

The Effect of Institutional Distance on Cross-border M&A Performance: The Role of ‘Play of the Game’ Experience

ABSTRACT

Our study examines the impact of institutional distance on cross-border M&A performance. Using institutional distance and organizational learning as conceptual frameworks, we examine the moderating effect of the acquiring firm’s prior cross-border M&A experience in Level 3 and Level 4 institutional environments on this relationship. These environments determine the “play of the game” directly linked to firms’ cross-border acquisition strategies. There was tentative evidence of a negative relationship between institutional distance and cross-border M&A performance, even though it was inconclusive. In contrast, we found a positive impact of the acquiring firm’s prior cross-border M&A experience in different country-levels 3 & 4 institutional environments on cross-border M&A performance. Notably, through moderating the relationship between institutional distance and cross-border M&A performance, acquiring firm learning engendered by prior cross-border M&A experiences mitigated any residual negative impacts of institutional distance.

Keywords: Institutional Distance, Cross-border M&A Performance, Levels 3 and 4 Institutions, Play of the Game, Cross-border M&A Experience, Organizational Learning

1. INTRODUCTION

Firms undertaking international merger and acquisition (M&A) activities must navigate the institutional distance between the countries to which the acquiring and the acquired firms belong (Kogut & Singh, 1988; Morosini et al., 1998; Kumar et al., 2024; AlBesher et al., 2025). The higher this institutional distance, the more formidable the impediments to the success of M&A activity that firms undertake across national borders (Morosini et al., 1998). Surprisingly, extant literature examining the relationships between institutional distance and cross-border acquisition performance has yielded equivocal results (Bauer et al., 2018a). Therefore, a more in-depth examination of this relationship is warranted to provide greater insights into the nuances surrounding this relationship.

The acquiring firm must possess two different capabilities to overcome the impediments to cross-border M&A success presented by institutional differences. First is the capacity to navigate variations in operating environments arising from the differences in institutional environments (i.e., both formal and informal) between the acquiring and the acquired firm's home countries (Brouthers & Brouthers, 2000; Slangen & Hennart, 2008). The greater and the more different these institutional environments, the more adjustments the acquiring firm has to make to navigate the differences in 'rules-of-the-game' as well as to manage the 'play of the game' (Dikova et al., 2010; Dow & Larimo, 2011). This capability to adapt is obtained through the cumulative learning developed from the firm's prior experience of making acquisitions in foreign countries, i.e., its prior exposure to different institutional environments (Chang & Rosenzweig, 2001; Collins et al., 2009; Bryant & Higgins, 2019). Second is the capability to successfully conclude acquisitions, developed based on the learning from the firm's previous M&A activities, i.e., M&A experience (Mudambi & Mudambi, 2002). Although both capabilities are essential to successfully pursue international M&A activities (i.e., that lead to positive post-acquisition performance), past studies have mostly examined the effects of level 1 and 2 institutional distances on post-acquisition success. Rarely have the effects of the

acquirer's experiences in Level 3 & 4 institutional environments on these relationships been examined. We believe this is a significant oversight since Levels 3 & 4 institutions determine the 'play of the game' and relate to the conditions under which firms implement their acquisition strategies in different country contexts outside of their home country. Levels 3 & 4 institutional environments create implementation hurdles for firms when navigating cross-border and country-specific institutional environments. We posit that the cumulative firm-specific learning engendered by prior operating experience in multiple (and different) Levels 3 & 4 (i.e., country) institutional environments significantly impacts the probability of success with future cross-border acquisitions. We examine this overlooked question in this study.

While most previous work has focused on levels 1 & 2 (rules-of-the-game) institutions, new-institutional economic theory (North, 1990; Williamson, 2000) has proposed that for many firms seeking to navigate foreign institutional environments, levels 3 & 4 institutional variables present more critical hurdles to successfully implementing acquisitions. This is because Levels 3 & 4 institutions include multiple dimensions, which are manifested in the local operating/institutional environments of the countries where the firm has made acquisitions in the recent past. Acquiring firms are challenged with overcoming these hurdles and learning as they seek to implement future acquisitions in different national contexts and institutional environments. While Levels 1 & 2 institutions determine the 'rules of the game' at a more macro (and more deterministic) level, Levels 3 & 4 institutions represent the challenges imposed by institutional voids and other similar hurdles that firms encounter when acquiring and integrating target firms across country borders. These institutional variables are very different from (and independent of) Levels 1 & 2 institutional effects and concomitant institutional variables. Our survey of extant research revealed that cross-border M&A performance studies have not paid sufficient attention to this subset of institutional variables.

Briefly recapping, our study investigates the role played by an acquiring organization's prior cross-border M&A experience in Level 3 and Level 4 institutional environments in mitigating the adverse effects of institutional distance on cross-border M&A performance. We propose that the firm's prior acquisition experience in navigating these lower-level institutional environments (in the different prior acquired firm-country environments) provides invaluable learning experiences that help the firm successfully undertake future international acquisitions. We rely on a combination of economic, institutional and organizational learning theories as theoretical frameworks. We test our conjectures using a sample of 388 completed cross-border M&A deals between 1996 and 2015. We obtained the M&A data from the SDC Platinum database, relevant data on institutional variables from the World Bank Governance Indicators database, IMD World Competitiveness Rankings, and firm-level data from LSEG.

The results indicated that the acquirer's prior cross-border experience in Level 3 and Level 4 institutional environments positively affects cross-border M&A performance, thus supporting our conjectures. Also, this learning engendered by the prior cross-border experience of the acquirer moderates the relationship between institutional distance and cross-border M&A performance in such a way that it mitigates and overcomes the adverse effects of institutional distance. Our results provide two theoretical implications. First, by unpacking institutional environments into different levels as posited by neo-economic institutional theorists (Djankov, Glaeser, La Porta, Lopez-de-Silanes, & Shleifer, 2003; Knack & Keefer, 1995; Knack & Xu, 2017; North, 1990; Williamson, 2000), we explore different facets of country institutional environments that affect both the '*rules of the game*' (which reduce uncertainty for firms) as well as (separately) the '*play of the game*', which are more critical for firms seeking to implement strategies in different country environments. A core assumption of related neo-institutional theory is that organizations adopt new forms and practices in pursuit of legitimacy (DiMaggio & Powell, 1983; Greenwood et al., 2017; Meyer & Rowan, 1977).

Thus, neo-institutional theory helps to explain how the institutional demands from external institutional actors (such as the government and regulatory agencies) could affect organizations' structures, forms, and practices in pursuit of their quest for greater legitimacy. Therefore, we can tease out the effects of crucial organizational learning (provided through prior operating experience in lower-level institutional environments) on cross-border M&A performance in the case of cross-border acquisitions. Such a finer-grained examination of prior international M&A is relevant for understanding the organizational learning that has occurred. Further, by demonstrating how this type of learning interacts with institutional distance to improve cross-border M&A performance, this study extends our understanding of the role of institutional voids (existing in different country environments) and how the acquiring firm's prior experience in navigating those voids helps to ensure future post-acquisition success. Therefore, our work theoretically also draws upon the theory that has addressed institutional voids in the context of institutional development (Carney et al., 2011; Kim, Kim, & Hoskisson, 2010; Kim & Gray, 2017). The insights gained in this research should also help managers better prepare their organizations to anticipate and overcome the challenges of cross-border M&As.

2. THEORY AND HYPOTHESES

2.1 'Play of the Game' and Level 3 & 4 Institutions

The institutional theory contends that organizations operate within institutional environments that establish the 'rules-of-the game' which guide their conduct in different country contexts. Additionally, under the neo-institutional economic theory framework (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; North, 1990; Williamson, 2000), several authors have posited that the effects of formal institutions occur at different levels, with varying effects on organizational conduct and performance. Therefore, they suggest that these levels of institutions be unbundled to truly assess the different nuanced impacts of institutions on organizational conduct (Acemoglu & Johnson, 2005, 2007; Djankov, Glaeser, La Porta, Lopez-

de-Silanes, &. Shleifer, 2003; Knack & Keefer, 1995; Knack & Xu, 2017). Neo-institutional theory also suggests that in order to gain legitimacy (along with sustaining efficiency), organizations practice decoupling where two elements of the business that expected to be in synch (e.g., policy and practice) are sometimes disconnected to or inconsistent with one another (Greenwood, et. al. 2011). Decoupling helps organizations to simultaneously deal with different demands (exercised on the organization at different institutional levels) by symbolically responding to one while actually committing to the other (op. cit.). Under the multi-tiered institutional framework proposed by the above research stream, level 1 institutions include culture, norms, and traditions, which take longer to establish and therefore become only manifested over longer periods (sometimes as much as several centuries). These level 1 institutions establish the overall social and cultural context and predicate norms of behaviours and conduct expected from organizations and individual actors. By comparison, level 2 institutions, such as property rights and regulatory frameworks that are established in the medium-term time horizon, establish the functions of the different elements of government, such as the executive branch, the legislative branch, the judiciary, and the bureaucracy. These level 2 institutions play critical roles in clarifying rules of conduct and in mitigating uncertainty for organizations engaging in business activities (i.e., they establish the ‘rules of the game’). Acemoglu & Johnson (2005) describe this level of institutions as ‘contracting’ institutions. By contrast, Level 3 and especially Level 4 institutions affect organizational activities related to strategy implementation. These activities might specifically include integrating and completing acquisitions. These lower levels of institutions establish conditions that govern the ‘play of the game’, which create conditions that strongly affect the ground games and enable acquiring firms to implement strategies at the local level (such as when pursuing overseas acquisitions). The four levels of institutions are explained in Table 1.

Insert Table 1 about here

Levels 3 & 4 institutions have been broadly described (in prior research) to include ‘strength of auditing and reporting standards’, ‘efficacy of corporate boards’, ‘completing formalities’, ‘strength of investor protections’, ‘trading across borders’, ‘access to loans’, ‘prevalence of foreign ownership’, ‘auditing & accounting practices’, ‘intensity of local competition’, ‘enforcing contracts’, ‘protecting minority investors’, ‘adaptability of government policy’, ‘transparency’, ‘attracting & retaining talent’, ensuring ‘quality of life’, ensuring ‘availability of credit’, facilitating ‘management education’, enhancing ‘worker motivation’, implementing appropriate ‘labour regulation’, unemployment legislation’, enhancing ‘finance skills’ and facilitating the ‘ease of doing business’.

Higher-level institutions take longer (sometimes centuries) to develop and manifest their effects in country contexts. However, once they are established, they influence the development and establishment of institutional levels below them. Based on prior research (Acemoglu & Johnson, 2005, 2007; Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2003; Estrin, Korosteleva, & Mickiewicz, 2013; Knack & Xu, 2017), we argue that Levels 3 & 4 institutions are critical for organizations to be able to implement operational strategies, such as being able to absorb and integrate target firms acquired abroad. Acquiring firms with prior experience in different types of Levels 3 & 4 institutional environments can better navigate the institutional voids they encounter in many other (especially emerging) economy contexts. As these lower-level institutions in a country develop over time, transaction costs for organizations tend to reduce. Likewise, as organizations develop additional capabilities through prior operations in different Level 3 and Level 4 country environments, they can draw on such capabilities to undertake M&A activities in the future. Additionally, institutional voids rampant in emerging economies become more transparent, and organizational options become apparent,

with greater acquirer experience. Based on the knowledge and expertise gained in operating previously across diverse country environments, it becomes easier for acquiring firms to implement their strategies and pursue their ground games in future cross-border acquisition forays. Because of these multiple beneficial effects, we posit that cross-border acquisition performance improves over time as organizations develop learning about lower-level (i.e., 3 & 4) institutional environments and as institutional voids are reduced. In addition to their direct beneficial effects on cross-border M&A performance, we propose a moderating effect of these lower-level (i.e., 3 & 4) institutional experiences on the relationships between institutional distance and post-acquisition performance.

2.2 The role of prior cross-border M&A experience

Past research has recognized M&A experience as a crucial organizational learning mechanism that helps firms develop new routines and capabilities to overcome problems hindering the success of M&As. Organizational learning is acquired through prior organizational experience (Penrose, 1959) that becomes available through the development of organizational routines (Argote & Miron-Spektor, 2011). Routines are “repetitive, recognizable patterns of interdependent actions carried out by multiple actors” (Feldman & Pentland, 2003, p.95). They are not static; instead, they evolve to adapt to contexts as a function of learning and retention of prior knowledge (Gavetti & Levinthal, 2000). They help to disentangle complexity, shedding light on what has to be done in certain acquisitions (“know what”), how things should be done (“know-how”), and why doing things in a certain way makes sense (“know why”) (Zollo & Winter, 2002). Moreover, routines are meant to improve how things are done as they act as inputs to developing capabilities (Winter, 2000) that contribute to sustained competitive advantages (Winter, 2003). Overall, organizational learning confers new knowledge upon the firm that enables the flexible adaptation of existing routines and capabilities to changes in the external context.

However, organizational learning theory posits that learning is path-dependent since it draws on the existing ways of doing things and, consequently, limits the range of possible choices that firms can make (Levitt & March, 1988). Putting it differently, how a firm has learned in the past affects how it will use its learning in the future. Moreover, organizational learning is specific to a firm and is socially constructed through the interactions of individuals, both within organizations (Levitt & March, 1988) and beyond organizational boundaries. These ideas further corroborate that there is no unique way of accumulating experience. Much of the prior literature has assumed (sometimes mistakenly) that firms are comparable in terms of their previous M&A experience. This assumption overlooks or underestimates the idiosyncratic learning that accrues from different sources, learning resulting from the accumulated combinations of different experiences that affect routines and capabilities in different ways, thus changing their ultimate effects on cross-border M&A performance. It is essential to disentangle and examine the impacts of the underlying experiences related to prior M&A experiences to address and overcome this oversight in the literature. Thus, our research focuses on the learning intrinsic to cross-border M&A activity (i.e., the firm's prior M&A experience in different Levels 3 & 4 country institutional environments) as a distinct and separate learning construct that affects cross-border M&A performance.

2.3 The Impact of Institutional Distance on cross-border M&A Performance

Formal institutions are the laws, rules, and regulations representing coercive power (North, 1990; Scott, 2008). In contrast, informal institutions include norms, culture, and consensually accepted standards of behaviour. These consensual norms are not legally enforced but applied subtly through expectations, norms of reciprocity, and influence. When formal institutions are not established or are unclear, informal institutions provide the frameworks that guide firm behaviours. Institutions help reduce transaction costs for firms by alleviating information asymmetries and through reducing the possibility of opportunistic behaviours by

market participants. Institutional distance is also a key driver of the Liability of Foreignness (LOF). International firms face isomorphic pressures to comply with the institutional frameworks that establish the ‘rules of the game’, in the respective host countries (North, 1990; Scott, 2008). These international entrants also face legitimacy issues and are expected to do more than domestic firms (Darnall et al., 2008) in order to gain legitimacy.

Prior empirical evidence suggests that institutional distance influences various attributes (as well as outcomes) of M&A (e.g., Du & Boateng, 2015; Lahiri et al., 2014; Zhu & Qian, 2015). An extensive stream of prior work has traced the effects of institutional distance on organizational conduct and performance (Lee et. al., 2014 ; Liou et. al., 2017, Moschieri et. al., 2014). While some studies have found a negative effect of cultural distance (a level 1 institutional variable) on cross-border M&A performance (Buono et al., 1985), others have found either a positive impact (e.g., Chakrabarti et al., 2009; Morosini et al., 1998) or even no effect at all (Du & Boateng, 2015), of this dimension.

Cross-national institutional differences increase the uncertainty and complexity surrounding international M&A activity by affecting the information and knowledge flows that firms in different countries exchange during acquisitions (Dikova et al., 2010; Lim & Lee, 2017; North, 1990). In the pre-acquisition process, the collection of value-added knowledge is paramount for the cross-national acquirer. Most importantly, acquiring firms must pay special attention to the new, unknown institutional contexts that are characterized by differences in taxation policy, accounting standards, trade (and labor) regulations, risks of expropriation, and legal traditions (Kissin and Herrera, 1990). These contextual differences create information asymmetries, increase transaction costs, and impair the acquiring firm’s ability to obtain the information necessary to effectively conduct due diligence and negotiations thus affecting the deal price (Rossi and Volpin, 2004). Bauer et al. (2018a) proposed that (even after controlling

for institutional distance), the speed of both human and functional integration (post-acquisition) affected performance.

Broadly, the evidence in the surveyed literature on the relationship between institutional distance and cross-border M&A performance is yet equivocal. This could be because the narrative has omitted consideration of lower-level (i.e., 3 & 4) institutional variables. However, based on the predominant thrust of arguments (predicated on information asymmetries, transaction costs, and resulting managerial opportunism) presented in the prior body of work (that has focused on level 1 or level 2 institutions), we argue that greater institutional distance will have a negative impact on post-acquisition performance. Therefore,

***H1:** Institutional distance is negatively related to cross-border M&A performance.*

2.4 The Effects of the Firm's Prior International M&A Experience in Levels 3 & 4 Environments on Cross-border M&A Performance

Some prior studies have found the relationship between the acquirer's prior M&A experience and post-acquisition performance relationship to be positive (Bettinazzi & Zollo, 2017; Trichterborn et al., 2016), while others have found it to be insignificant (Cho & Arthurs, 2018; Zollo & Reuer, 2010). A few others have also reported negative relationships (Haleblian & Finkelstein, 1999; Hayward, 2002), while some others have discovered either U-shaped (Finkelstein & Haleblian, 2002; Sleptsov et al., 2013) or even S-shaped relationships (Hutzschenreuter et al., 2014). It is readily apparent that the findings from previous research have been, at best, equivocal.

Positive relationships are linked to a firm's ability to leverage prior knowledge, conduct due diligence effectively, and develop procedures and routines that help overcome hurdles in the integration phase (Cuypers et al., 2017). When conflicts between the acquirer and the target are relatively less, the target identifies with the acquirer resulting in superior cross-border M&A performance (Colman & Lunnan, 2011). Undeniably, the prior M&A experience of the acquirer

is beneficial in reducing potential conflicts with the target. Negative relationships are linked to acquisition routines being difficult to transfer across acquisitions, or when acquisitions are rare events where past inferences are challenging to adopt in a timely fashion. Additionally, acquisitions are heterogeneous by nature, thus making it difficult to understand whether previous learning is relevant in a particular acquisition (Haleblian & Finkelstein, 1999; Hayward, 2002). Zollo and Reuer's (2010) findings suggest that the effects could be positive in complex acquisitions that require high levels of integration. Others, like Bauer et al. (2018b), note that the speed of integration after an acquisition affects performance. Additionally, they note that labor market flexibility and efficiency moderate the relationships between the rate of integration and performance. Finally, many studies use acquisition experience as a control variable in their research models, failing to provide any compelling argument to explain how that experience influences post-merger performance (Bettinazzi & Zollo, 2017; Cho & Arthurs, 2018; Sleptsov et al., 2013; Trichterborn et al., 2016).

Barkema and Schijven (2008) suggested that to elucidate the effects of organizational learning, it is essential to be sufficiently specific in analysing the types of prior experience that the acquiring organization has undergone. For this reason, we specifically examine the impact of the past five years of international M&A experience of the acquirer, as captured by the dispersions in Level 3 & 4 institutional environments prevalent in those specific countries where acquisitions were conducted, on cross-border M&A performance. The learning accumulated from this experience helped the acquiring firms to develop better implementation programs when undertaking future M&A. Therefore,

***H2a:** The acquiring firm's prior M&A experience in different Level 3 institutional environments positively impacts cross-border M&A performance.*

***H2b:** The acquiring firm's prior M&A experience in different Level 4 institutional environments positively impacts cross-border M&A performance.*

2.5 The Learning Effects of Prior Cross-border M&A Experience: How do these play a Moderating Role?

A firm's routines and capabilities change through organizational learning, depending on the context in which it is embedded. It is, therefore, vital to understand whether the firm's prior cross-border M&A experiences gained through navigating different country-level institutional environments are useful in other different institutional contexts and whether this experience moderates the relationship between institutional distance and cross-border M&A performance. At the outset, we proposed that firms with prior cross-border M&A experiences benefited from an ongoing adaptation of routines and competencies in order to adapt to different country contexts that helped to overcome problems, especially those associated with navigating different Level 3 & Level 4 institutional environments. Such prior experience helped the firm to bridge institutional voids and mitigate the overall adverse effects of institutional distance on cross-border M&A performance.

Firms that have gained cross-border M&A experience would also have gone down the learning curve in terms of understanding and adapting to the requirements of different cross-national Level 3 & Level 4 institutional conditions that define the 'play of the game'. Consequently, the resources such firms would need to expend to adapt to the new 'play of the game' conditions prevailing in the target firms' countries would be proportionately less (in future acquisitions). These firms would be able to undertake cross-border acquisitions with greater expertise, more quickly and successfully. Therefore, the competencies and knowledge these firms have developed from prior cross-border M&A experiences across different Level 3 & Level 4 institutional environments would moderate the negative relationships between institutional distance and post-acquisition performance. Therefore, we propose,

H3a: *The acquiring firm's prior M&A experience in different Level 3 institutional environments positively moderates the relationship between institutional distance and cross-border M&A performance in such a way that it mitigates the negative impact of institutional distances.*

H3b: *The acquiring firm's prior M&A experience in different Level 4 institutional environments positively moderates the relationship between institutional distance and cross-*

border M&A performance in such a way that it mitigates the negative impact of institutional distances.

We present these proposed relationships in our conceptual framework, as shown in Figure 1.

Insert Figure 1 about here

3. RESEARCH METHODS

3.1 Sample

Our initial sample included all completed deals sourced from the Securities Data Company (SDC) Platinum database, which M&A researchers have extensively used (e.g., Cuypers et al., 2015; Haleblan & Finkelstein, 1999; Hayward, 2002). We included all deals that were completed between 1996 and 2015. The acquirer should have acquired at least 51% of the target entity to enable a change of control, to be included in our sample. We included all the deals involving targets located overseas, where the acquiring and the acquired firms were public firms, resulting in 12,791 deals. We further sourced data from sources such as World Bank Data (on institutional variables) and merged them with firm-level data from the LSEG database. These variables were included in our model either as independent or control variables. We also used data from the IMD World Competitiveness Rankings Data to tap Level 3 and Level 4 institutions in the different countries. We finally arrived at a net sample size of 388 completed deals.

3.2 Models: The determinants of cross-border M&A performance

Our dependent variable was cross-border M&A performance. To normalize the distribution of their values, we used the logarithmic transformation of some included variables, such as deal value and total assets. The final regression model is presented below:

Cross – border M&A Performance

$$\begin{aligned} &= a_i + \beta_1 (\text{Ln Deal Value}) + \beta_2 (\text{Firm Size}) \\ &+ \beta_3 (\text{Method of Payment (Cash)}) + \beta_4 (\text{Profitability (ROE)}) \\ &+ \beta_5 (\text{Institutional Distance}) + \beta_6 (\text{Employees Ratio}) \\ &+ \beta_7 (\text{Relatedness}) + \beta_8 (\text{Liquidity (CR)}) + \beta_9 (\text{Number of Bidders}) \\ &+ \beta_{10} (\text{Method of Payment (Stock)}) + \beta_{11} (\text{Capital Intensity}) \\ &+ \beta_{12} (\text{Level 3 Institutional Environment}) \\ &+ \beta_{13} (\text{Level 3 Institutional Environment} \times \text{Institutional Distance}) \\ &+ \beta_{14} (\text{Level 4 Institutional Environment}) \\ &+ \beta_{15} (\text{Level 4 Institutional Environment} \times \text{Institutional Distance}) \end{aligned}$$

3.3 Measures

3.3.1 Dependent variable. Performance has been operationalized using market-based measures such as cumulative abnormal returns (CAR) and Tobin's Q ratio, as well as accounting measures including ROA and ROE (Bilgili et al., 2017; Das & Kapil, 2012; Zollo & Meier, 2008). When acquirers are from different countries, accounting measures are not very comparable due to inconsistent accounting practices across countries, arising from different GAAP standards. Accounting data are also susceptible to managerial machinations. Market-based measures are advantageous because of the greater transparency and efficiency associated with stock markets (Carlson, 1997; Huang et al., 2017). The success of an acquisition largely depends upon the ability of the acquirer and target to generate unique private synergies that result in enhancements to shareholder value. The shareholder value generated by a firm is better reflected in its market-based performance measures. Tobin's Q ratio would be a more appropriate market-based measure of cross-border M&A performance than CAR (which is more suitable for performance at the time of the announcement), especially in studies that are

not focused exclusively on the banking sector (Haleblian et al., 2006). The ability of a firm to create value and the level of its strategic performance is reflected in the firm's Tobin's Q ratio (Chakravarthy, 1986). Due to these reasons, we used Tobin's Q ratio to measure post-acquisition performance (e.g., Huang et al., 2017; Shi et al., 2012). Our measure of Tobin's Q is the sum of the book value of assets plus the market value of common stock minus the book value of common stock divided by the book value of total assets of the acquiring firm; we calculated this ratio for acquisitions in our sample, three years after a given acquisition (Ozkan, 2012).

3.3.2 Independent Variables. We used the administrative distance between the acquirer's home country and the target's host country as one of the independent variables (i.e., a measure of level 2 institutional distance) and computed it using the World Bank Governance Indicators (WGI) dataset (Kaufmann et al., 2010). Following the procedure adopted by other researchers (e.g., Campbell et al., 2012; Choi and Contractor, 2016; Reimann et al., 2015), we used the formula suggested by Kogut and Singh (1988) to compute this variable. Accordingly, we formed a composite index based on the deviation along each of the six, level 2 institutional dimensions measured (i.e., voice & accountability, government effectiveness, political stability, regulatory quality, the rule of law, and control of corruption), between the home country to which the acquirers belonged, and the values of the corresponding dimensions in the host countries to which the targets belonged. We corrected for differences in the variances of each dimension and then arithmetically averaged them. The main variables used in the study are shown in Table 2.

Insert Table 2 about here

We used the following formula for computing institutional distance (based on levels 1 & 2 institutional distances:

$$ID_{ju} = \sum_{t=1}^6 \{(I_{ij} - I_{iu})^2 / V_i\} / 6$$

where, I_{ij} stood for the WGI along the i^{th} dimension and j^{th} country (of the acquirer), u stood for the country of the target, V_i was the variance of the WGI for the i^{th} dimension, and ID_{ju} was the institutional distance of the j^{th} acquirer's country from the u^{th} target's country.

We also created acquirer-specific indices. These indices comprised Levels 3 & 4 institutional environmental variables identified from the literature. We created two separate indices: Acquirer Experience – Level 3 and Acquirer Experience – Level 4. We measured Level 3 Institutional Environment using the following variables: Management Education, Competition Legislation and Transparency. Level 4 Institutional Environment was measured using the following variables: Attracting and Retailing Talent, Labour Regulations, Availability of Credit, and Worker Motivation. For each acquiring company, the data extracted from these completed surveys, reports, or databases reported on each appropriate variable that was identified for inclusion in our dataset. We gathered this data on multiple variables tied to Level 3 and Level 4 institutions, as shown in Table 1. Further, we conducted a survey involving seven (7) academic experts to ascertain the validity of these measured variables for each category. Some of the variables were rejected, while others were accepted. After completing this process, we conducted a factor analysis and utilized the factor loadings to establish the final number of variables to be incorporated for both Level 3 and Level 4 institutions. These factor components comprising the index were used as our two measures of Level 3 and Level 4 institutional environments. In order to allow for consistency in measuring the variables for Level 3 and Level 4 environments, we standardized the country-level data to create the indices for each acquiring firm. We converted each variable into percentile scores, where 100% was the best achievable score in terms of the level of the index. For example, for Level 3, the variables Management Education, Competition Legislation, and Transparency were all converted to percentile scores. All the constituent variables were equally weighted in the Principal Component analyses,

following the procedure explained in Appadu et al. (2016). We used the same approach to create the Level 4 Index. These two separate indices measured the acquiring firm's characteristic ability to successfully undertake overseas business investments in the form of cross-border M&A activity. These Level 3 and Level 4 'play of the game' institutional variables were used as surrogates (i.e., reflective measures) for the complexity and challenges faced by the acquiring firm in its cross-border acquisitions that had occurred over the previous years; they also measured the acquiring firm's consequent accumulated learning (i.e., the greater the challenges, the greater the learning). The details of the variables used to construct both the indices, Acquirer Experience – Level 3 and Acquirer Experience – Level 4, and their sources are provided in Table 3. These indicators were sourced from the IMD World Competitiveness Rankings data.

Insert Table 3 about here

The firm-level indices were computed for each acquiring company based on the countries where they had made acquisitions during each of the five years before the announcement of the deal. Therefore, Acquirer Experience – Level 3 and Acquirer Experience – Level 4 measured the Level 3 and 4 institutional environments the company had been exposed to, its consequential learning and knowledge gained from each prior acquisition. The regression models used these indices as independent and moderating variables to test hypotheses 2a, 2b, 3a, and 3b.

3.3.3 Control variables. We controlled for multiple other variables that have been described in prior research. These variables were measured as follows. The deal value was measured as the logarithm of the transaction value, and the firm size as the logarithm of the total assets. We controlled for the method of payment with a dummy variable, coded '1' if the deal was a cash deal and '0' otherwise. We controlled for the return on equity of the acquirer one year before the year of the deal. We measured the employee ratio as the ratio of the number

of employees in the acquiring firm to the number of employees in the acquired firm to consider the relative sizes of the acquirer compared to the target. We measured liquidity as the ratio of current assets to current liabilities of the acquirer, one year before the year of the announcement of the deal. If both the acquirer and the target were active in the same 2-digit SIC code, we considered them related firms and used a dummy variable with a value ‘1’ and ‘0’ otherwise. We also controlled for the number of bidders of the target firm at the time of the deal. We used another dummy variable with a value ‘1’ if the entire transaction was carried out using stock and ‘0’ otherwise. Finally, we also controlled for the capital intensity of the acquirer. We measured capital intensity as the ratio of capital expenditures to the total sales of the acquirer in the year preceding the deal. As indicated earlier, table 2 provided the definitions and sources of all these variables employed in the study. Table 4 below presents the descriptive statistics, including the mean, standard deviations, minimum, and maximum values, along with the number of observations for each variable in the model.

Insert Table 4 about here

4. RESULTS

The acquirers were (on average) considerably bigger (about 37 times) than the acquired firms. Each deal attracted 1.08 bidders on average.

The correlation matrix among all the variables employed in the study is shown in Table 5.

Insert Table 5 about here

Cross-border M&A performance was positively related to the acquiring firm’s method of payment (i.e., especially when the acquisition was financed through cash), profitability (i.e.,

ROE), employee ratio, the number of bidders as well as the relatedness between the product-markets of the acquiring and the acquired firms. All these observed relationships are theoretically and intuitively plausible, thus providing nomological validity to the constructs and measures employed in the study. Additionally, post-acquisition performance was negatively related to firm size and method of payment (if the acquisition was financed through stock). All of the above results relating to the control variables in our study also have plausible explanations.

The results from the regressions testing hypotheses 1 through 3 are shown in Table 6. We assessed the variance inflation factors (VIF) of each regression model and found that the VIFs were less than 5 for all six models. Hence, multicollinearity does not appear to be affecting the results.

Insert Table 6 about here

The model consisting of the control variables and the two independent variables, the institutional distance, is represented by model 1. *Acquirer Experience Level 3* and *Acquirer Experience Level 4* were introduced in models 2 and 3, respectively. The interaction terms *Acquirer Experience in Level 3 X Institutional Distance* and *Acquirer Experience in Level 4 X Institutional Distance* were introduced in models 4 and 5 respectively. The final complete regression is represented by model 6. Among the control variables, acquiring firm performance, employee ratio, and the relatedness of the acquiring and acquired firm's product markets were positively related to Cross-border M&A performance. Acquirer size (surprisingly) and method of payment (stock) were negatively related to cross-border M&A performance. Barring one exception (i.e., acquirer size), all of the above relationships are theoretically consistent. Even though the institutional distance was negatively associated with cross-border M&A performance, the regression coefficient was not significant, indicating a lack of strong support

for H1. This is in line with the previous history of equivocal results observed in this relationship. However, *Acquirer Experience in Level 3* and *Acquirer Experience in Level 4* were positively related to post M&A performance. This result supported our arguments (in H2a and H2b) that the learning accumulated by a firm when encountering different Level 3 and 4 institutional environments in its prior cross-border acquisitions has consequent positive effects on future cross-border M&A performance. The above results provided strong support for our two hypotheses (2a and 2b). Likewise, since the interaction terms presented in models 4, 5, and 6 were also significant, H3a and H3b, which proposed moderating effects, were also supported. The consistent pattern of results provided nomological certitude to our findings.

5. DISCUSSION AND CONCLUSIONS

Cross-border M&A activity is fraught with information asymmetry, the liabilities of foreignness (LOF), and adverse selection effects (some of which can also occur with domestic acquisitions). Acquisitions across borders are also highly resource-intensive, requiring extensive capabilities and effort from the acquiring firm to overcome these significant hurdles. The institutional distance between the acquiring and the target firm's home countries appeared to have a negative but a non-significant impact on cross-border M&A performance. This result casts a modicum of doubt on the critical roles that institutions and their differences across country contexts have been proposed to play in regulating prominent strategic behaviors of firms undertaking international M&A activities.

The prior learning gained from the cumulative experience of the acquirer across different Level 3 and 4 country institutional contexts positively impacted cross-border M&A performance. Our study covered a longer and more recent time frame than similar studies (e.g., Dikova & Sahib, 2013) and used novel and theoretically supportable measures. Hence, our results provide additional confirmation and greater clarity regarding the relationships examined and the findings reported, than in earlier studies. This contribution is especially significant

given the equivocal nature of the previous results that have examined these relationships in a slew of prior studies.

It has been argued that country specificity is an essential consideration in providing learning-based advantages (Barkema & Schijven, 2008; Nguyen et al., 2024). *Acquirer Experience in Level 3 Environments* and *Acquirer Experience in Level 4 Environments* tapped the country-specificity of previous M&A experience. Conceivably, when these conditions are present and operationalized, prior organizational experiences are more efficiently absorbed and integrated as learning by prospective acquirers.

6. MANAGERIAL RELEVANCE

Overall, the results suggest that firms should carefully consider the differences in institutional frameworks between their home country and the country of a potential target firm. Also, they need to assess the suitability of their prior country-specific experiences with acquisitions before embarking on cross-border M&A activity. At an aggregate level, gaps in institutional frameworks might pertain to differences in legal systems, the degrees of disparity between democracy scores (caused by elements such as competitiveness, political and civil liberties, freedom of organization, and freedom of expression), governance efficiencies, perceived corruption and the risks associated with the specific country being entered into. While prior research has focused on the more traditional level 2 institutional variables, the acquiring firm must also pay special attention to the Levels 3 and 4 institutional contextual differences in areas such as taxes, accounting standards, unemployment legislation, labour regulations, transparency, availability of credit and quality of life, all of which are critical to making cross-border acquisitions successful. As our results indicate, navigating institutional distances between the acquirer's and the target's home countries might present an onerous and tiered set of challenges (posed by the different institutional levels), when cross-border M&A activities are being undertaken. These challenges necessitate more than generalized cross-border M&A

experience and international exposure on the part of the acquiring firm. Indeed, the firm must have undertaken mergers and acquisitions to be assured of success in undertaking cross-border M&A in the future. Nonetheless, it appears that the firm's prior cross-border experiences in Levels 3 and 4 country environments provide an influential set of competencies for successfully completing such activities in the future.

7. LIMITATIONS AND FUTURE RESEARCH

This study examined the direct effects of institutional distance and the acquirer's prior cross-border M&A experiences across different Levels 3 and 4 institutional contexts on cross-border M&A performance. Such complex cross-border activities create scenarios fraught with information asymmetries, adverse selection, and the likelihood of opportunistic behaviors that can significantly affect cross-border M&A performance. We utilized country-specific, Level 3, and Level 4 institutional measures to capture the acquirer's prior cross-border M&A experience and accumulated learning. *Acquirer Experience in Level 3 Environments* and *Acquirer Experience in Level 4 Environments* capture a novel, more nuanced, and country-specific representation of this construct than has been utilized in prior studies. Earlier work has suggested that the firm's previous experience has to be specific to the country or cultural/institutional context to translate it into tangible performance outcomes (Barkema & Vermeulen, 1997). We provide concrete and tangible evidence of this proposition.

Future research could also employ more industry-specific capabilities and firm-specific competencies critical for success in the specific industries where the M&A activity is taking place. Besides, if the acquiring firm had prior partner-specific dealings/experience with the target firm, that experience should also be considered (and given more weight) since earlier work has identified the relevance of such factors (Porrini, 2004; Zollo et al., 2002). Our focus was primarily on the firm and country-level variables that could affect M&A activity. We did not build in the industry/country-specific experiences of individual managers and the top

management teams of the acquiring companies, along with the roles that these experiences and skill sets (i.e., human capital) might play in altering/enhancing the chances of acquisition success. That could also be an area for future research.

We employed a market-based measure of cross-border M&A performance as our dependent performance variable. Other researchers have examined various alternative outcome variables (Cording, Christmann, & Weigelt, 2010), such as abnormal returns, accounting measures (ROA), or managerial perceptions of success. While no single measure can capture all the dimensions of performance outcomes, the choice of outcome variables is contingent on the research questions that a study seeks to address. Nevertheless, we see opportunities for future research to examine our research question using some alternative performance measures discussed above.

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Table 1: Four Levels of Institutions

Level of Institution	Definition	Variables used for Operationalization	Supporting Literature	Data sources
Level 1	Informal institutions such as traditions, social norms, customs; Deep rooted, slow-changing, very long-term horizons, and exogenous; This level sets the context for the emergence of lower-level institutions	National culture dimensions: Power Distance Index, Individualism Versus Collectivism, Masculinity Versus Femininity, Uncertainty Avoidance Index, Long-Versus Short-Term Orientation, Indulgence Versus Restraint.	Alesina & Giuliano (2015); Ashraf, Zheng, & Arshad (2016); Bae, Chang & Kang (2012); Estrin, Korosteleva & Mickiewicz, (2013); Guiso, Sapienza & Zingales (2006); Hofstede (1980/1984); North (1991); Williamson (2000); Tung & Verbeke (2010)	GLOBE Culture Dimensions; Hofstede's Cultural Dimensions;
Level 2	Formal institutions that establish regulatory frameworks, property, and legal rights, judiciary, etc. Long-term horizons; Establish the 'rule-of-the-game' and reduce transaction costs for companies; Protect investors against arbitrary expropriation; Help enforce contracts; Could be endogenous (or exogenous based on context)	Index of legal formalism; Regulatory quality; Protection against expropriation by the government; Constraints on the executive; Limitations to the power of political and economic elites; Property rights; Rule of Law; Voice accountability; Government effectiveness; Political stability; Control of corruption	Acemoglu & Johnson (2005); Beck, Demircug-Kunt, & Levine (2003); Knack & Keefer (1995); La Porta, Lopez-de-Silanes, Shleifer & Vishny (1998); Rajan & Zingales (1998); North (1991); Zhu, Ma, Sauerwald & Peng (2019); Williamson (2000)	World Bank (2004): Political Risk Services; Polity IV data; ICRG; BERI; World Governance Indicators; Heritage Index of Economic Freedom
Level 3	Institutions relating to governance structures in a country and those governing business contractual relationships (endogenous); Medium-term horizon	Governance structures for transactions; Provision of finance; Development of supply and distribution networks; # of distinct steps involved in resolving court cases; Contracting institutions; Strength of Investor	Alchian & Demsetz (1973); Carruthers & Ariovich (2004); Chari, Ouimet & Tesar (2010); Claessens, & Laeven (2003); Hart & Moore (1990); Johnson, McMillan & Woodruff (2000); Knack & Keefer (1995); Knack & Xu (2017); Lozano, Martinez & Pindado (2016); Zhu & Qian	Economic Freedom of the World Annual Report (2009); World Bank's index of investor protection ('Doing Business' database); Heritage

		Protections; Institutional Environment; Management Education; Unemployment Legislation; Transparency; Attracting and Retailing Talent; Labour Regulations; Availability of Credit; Competition Legislation.	(2015); Dau, Moore & Kostova (2020; Banalieva, Cuervo-Cazurra, & Sarathy (2018)	Foundation; OECD (2003); Polity IV; IMD World Competitiveness Rankings
Level 4	Rules related to resource allocation (capital flow controls, trade flows, social security systems); Endogenous; Short-term horizon	Access to Loans; Bureaucratic costs; Taxation structure; CPIA legal quality; Ease of Doing Business; Prevalence of Foreign Ownership; Protection of Minority investors; Contracting Procedures; Strength of Auditing and Accounting Practices; Efficacy of Corporate Boards; Ease of Completing Formalities; Trading Across Borders; Quality of Life; Intensity of Local Competition; Enforcement of Contracts; Protecting Minority Investors; Finance Skills; Quality of Life; Attracting and retaining talents; Labour regulation; Availability of credit; Worker motivation.	Acemoglu & Johnson (2005); Atieno (2001); Beck & Demirguc-Kunt (2006); Demirguc-Kunt & Levine (1996); Estrin, Mickiewicz & Stephan (2013) Estrin, Korosteleva, & Mickiewicz (2013); Fogel, Hawk, Morck & Yeund (2006); Johnson (1994); Knack & Xu (2017); Gompers & Lerner (1999); Cuervo-Carruza & Dau (2009); Cuervo-Cazurra, Gaur & Singh (2019); Pinto, Ferreira, Falaster, Fleury & Fleury (2017); Putzhammer, Slangen, Puck & Lindner (2020); Chittoor, Sarkar, Ray & Aulakh (2009)	World Bank Economic Surveys data; Doing Business data; Heritage Foundation data; World Economic Freedom; IMD World Competitiveness Rankings

Table 2. Variable definitions

Variable	Definition	Sources
Cross-border M&A Performance	Tobin Q's Ratio = The sum of the book value of assets plus the market value of common stock minus book value of common stock divided by book value of total assets. This was calculated three years after the focal acquisition.	DataStream
Deal Value	Log of Transaction Value of the deal in US Dollars	SDC Platinum
Firm Size	The logarithm of Total assets (\$m)	DataStream
Method of Payment	Method of payment with dummy variables coded, '1' if an all-cash offer was made and '0' otherwise	SDC Platinum
ROE	Return on equity of the acquirer one year before the year of the deal	DataStream
Institutional Distance	A composite index based on the deviation along each of the six WGI dimensions (i.e., Voice Accountability, government effectiveness, Political Stability, Regulatory Quality, Rule of Law and Control of Corruption) of the countries to which the acquirers belong to from the values of the corresponding dimensions of the countries to which targets belonged to. The deviations for differences in the variances of each dimension were computed and arithmetically averaged. Institutional Distance was computed using the following formula: $ID_{ju} = \sum_{i=1}^6 \{(I_{ij} - I_{iu})^2 / V_i\} / 6$ Where I_{ij} stood for the WGI for the i^{th} dimension and j^{th} country (of the acquirer), u stood for the country of the target firm, V_i was the variance of the WGI for the i^{th} dimension, and ID_{ju} was Institutional distance of the j^{th} acquirer country from the u^{th} target country	World Bank Governance Indicators
Employee ratio	The relative size of the parties calculated as the ratio of the acquirer's number of employees to the target's number of employees	DataStream
Liquidity	Current Assets to current liabilities one year preceding the year of the deal	DataStream
Relatedness	Relatedness between acquirer and target with a dummy equalling 1 when both parties were active in the same 2-digit SIC code, and 0 otherwise.	SDC Platinum
Number of Bidders	The number of bidders of the target bid at the time of the deal	SDC Platinum
Stock	Method of payment with dummy variables coded, '1' if an all-stock offer was made and '0' otherwise	SDC Platinum
Capital Intensity	The ratio of Capital Expenditures to Total Assets of the acquirer one year prior to the deal	Datastream

Table 3. Description of Level 3 and 4 Environment Variables used in the study from IMD World Competitiveness Ranking

Level of the Environment and Index name	Names of the Variables Included	Description
Acquirer Experience in Level 3 Environments	Management Education	Management education meets the needs of the business community
	Competition Legislation	Competition legislation is efficient in preventing unfair competition
	Transparency	Transparency of government policy is satisfactory
Acquirer Experience in Level 4 Environments	Attracting and retaining talents	Attracting and retaining talents is a priority in companies
	Labour regulation	Labor regulations (hiring/firing practices, minimum wages, etc.) do not hinder business activities
	Credit	Credit is easily available for business
	Worker Motivation	Worker motivation in companies is high

Table 4. Descriptive statistics

Variable	# of Observa tions	Average	Std. Dev.	Min	Max
Tobin's Q	388	1.592	1.854	0.280	42.671
Deal Value (LN)	388	5.552	2.009	-3.080	12.223
Firm Size (Total Assets) (LN)	388	15.653	2.820	6.072	24.934
Method of Payment (Cash)	388	0.538	0.498	0	1
Profitability (ROE)	388	14.343	20.755	-80	80
Institutional Distance	388	1.868	1.792	0.010	5
Employee Ratio	388	36.684	72.717	0	300
Relatedness	388	0.627	0.483	0	1
Liquidity (CR)	388	1.958	1.207	0.01	5
Number of Bidders	388	1.082	0.301	1	3
Method of Payment (Stock)	388	0.1437	0.351	0	1
Capital Intensity	388	0.28	0.31	0	55.39
Acquirer Experience in Level 3	388	0.439	0.164	0.01	0.97
Acquirer Experience in Level 4	388	0.589	0.237	0.02	0.92

1. Level 3 Institutional Environment: Management Education, Competition Legislation and Transparency
2. Level 4 Institutional Environment: Attracting and Retailing Talent, Labour Regulations, Credit and Worker Motivation

Table 5. Correlation Matrix

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Tobin's Q	1.000													
2. Deal value	-0.025	1.000												
3. Firm Size (TA)	-0.088***	0.406***	1.000											
4. Method of Payment (Cash)	0.103***	-0.078***	0.090***	1.000										
5. Profitability (ROE)	0.107***	0.151***	0.185***	0.125***	1.000									
6. Institutional Distance	-0.034	-0.109**	0.213***	-0.071**	0.083*	1.000								
7. Employee Ratio	0.064**	-0.082**	0.303***	0.101***	0.094***	0.032	1.000							
8. Relatedness	0.024***	0.133***	-0.007	-0.100***	-0.028	-0.031	-0.124***	1.000						
9. Liquidity (CR)	0.015	-0.162***	-0.269***	-0.045	-0.145***	-0.044	-0.159***	0.099***	1.000					
10. Number of Bidders	0.018*	0.087***	0.031	0.034	0.100***	-0.026	-0.052*	0.050*	0.011	1.000				
11. Method of Payment (Stock)	-0.031***	0.013	-0.221***	-0.442***	-0.196***	-0.052**	-0.114***	0.103***	0.141***	-0.079***	1.000			
12. Capital Intensity	0.013	-0.023	-0.027	-0.026	0.048*	0.043	0.015	0.037	0.019	0.007	0.007	1.000		
13. Acquirer Experience in Level 3	0.073	-0.0602***	-0.118***	-0.0131	-0.0152*	-0.091*	-0.013***	-0.027**	0.082***	-0.014*	0.171***	-0.078*	1.000	
14. Acquirer Experience in Level 4	0.069**	-0.081***	-0.026***	0.0139**	-0.161***	-0.081	-0.031***	0.0047	0.188***	0.067	0.046***	-0.081	-0.097***	1.000

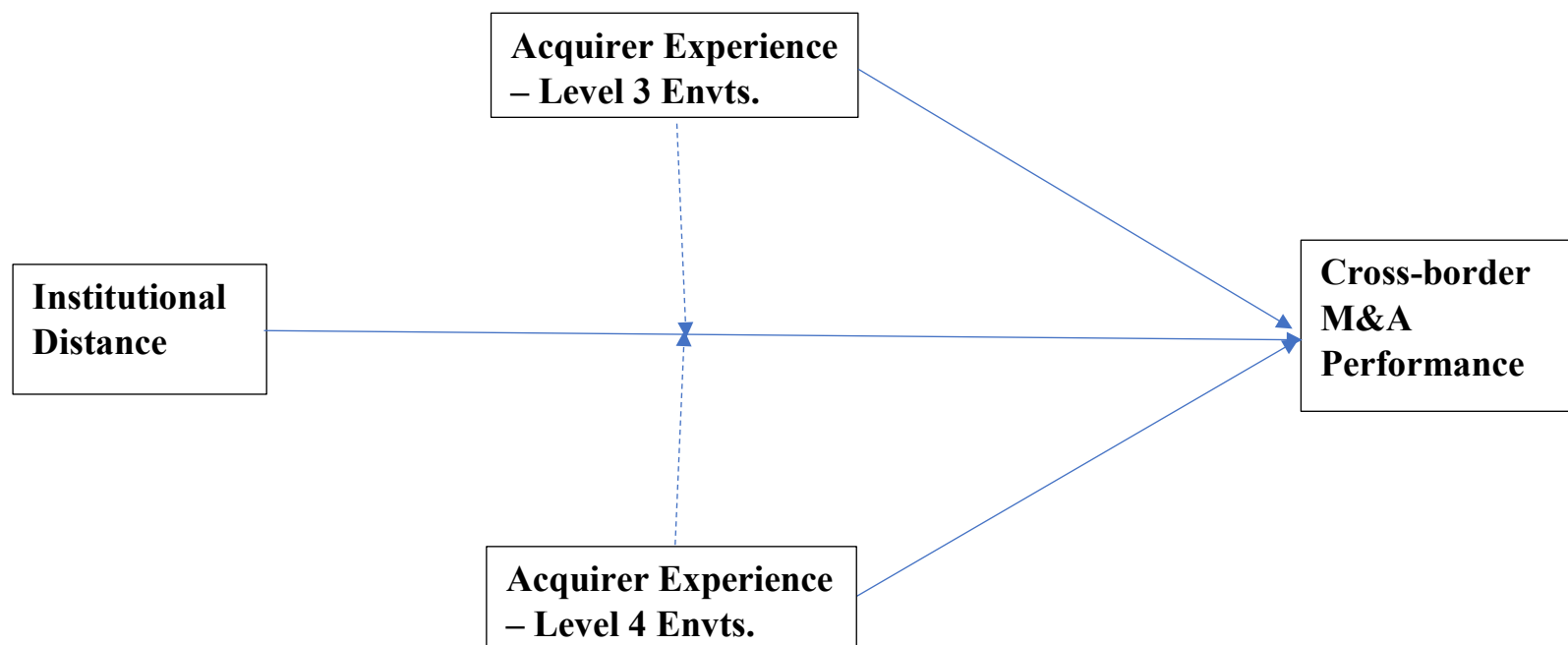
Note: *** p<0.01, ** p<0.05, * p<0.1

Table 6. Regression Analysis

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q
Deal Value	0.0231 (0.457)	-0.0170 (-0.791)	-0.0185 (-0.883)	-0.0183 (-0.860)	-0.0154 (-0.718)	-0.0165 (-0.711)
Firm Size (TA)	-0.107*** (-2.605)	-0.0358** (-2.106)	-0.0355** (-2.172)	-0.0357** (-2.125)	-0.0399** (-2.354)	-0.0387** (-2.562)
Method of Payment (Cash)	-0.214 (-1.135)	0.102 (1.189)	0.109 (1.298)	0.109 (1.297)	0.111 (1.301)	0.111 (1.228)
Profitability (ROE)	0.0142*** (3.321)	0.00693*** (3.571)	0.00805*** (4.169)	0.00805*** (4.156)	0.00781*** (4.024)	0.00778** (2.567)
Institutional Distance	-0.0979 (-0.372)	-0.0134 (-0.635)	-0.0461 (-0.415)	-0.0414 (-0.285)	-0.0614 (-1.372)	-0.0257 (-0.181)
Employee Ratio	0.000843 (0.685)	0.00120** (2.188)	0.00108** (2.022)	0.00109** (1.994)	0.00112** (2.058)	0.00109** (2.172)
Relatedness	0.0884*** (3.309)	0.274*** (3.498)	0.260*** (3.376)	0.260*** (3.371)	0.265*** (3.388)	0.271*** (3.733)
Liquidity (CR)	-0.0242 (0.322)	-0.0198 (-0.609)	-0.0228 (-0.715)	-0.0229 (-0.715)	-0.0276 (-0.848)	-0.0258 (-0.713)
Number of Bidders	0.0237 (0.192)	0.0214 (0.196)	0.0137 (0.127)	0.0137 (0.127)	0.0179 (0.164)	0.0152 (0.125)
Method of Payment (Stock)	-0.555* (-1.856)	-0.340** (-2.324)	-0.355** (-2.458)	-0.355** (-2.455)	-0.375** (-2.558)	-0.377*** (-3.180)
Capital Intensity	1.11e-07 (0.0260)	3.56e-07 (0.252)	3.70e-07 (0.266)	3.72e-07 (0.267)	3.62e-07 (0.260)	2.78e-07 (0.869)
Acquirer Experience in Level 3 Envts.		0.192* (1.684)	0.361* (1.651)	0.358 (1.669)	0.372* (1.680)	0.500* (1.676)
Acquirer Experience in Level 4 Envts.			1.034*** (3.750)	1.038*** (3.649)	0.936*** (3.082)	0.957*** (2.645)
Acquirer Experience in Level 3 Envts.. X Institutional Distance				0.0709* (1.649)		0.0858* (1.688)
Acquirer Experience in Level 4 Envts. X Institutional Distance					0.116* (1.865)	0.106** (2.354)
Constant	3.149*** (4.534)	1.782*** (5.712)	0.954** (2.460)	0.955** (2.452)	1.088*** (2.779)	0.976** (2.548)
Observations	388	388	388	388	388	388
R-squared	0.131***	0.142***	0.152***	0.156***	0.162***	0.162***
VIF	1.53	1.53	1.54	1.55	1.59	1.59
Delta R-Squared		0.011	0.010	0.004	0.006	0.001
		Compared to Eqn1	Compared to Eqn2	Compared to Eqn3	Compared to Eqn4	Compared to Eqn5

Note: t-statistics in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Figure 1: Moderating effect of the acquiring firm's prior cross-border M&A experience in different Levels 3 & 4 institutional environments (Envts) on the relationship between institutional distance and cross-border M&A performance



Acquirer Experience – Level 3 Envts – *Acquirer's Prior Acquisition Experience in Level 3 Environments*

Acquirer Experience – Level 4 Envts - *Acquirer's Prior Acquisition Experience in Level 4 Environments*

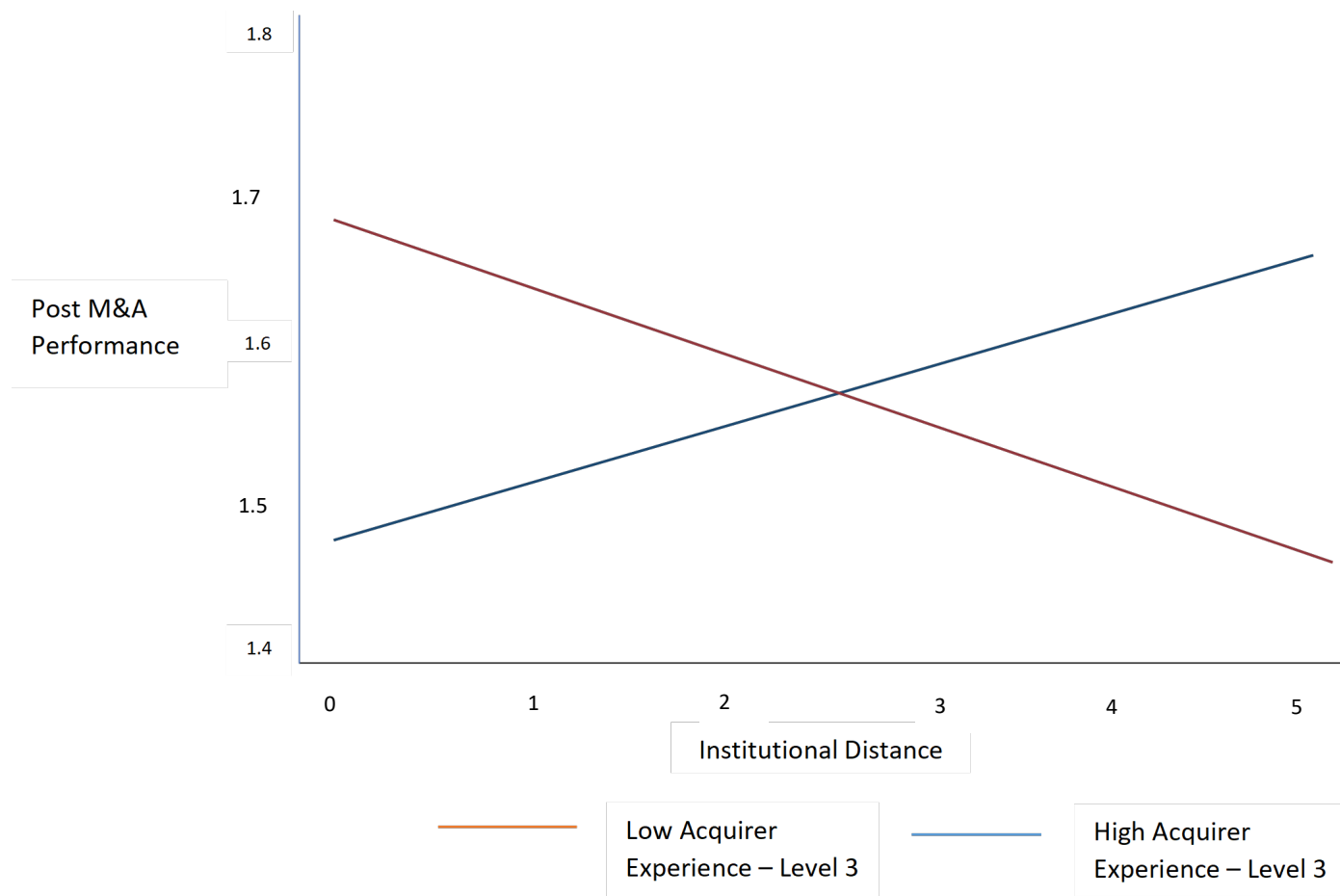


Figure 2: Moderating Effect of Acquirer Experience – Level 3 Envt e on the Relationships between Institutional Distance and Cross-border M&A Performance

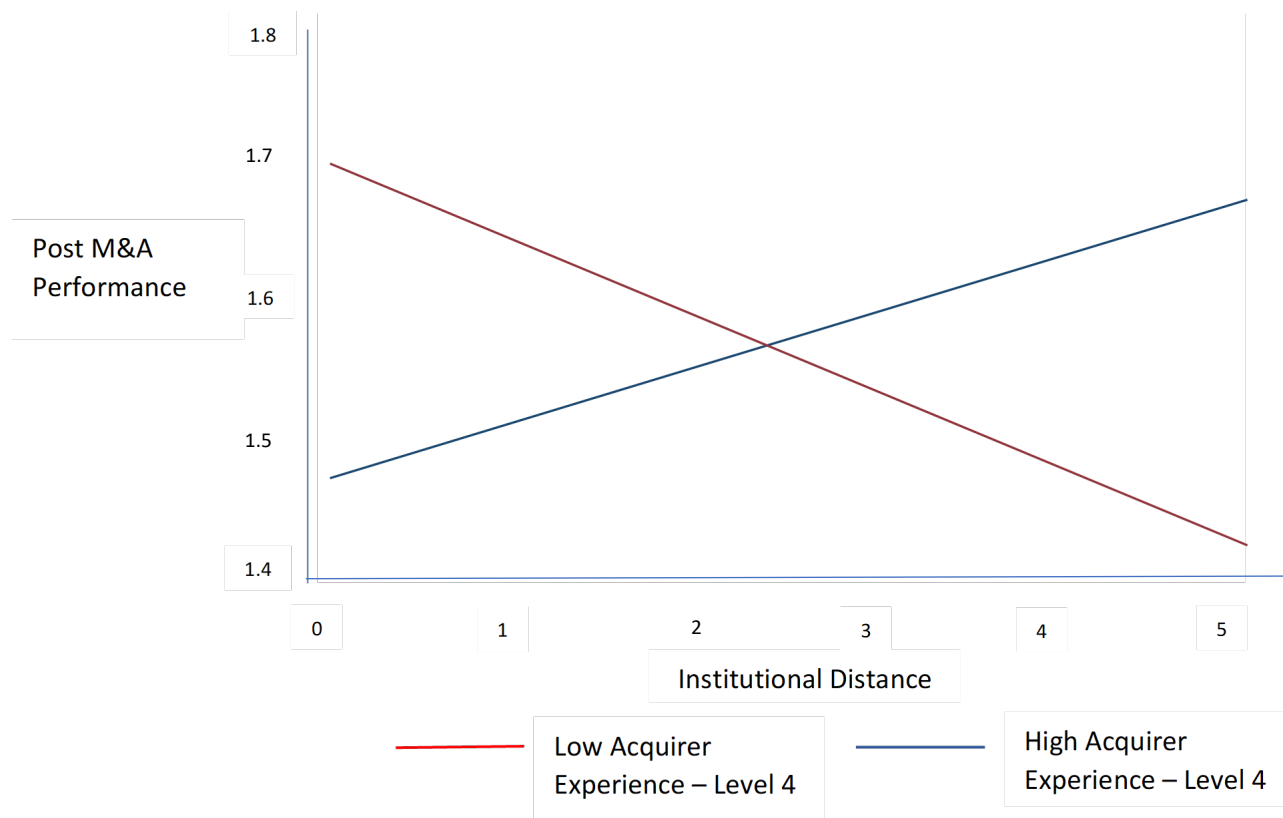


Figure 3: Moderating Effect of Acquirer Experience – Level 4 Envs on the Relationships between Institutional Distance and Cross-border M&A Performance