihood (LL)	-6563.348	-6527.397	-6527.115	-6525.867	-6527.049	-6527.064	-6525.834	-6524.466
Likelihood ratio[a]		71.902***	72.466***	74.962***	72.598***	72.568***	75.028**	77.764***
Pseudo R^2	0.180	0.180	0.180	0.180	0.180	0.180	0.180	0.180

Notes: ***p<0.001; **p<0.01; *p<0.05; †p<0.10 in two-tailed tests; ‡p<0.10 in a one-tailed test.

a. -2 *[LL of Model1 – LL of other model, respectively]

b. Cut1, Cut2, and Cut3 are ancillary parameters, similar to "intercepts" but with the opposite sign, reported by STATA

TABLE 4 Chapter Two Results of Tobit Regression Analyses (Robustness)

	1	2	3	4	5	6	7	8
Acquirer size (logarithm)	-1.348*** (0.165)	-1.295*** (0.164)	-1.329*** (0.165)	-1.327*** (0.165)	-1.327*** (0.165)	-1.327*** (0.165)	-1.328*** (0.165)	-1.324*** (0.165)
Acquirer profitability	0.005 (0.020)	-0.001 (0.020)	-0.001 (0.020)	-0.001 (0.020)	-0.000 (0.020)	-0.001 (0.020)	-0.000 (0.020)	-0.000 (0.020)
Acquirer R&D intensity	0.005 (0.021)	0.001 (0.021)	0.000 (0.021)	0.000 (0.021)	0.000 (0.021)	0.000 (0.021)	0.000 (0.021)	0.000 (0.021)
Acquirer cash flow	0.843 (0.666)	0.776 (0.662)	0.710 (0.664)	0.711 (0.663)	0.721 (0.663)	0.712 (0.664)	0.698 (0.663)	0.711 (0.664)
Prior CBA experience	0.106* (0.053)	0.087 (0.053)	0.069 (0.054)	0.047 (0.066)	0.070 (0.054)	0.069 (0.054)	0.071 (0.054)	0.047 (0.066)
Target ownership status	-35.249*** (1.208)	-35.773*** (1.203)	-35.777*** (1.203)	-35.776*** (1.203)	-35.812*** (1.203)	-35.774*** (1.203)	-35.782*** (1.203)	-35.814*** (1.203)
Deal tender offer	25.823*** (1.558)	25.392*** (2.072)	25.424*** (2.072)	25.426*** (2.072)	25.440*** (2.071)	25.426*** (2.072)	25.363*** (2.072)	25.382*** (2.072)
Deal cash payment	0.031*** (0.007)	0.030*** (0.007)	0.030*** (0.007)	0.030*** (0.007)	0.030*** (0.007)	0.030*** (0.007)	0.030*** (0.007)	0.030*** (0.007)
Industry relatedness	0.079 (0.589)	-0.040 (0.586)	-0.057 (0.586)	-0.049 (0.586)	-6.661 (0.750)	-0.056 (0.586)	-0.073 (0.586)	-0.687 (0.751)
Target high-tech industry	1.057 (0.704)	1.021 (0.701)	1.010 (0.701)	1.007 (0.701)	0.988 (0.701)	1.083 (0.859)	0.999 (0.701)	1.052 (0.861)
Geographic distance	0.208 (0.417)	0.203 (0.415)	0.201 (0.415)	0.202 (0.415)	0.202 (0.415)	0.202 (0.415)	0.284 (0.415)	0.289 (0.419)
Target country GDP (logarithm)	1.333*** (0.230)	0.366 (0.254)	0.330 (0.256)	0.314 (0.257)	0.326 (0.255)	0.331 (0.256)	0.338 (0.256)	0.317 (0.257)
Added cultural distance (ACD)		-3.343*** (0.383)	-3.396*** (0.384)	-3.501*** (0.425)	-3.841*** (0.516)	-3.362*** (0.435)	-3.389*** (0.516)	-3.943*** (0.594)
Time in adding CD			0.119* (0.077)	0.120* (0.077)	0.120* (0.077)	0.119* (0.077)	0.118* (0.077)	0.119* (0.077)
Prior ownership x Added CD				0.029 (0.050)				0.032 (0.050)
Industry relatedness x Added CD					0.834 (0.646)			0.862 (0.649)
High-tech industry x Added CD						-0.122 (0.738)		-0.086 (0.742)
Geographic distance x Added CD							-0.054 (0.039) †	-0.055 (0.039) †
Year effects	Included	Included	Included	Included	Included	Included	Included	Included
Industry effects	Included	Included	Included	Included	Included	Included	Included	Included
Country effects	Included	Included	Included	Included	Included	Included	Included	Included
Observations	7,192	7,192	7,192	7,192	7,192	7,192	7,192	7,192
Log likelihood (LL)	-33,021.71	-32,983.89	-32,982.70	-32,982.53	-32,981.87	-32,982.69	-32,981.76	-32,980.69
Likelihood ratio[a]		75.64***	78.02***	78.36***	79.68***	77.68***	79.90***	82.04***
Pseudo R^2	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022

Notes: ***p<0.001; **p<0.01; *p<0.05; †p<0.10

a. -2 *[LL of Model1 – LL of other model, respectively]

TABLE 5 Chapter Three Industries Descriptive Statistic Information

Acquirer SIC (0111-9711)		Target SIC (0111-9711)	
Observation	4,347	Observation	4,347
Mean	4,857.447	Mean	4,609.001
Std. Dev.	2,085.345	Std. Dev.	1,943.309
Variance	4348662	Variance	3776449
Skewness	0.1909064	Skewness	0.3765099
Kurtosis	1.902607	Kurtosis	2.060036

TABLE 6 Chapter Three CARs for U.S acquirers around CBA announcement date

Estimation method	Windows	Mean CAR (%)	t-statistics	Median CAR (%)
Market model-CRSP EW index	(-3, +3)	0.005	4.14***	0.002

Notes: ***p<0.001; **p<0.01; *p<0.05; †p<0.10

TABLE 7 Chapter Three Correlation Matrix & Descriptive Statistics

No.	Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Cumulative abnormal returns (CARs)	1.000														
2	Added cultural distance	0.004	1.000													
3	Time in adding cultural distance	-0.012	0.125	1.000												
4	Acquirer's CBA experience	-0.021	0.094	0.426	1.000											
5	Industry relatedness	0.009	-0.028	0.015	0.022	1.000										
6	Target high-tech industry	0.002	-0.098	-0.034	-0.053	-0.173	1.000									
7	Geographic distance	-0.009	0.014	0.001	0.021	0.011	0.021	1.000								
8	Acquirer size (logarithm)	-0.033	0.141	0.322	0.434	0.050	-0.144	0.006	1.000							
9	Acquirer profitability	0.015	-0.010	0.057	0.050	0.017	-0.077	-0.005	0.147	1.000						
10	Acquirer R&D intensity	-0.042	-0.066	-0.030	-0.045	-0.103	0.372	0.005	-0.158	-0.333	1.000					
11	Acquirer cash flow	-0.030	0.026	0.146	0.148	-0.001	-0.091	0.012	0.303	0.153	-0.129	1.000				
12	Target ownership status	-0.012	-0.048	-0.000	0.004	-0.013	0.032	-0.025	0.097	0.004	-0.001	-0.062	1.000			
13	Deal tender offer	-0.003	-0.050	-0.008	0.017	-0.034	0.042	-0.017	0.063	0.009	-0.003	0.014	0.514	1.000		
14	Deal cash payment	0.035	-0.070	-0.002	-0.046	-0.049	0.087	0.001	-0.026	0.018	0.053	0.000	0.160	0.186	1.000	
15	Target country GDP	-0.008	-0.385	-0.019	-0.094	0.040	0.178	0.010	-0.083	0.023	0.110	0.008	0.005	0.031	0.126	1.000
	Mean	0.005	0.72	2.82	2.45	0.56	0.38	8.73	6.87	0.01	5.74	0.72	0.08	0.02	21.62	9.94
	Standard Deviation	0.087	0.90	4.21	4.87	0.49	0.48	0.68	2.06	0.41	12.10	0.45	0.27	0.14	39.28	0.96
	Minimum	-0.602	0.009	0	0	0	0	7.20	-0.45	-18.52	0	0	0	0	0	5.43
	Maximum	1.339	5.89	31	65	1	1	9.72	14.67	0.66	442.37	1	1	1	100	11.88

Notes: N = 4,347. Correlations > | 0.02| significant at p = 0.05

TABLE 8 Chapter Three Results of Cross-sectional Multivariate Regression Analyses

DV: CARs	1	2	3	4	5	6	7	8	9
Acquirer size (logarithm)	-0.0010 (0.0009)	-0.0011 (0.0009)	-0.0011 (0.0009)	-0.0011 (0.0009)	-0.0011 (0.0009)	-0.0011 (0.0009)	-0.0011 (0.0010)	-0.0011 (0.0010)	-0.0011 (0.0010)
Acquirer profitability	0.0001 (0.0036)	0.0001 (0.0036)	0.0001 (0.0036)	0.0001 (0.0036)	0.0001 (0.0036)	0.0001 (0.0036)	0.0001 (0.0036)	-0.0001 (0.0036)	-0.0001 (0.0036)
Acquirer R&D intensity	-0.0003** (0.0001)	-0.0003** (0.0001)	-0.0003** (0.0001)	-0.0003** (0.0001)	-0.0003** (0.0001)	-0.0003** (0.0001)	-0.0003** (0.0001)	-0.0003** (0.0001)	-0.0003** (0.0001)
Acquirer cash flow	-0.0067* (0.0034)	-0.0068* (0.0034)	-0.0065* (0.0034)	-0.0066* (0.0034)	-0.0066* (0.0034)	-0.0066* (0.0034)	-0.0066* (0.0034)	-0.0066* (0.0034)	-0.0066* (0.0034)
Acquirer's CBA experience	-0.0000 (0.0003)	-0.0000 (0.0003)	-0.0000 (0.0003)	-0.0000 (0.0003)	0.0000 (0.0004)	-0.0000 (0.0003)	-0.0000 (0.0003)	-0.0000 (0.0003)	-0.0000 (0.0003)
Target ownership status	-0.0081 (0.0062)	-0.0083 (0.0062)	-0.0084 (0.0062)	-0.0081 (0.0062)	-0.0081 (0.0062)	-0.0081 (0.0062)	-0.0081 (0.0062)	-0.0081 (0.0062)	-0.0081 (0.0062)
Deal tender offer	0.0026 (0.0112)	0.0024 (0.0112)	0.0024 (0.0112)	0.0026 (0.0112)	0.0026 (0.0112)	0.0026 (0.0112)	0.0026 (0.0112)	0.0026 (0.0112)	0.0026 (0.0112)
Deal cash payment	0.0001** (0.000)	0.0001** (0.000)	0.0001** (0.000)	0.0001** (0.000)	0.0001** (0.000)	0.0001** (0.000)	0.0001** (0.000)	0.0001** (0.000)	0.0001** (0.000)
Industry relatedness	0.0020 (0.0029)	0.0020 (0.0029)	0.0020 (0.0029)	0.0019 (0.0029)	0.0019 (0.0029)	0.0014 (0.0040)	0.0019 (0.0029)	0.0019 (0.0029)	0.0019 (0.0029)
Target high-tech industry	0.0036 (0.0043)	0.0043 (0.0032)	0.0040 (0.0032)	0.0041 (0.0032)	0.0040 (0.0032)	0.0041 (0.0032)	0.0036 (0.0043)	0.0036 (0.0043)	0.0036 (0.0043)
Geographic distance	-0.0011 (0.0021)	-0.0011 (0.0021)	-0.0011 (0.0021)	-0.0011 (0.0021)	-0.0011 (0.0021)	-0.0011 (0.0021)	-0.0011 (0.0021)	-0.0011 (0.0021)	-0.0011 (0.0021)
Target country GDP	0.0002 (0.0018)	0.0003 (0.0018)	0.0010 (0.0016)	0.0002 (0.0018)	0.0002 (0.0018)	0.0002 (0.0018)	0.0002 (0.0018)	0.0002 (0.0018)	-0.0002 (0.0018)
Added cultural distance (CD)		0.0043* (0.0025)		0.0043* (0.0025)	0.0046* (0.0027)	0.0038 (0.0035)	0.0040* (0.0030)	0.0040* (0.0030)	0.0038 (0.0042)
Time in adding CD			-0.0427** (0.0162)	-0.0427** (0.0162)	-0.0427** (0.0162)	-0.0426** (0.0162)	-0.0428** (0.0162)	-0.0427** (0.0162)	-0.0426** (0.0162)
Acquirer's CBA experience x Added CD					-0.0001† (0.0003)				-0.0001† (0.0003)
Industry relatedness x Added CD						0.0008 (0.0045)			0.0009 (0.0045)
High-tech industry x Added CD							0.0007 (0.0048)		0.0007 (0.0048)
Geographic distance x Added CD								-0.0000† (0.0002)	-0.0000† (0.0002)
Intercept	0.0389 (0.0271)	0.0231 (0.0286)	0.0818* (0.0316)	0.0660* (0.0329)	0.0665* (0.0331)	0.0664* (0.0330)	0.0665* (0.0331)	0.0666* (0.0331)	0.0665* (0.0331)
Observations	4,347	4,347	4,347	4,347	4,347	4,347	4,347	4,347	4,347
F-statistics	1.45	1.49	1.60	1.64	1.60	1.60	1.60	1.56	1.60
R^2	0.013	0.014	0.015	0.016	0.016	0.016	0.016	0.016	0.016

Notes: ***p<0.001; **p<0.01; *p<0.05; †p<0.10

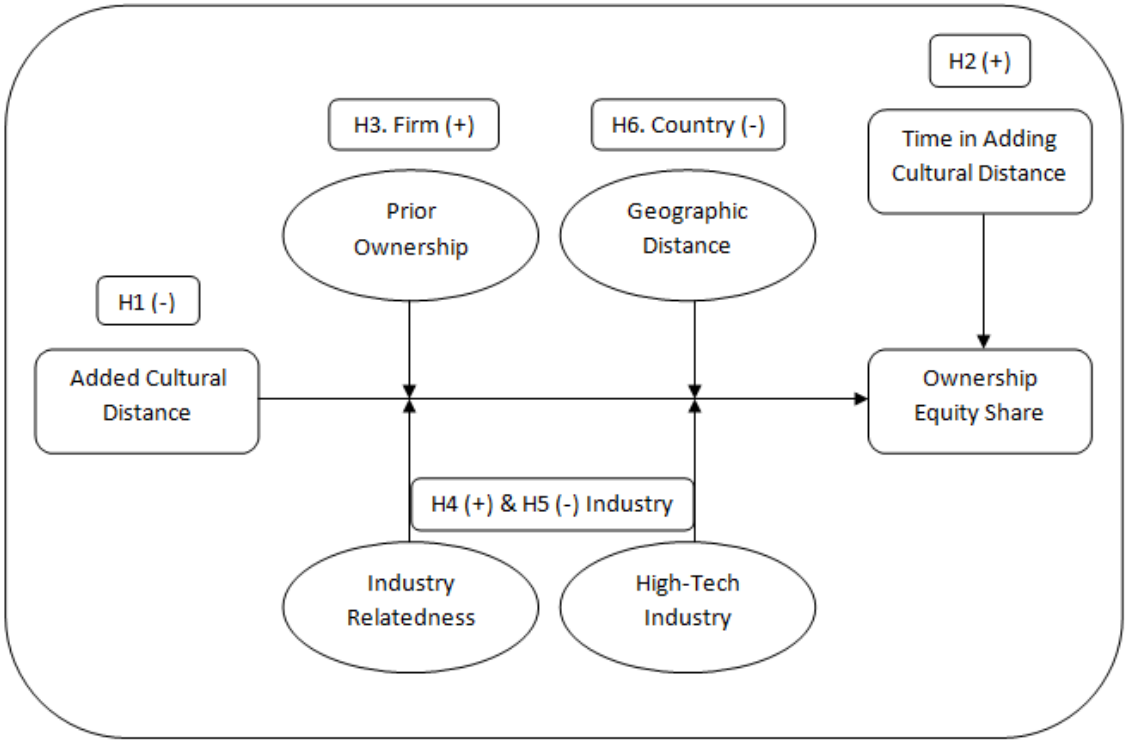

FIGURE 1 Chapter Two Conceptual Framework

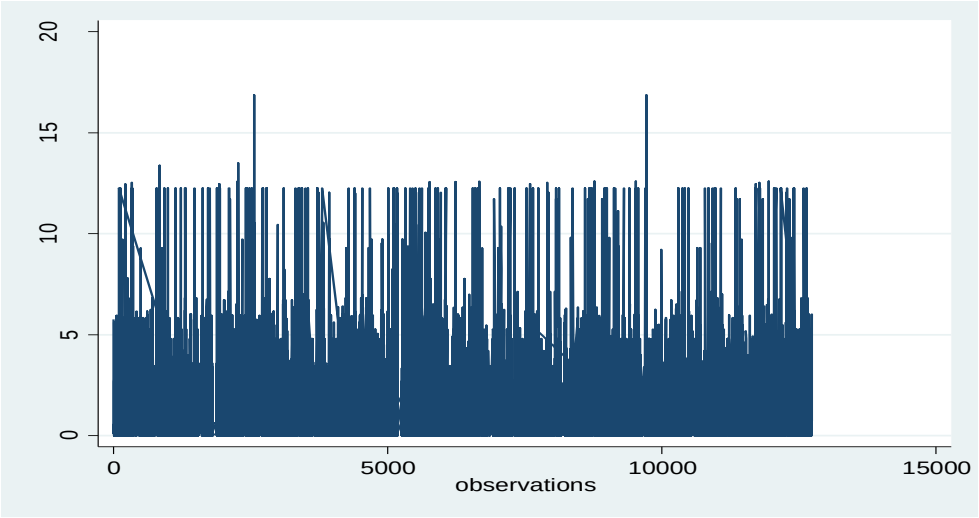

FIGURE 2 Chapter Two Economical Impact of Added Cultural Distance on Ownership Share

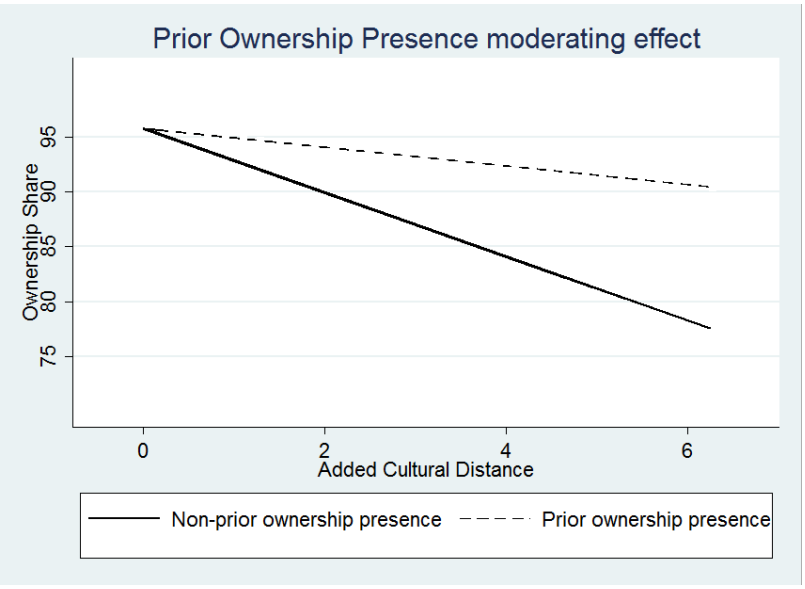

FIGURE 3 Chapter Two Moderating Effect of Prior Ownership Presence

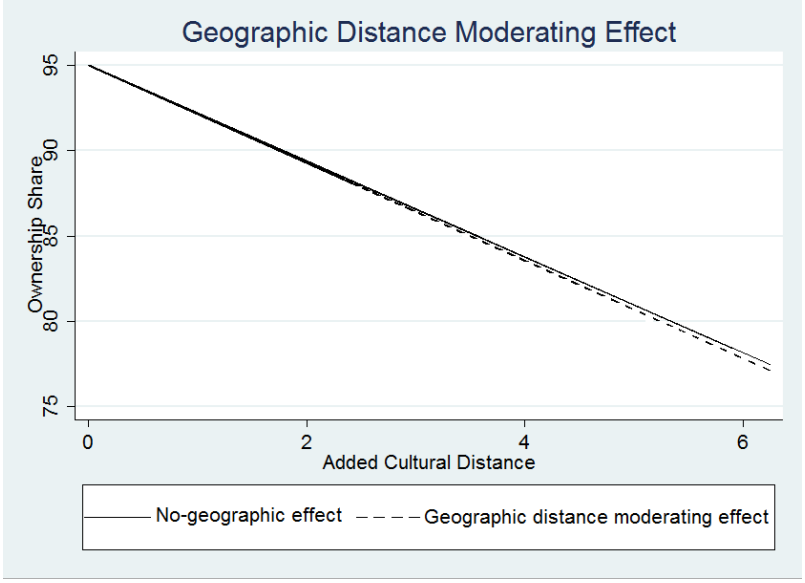

FIGURE 4 Chapter Two Moderating Effect of Geographic Distance

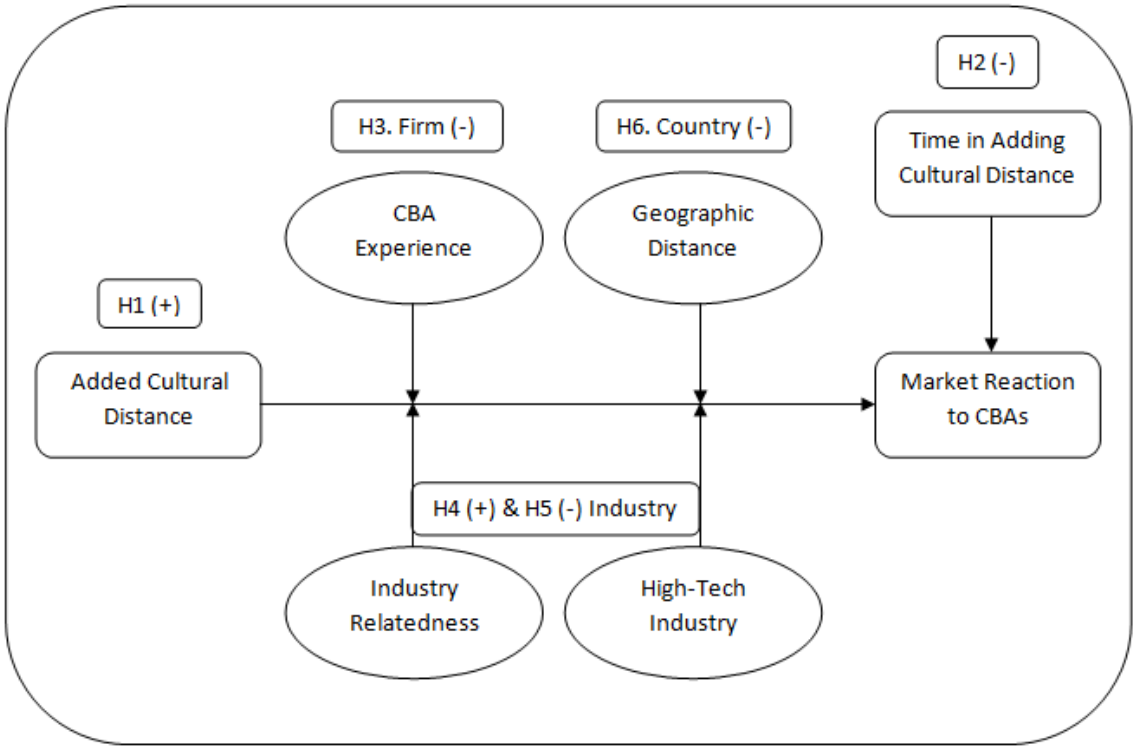

FIGURE 5 Chapter Three Conceptual Framework

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