Strategic Management Journal
Strat. Mgmt. J., **38**: 1688–1700 (2017)
Published online EarlyView 13 January 2017 in Wiley Online Library (wileyonlinelibrary.com) DOI: 10.1002/smj.2623
Received 24 September 2014; *Final revision received 15 September 2016*

CROSS-BORDER MERGERS AND ACQUISITIONS: THE ROLE OF PRIVATE EQUITY FIRMS

MARK HUMPHERY-JENNER,[1]* ZACHARIAS SAUTNER,[2] and JO-ANN SUCHARD[1]
[1] *UNSW Business School, UNSW Australia, Sydney, Australia*
[2] *Frankfurt School of Finance & Management, Frankfurt am Main, Germany*

Research summary: *We show that private equity ownership ("PE backing") of the acquirer is a signal of deal quality in cross-border takeovers. As such, PE-backed acquirers experience higher announcement returns in cross-border takeovers, but only if targets are in poor information environments. We show that PE backing is a positive market signal because of PE firms' experience and networks that result from prior deals in target countries. We document that the market correctly anticipates that operating performance of PE-backed acquirers increases as a result of cross-border mergers and acquisitions (M&A).*

Managerial summary: *We study cross-border acquisitions by acquirers that are partially owned by private equity firms ("PE backing"). Cross-border acquisitions are challenging as acquirers often have little information about targets. We document that investors react positively to cross-border deals of PE-backed acquirers—their stock prices increase upon deal announcements. However, this is only the case if targets are in countries with poor information environments. This is because PE backing allows acquirers to access PE firms' deal experience and networks. This makes it easier to identify and evaluate good targets, making it more (less) likely that a deal eventually creates (destroys) value. Consistent with this, we find that earnings of PE-backed acquirers increase after buying targets in poor information environments.* Copyright © 2016 John Wiley & Sons, Ltd.

INTRODUCTION

Cross-border mergers and acquisitions (M&A) have become increasingly important, comprising, in terms of deal value, about 40 percent of all M&A (Bloomberg, 2015). Yet, cross-border deals are exposed to severe problems of adverse selection, as acquirers usually hold worse information than sellers[1]. As a result, stock prices of foreign acquirers often respond negatively to acquisition announcements, reflecting concerns among investors about a transaction (e.g., Moeller and Schlingemann, 2005).

Theoretical work has shown that information signals can reduce adverse selection problems (Spence, 1974). In turn, empirical research has studied the effectiveness of signals also in the M&A market, focusing primarily on the beneficial role of *target* signals (Wu, Reuer, and Ragozzino, 2013). We extend this literature by documenting that signals conveyed by *acquirers* can create beneficial effects too. While target signals are helpful in overcoming the risk of adverse selection, we show that acquirer signals can be equally important by signaling to current and future shareholders of the acquirer that a deal is likely to create more, or destroy less, value compared to other transactions.

Keywords: takeovers; acquisitions; mergers; private equity; cross-border
*Correspondence to: Mark Humphery-Jenner, UNSW Business Building, UNSW, NSW 2052, Australia. E-mail: mlhj@unsw.edu.au
[1] The reason is that cross-border acquirers need to navigate foreign legal regimes, languages, accounting rules, or corporate cultures, all with the hindrance of geographic distance.

Copyright © 2016 John Wiley & Sons, Ltd.

Our analysis focuses on the signaling role of "PE backing," which is a situation where a private equity (PE) firm has an equity ownership stake in an acquirer. We develop and test a set of hypotheses. First, we hypothesize and document that PE backing in cross-border M&A is a signal that suggests deal quality. As such, the PE backing of acquirers positively shapes the market's perception of a deal's quality, and we find that deals with PE backing are met with higher acquirer returns upon announcement. However, we document that this effect is only present if targets are in poor information environments—this is plausible as signaling is most important in such contexts. Second, we hypothesize that PE backing can be a positive market signal when a target is in a poor information environment because of the PE firm's experience and networks that result from prior deals in the target country. The reason is that access to a PE firm's deal experience and networks can enable an acquirer to successfully identify and evaluate a foreign target. This increases the probability that a deal creates value (e.g., from strategic or financial synergies), but it can also reduce the likelihood that value is destroyed (e.g., due to overpayment or failed post-merger integration[2]). Therefore, we predict and find that the benefit of the PE-backing signal in weak information environments increases with the number of previous deals that a PE backer has performed in the target country. Third, we show that the operating performance of PE-backed acquirers increases after purchasing a target in a poor information environment. This indicates that the positive market signal upon the announcement of a PE-backed deal correctly reflects the anticipation of future value creation.

HYPOTHESIS DEVELOPMENT AND RELATED LITERATURE

Our theoretical foundation builds on the literature in information economics. Mergers and acquisitions are prone to problems of adverse selection (Akerlof, 1970) as asymmetric information prevents acquirers from distinguishing between high- and low-quality targets. Moreover, it is difficult for targets to credibly convey their true values to acquirers. Problems of information asymmetry are particularly severe in international transactions. Compared with domestic transactions, acquirers in cross-border deals need to navigate unfamiliar legal regimes, languages, accounting standards, or corporate cultures, while being located at geographic distance (e.g., Kang and Kim, 2008; Ragozzino and Reuer, 2011). Therefore, foreign acquirers often face information disadvantages compared with domestic counterparts, which leads to a liability of foreignness (Zaheer, 1995, 2002; Zaheer and Mosakowski, 1997[3]). As a result, international acquisitions often do not create or even destroy value for acquirers' shareholders. For example, prior research documents that stock prices of U.S. acquirers that buy targets in other countries often respond negatively to acquisition announcements, reflecting concerns among shareholders about a transaction (e.g., Moeller and Schlingemann, 2005).

Theoretical work shows that information signals can reduce adverse selection problems (Spence, 1974), and the usefulness of signals has been studied in many settings (e.g., Bergh *et al.,* 2014). Given the high resource requirements and the extent of information asymmetry, acquisitions have the potential to benefit from signals (Ragozzino and Reuer, 2007). This is particularly the case for international M&A deals given the liability of foreignness and increased risk of adverse selection (Reuer and Ragozzino, 2014). Prior research has studied the effectiveness of signals in M&A, focusing primarily on the role of *target* signals. Reuer, Tong, and Wu (2012), for example, document that signals that stem from targets' affiliations with reputable investment banks or venture capitalists (VC) lead to higher acquisition premiums. Similarly, Ragozzino and Reuer (2011) study targets that recently went public to show that VC backing and reputation of lead underwriters function as signals that facilitate acquisitions from distant acquirers.

Little is known to date whether signals conveyed by *acquirers* create similar effects. While target signals are important to overcome adverse selection, acquirer signals may signal to current and future investors in an acquirer that a transaction creates more (or destroys less) value compared to other transactions. Prior literature indicates that this mechanism is plausible, as Arikan and Capron

[2] See Trautwein (1990) or Larsson and Finkelstein (1999) on the strategic and financial rationales of M&A deals.

[3] An extensive literature discusses the implications of the liability of foreignness across various settings (e.g., Baik *et al.,* 2013; Bell *et al.,* 2012; Bhanji and Oxley, 2013; Mezias, 2002).

Copyright © 2016 John Wiley & Sons, Ltd.

DOI: 10.1002/smj

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

(2010) show, that acquisitions by newly public firms that remain partially VC backed experience higher returns upon announcement[4]. Building on this literature, we hypothesize that PE backing of acquirers in cross-border M&A can be an important signal of quality. As such, the announcement of an acquisition by a PE-backed firm should positively shape the perception of a deal's quality by the market[5].

An important additional element for the role of acquirer signals is the information context. Prior research shows that the value of information signals varies with external market conditions, and it has been argued that the effects of signals are contingent on the information environment (Wu *et al.,* 2013)[6]. Therefore, we expect that the PE-backing signal is more important if that target is in a poor information environment where adverse selection problems are more severe. This leads to the following hypotheses:

Hypotheses (H1a): Cross-border acquisitions by PE-backed acquirers experience higher announcement returns than other cross-border acquisitions.

Hypotheses (H1b): This effect is stronger if targets are in poor information environments.

Private-equity backing and prior local M&A deals

We hypothesize that PE backing in cross-border deals is a positive signal because PE backers may have performed prior deals in the target countries, which can signal several benefits. First, prior deals in a target country may indicate that PE firms transfer their experience, gained from previous transactions, to the portfolio firms that they back. Access to such experience can enable acquirers to successfully identify and acquire foreign targets. In support of this mechanism, Heil and Robertson (1991) argue that experience better enables firms to interpret signals and information, which, in our context, can help acquirers to understand signals about target quality. This is most valuable if information signals are difficult to interpret as they come from foreign targets, especially those located in low-information environments. Relatedly, experience from prior deals in a target country may allow PE firms to advise their portfolio firms about the opportunities and risks associated with M&A deals in that country. Prior literature supports this argument as it shows that acquisition managers learn from their own transaction experience. This experience positively influences their takeover decisions (Barkema and Vermeulen, 2001), takeover performance (Aktas, de Bodt, and Roll, 2013), and the mode through which firms expand internationally (Barkema and Vermeulen, 1998). As transaction experience from foreign deals is likely different from that of domestic deals, for example, due to the need to overcome the liability of foreignness, we expect that access to M&A experience in the specific target country is particularly helpful.

Second, prior deals in a target country may lead to local networks (Hochberg, Ljungqvist, and Lu, 2010), and PE backers can provide acquirers with access to them.[7] Network access is important for foreign acquirers as they often lack knowledge about market opportunities, organizations, and cultures in target countries, and their honed practices may be less applicable (Barkema, Bell, and Pennings, 1996; Kostova, 1999). This is one aspect of the liability of foreignness that can occur in partner selection and negotiations (Bell, Filatotchev, and Rasheed, 2012; Hymer, 1976; Zaheer, 1995) and can lead to poor investment decisions. Access to local networks might mitigate the consequences of this liability (Li *et al.,* 2012; Zaheer and Mosakowski, 1997) as connections facilitate knowledge-sharing (Uzzi and Gillespie,

[4] The analysis in Arikan and Capron (2010) differs from ours as they focus on the subset of acquisitions by U.S. firms that occurred within three years after an IPO. They also do not study the interplay between information asymmetries and PE backing in cross-border M&A, but rather how VC backing affects announcement returns when VCs commit not to sell their shares after the IPO (long lockup periods). Additionally, large parts of their article focus on the role of IPO underwriters, rather than PE firms. Though we focus on different samples and channels, our articles are complementary as we both highlight that PE backing can be beneficial in M&A. Also, as in our article, they find that PE/VC backing in itself is insignificant in explaining CARs (but it matters conditionally; in their article if lockups exist).

[5] Stock markets have information from different sources on whether acquirers are PE backed: (1) many PE firms list their portfolio firms; (2) regulation in many countries requires firms to report their major shareholders; and (3) institutional investors are required in many countries to file their portfolio holdings.

[6] Bruton *et al.* (2010) show that the impact of PE firms on IPO performance is contingent on the environment.

[7] PE firms often have offices around the world and invest their funds internationally. The three largest PE firms have offices in 11 (Apollo), 15 (Blackstone), and 21 (Carlyle) countries, respectively. Outside the United States, PE firms usually have one office per country (with China being the exception).

Copyright © 2016 John Wiley & Sons, Ltd.

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

2002), thereby assisting a foreign firm to navigate complex regulatory rules, identify and select appropriate business partners, and convey a signal of reputational quality (Bell *et al.,* 2012). Moreover, there is evidence that social capital, resulting from networks, can help firms to select business partners and undertake investments (Batjargal and Liu, 2004; Tang, 1998).

Third, local experience and access to networks can have further benefits abroad. Evidence suggests that active owners such as a PE firms can assist firms in accessing courts or in meeting regulatory hurdles. For example, wealthy organizations have better access to justice in China (He and Su, 2013) and India (Robinson, 2013), and foreign PE firms with local experience have been shown to perform better in weak enforcement environments (Taussig and Delios, 2015).

Experience and networks from prior deals are again most likely to be important in relatively poor information environments. Consistent with this argument, prior work shows that in poor information environments, business connections can be especially important in facilitating trust between business partners and enabling knowledge transfers (Özer, Zheng, and Ren, 2014). As the liability of foreignness is exacerbated in poor information environments, networks and experience are likely most useful there[8].

Being backed by a PE firm with prior transactions in the target country may therefore signal to the market that information problems can be overcome. In particular, it can reassure shareholders that an acquirer can build on experience and a network to identify and evaluate targets that are more likely to generate value from strategic or financial synergies (e.g., lower costs or higher revenues) and less likely to destroy value. Thus, it is plausible that a PE backer's number of prior transactions in a target country is a valuable signal to shareholders, indicating that value creation through M&A is more (and value destruction less) likely. As explained above, this effect should again be stronger if information problems are more severe.

Hypotheses (H2a): PE backing in cross-border M&A is associated with a higher announcement return if the PE backer has performed a larger number of prior M&A deals in the target country.

Hypotheses (H2b): This effect is stronger if targets are in poor information environments.

Private-equity backing and access to financial advisors

A related positive signal could be the ability of PE backers to engage financial advisors with extensive experience. PE firms frequently buy and sell companies, and have experience with, and access to, a wide range of financial advisors as a result. This indirect access might help acquirers to navigate the informational issues involved in cross-border M&A. Reflecting that access to advisors indeed comes with benefits, prior research documents that the involvement of financial advisors, especially top-tier investment banks with international M&A experience and a global presence, is perceived positively by the market. Kale, Kini, and Ryan (2003) and Golubov, Petmezas, and Travlos (2012), for example, show that announcement returns are higher if acquirers are advised by more-reputable banks. Moreover, the association of newly public acquirers with prominent banks is also linked with higher market reactions (Arikan and Capron, 2010). Additionally, prior evidence shows that connections with law firms or banks positively influence the takeover success (Kale *et al.,* 2003; Krishnan and Masulis, 2014). This leads to the following hypothesis:

Hypotheses (H3): PE backing in cross-border M&A is associated with a higher announcement return if the PE backer has access to more experienced financial advisors.

Private-equity backing and post-M&A operating performance

Our hypothesis development has focused on whether PE backing can be a signal to the market that a transaction is more likely to create (or less likely to destroy) value. However, prior research shows that short-term stock market reactions are not necessarily an unbiased measure of acquisition

[8] PE firms have incentives to actively offer their experience and networks to portfolio firms as they are remunerated by their final investors based on the returns they have generated. Moreover, PE firms usually do not hold equity stakes open-endedly, implying that higher acquirer stock prices enable them to exit a firm sooner and with a higher profit.

Copyright © 2016 John Wiley & Sons, Ltd.

DOI: 10.1002/smj

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

performance (Zollo and Meier, 2008). The reason is that market reactions may be driven by behavioral dynamics associated with the stock market. For example, the market reaction may be affected by the sentiment of boundedly rational investors (e.g., overoptimism about value creation), or investors forming their views mostly based on the management's perception of a deal (Schijven and Hitt, 2012). This raises the question of whether the market correctly anticipates that operating performance of PE-backed acquirers increases after a transaction, especially in deals where target information asymmetry is large. This leads to the last hypothesis.

Hypotheses (H4a): Cross-border acquisitions that involve acquirers that are PE backed are associated with increases in operating performance.

Hypotheses (H4b): This effect is stronger if targets are in poor information environments.

DATA

The sample

Our sample includes cross-border M&A deals between 1996 and 2008 that are in SDC Platinum. We require that a deal is completed, for 100 percent ownership, the acquirer is publicly listed (to analyze announcement returns), and that the deal value is at least USD 1 m. Moreover, we require that we have data on deal, acquirer, and country characteristics. This leaves us with a sample of 4,452 deals with acquirers from 37 countries. Targets are private or publicly listed firms. Variable definitions are in Appendix IA.1 in File S1, and summary statistics in Appendix IA.2 in File S1.

Measures

Dependent variables: acquirer returns and operating performance

To examine the role of PE backing as a signal, we analyze the stock market's reactions to the acquirer's takeover announcements. For each transaction, we calculate the acquirer's cumulative abnormal return ("*CAR*"), estimated from five days before to five days after the announcement. Using this methodology, we capture the market's confidence about whether a deal creates value (Capron and Shen, 2007; Masulis, Wang, and Xie, 2007; Moeller, Schlingemann, and Stulz, 2004). To examine whether the market correctly anticipates that acquirer performance increases as a result of a deal, we create two measures of the acquirer's change in earnings ("Δ *Operating performance*"). The first measure captures changes in earnings before interest and tax (EBIT) from the year of the acquisition to the year after, while the second one captures the EBIT change until three years after the deal. A limitation of this measure is that the increase in EBIT of a PE-backed acquirer may also come from sources other than the acquired firm.

Main explanatory variables

Private-equity backing. We construct an indicator variable "*Acquirer PE backing,*" which equals one if a PE firm has an actual equity ownership stake in the acquirer. As our sample contains publicly listed acquirers, PE equity ownership is only partial and never 100 percent[9]. Appendix IA.4D in File S1 shows that our results are robust to controlling for the ownership stake of PE firms in acquirers (for the sample for which we have the data).

Target information environment. We measure the target's information environment with two time-variant variables. "*Target bad WB info*" is based on data from the World Bank (WB) Governance Indicators and ranges between 0 (good information environment) and 1 (bad environment). The index measures six components that are related to a deal's information environment, namely, voice and accountability, corruption, government effectiveness, political stability, regulatory strength/capacity, and rule of law. "*Target bad ICRG info*" is based on the International Country Risk Guide (ICRG) Composite Sovereign Risk index and ranges between 0 (good information environment) and 1 (bad environment). The ICRG index measures financial, economic, and political risk.

We use these measures as we want to capture factors that directly and indirectly contribute to a target's information environment. Lindstedt and Naurin (2010) find that transparency alone

[9] We do not study debt investments by PE firms in acquirers or situations where a PE arranged debt financing without an actual equity stake.

Copyright © 2016 John Wiley & Sons, Ltd.

DOI: 10.1002/smj

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

is insufficient to reduce information asymmetry because transparency, in the presence of corruption and poor enforcement, can result in firms engaging in incorrect reporting. That is, if there is no enforcement of information accuracy, then the information environment will remain low quality. Our measures help to capture this by proxying for both information disclosure and the regulatory aspects required to render it effective. Similarly, Vishwanath and Kaufmann (1999) argue that strong governance is necessary to ensure the preservation of transparency and information provision. Moreover, Riahi-Belkaoui (2009) finds that accounting information transparency is the result of legal, religious, political, social, economic, and accounting antecedents, and Bushman and Smith (2003) argue that differences in political environments can account for differences in information provision across countries. Our measures try to capture these antecedents of quality information environments in addition to more direct measures of information (e.g., free media). For example, by including measures reflecting the riskiness of the country, government effectiveness, and corruption, we aim to capture whether information provision will be enforced (and thus, is reliable). The ICRG index, for example, has also been used by Furman and Stiglitz (1998) and Gelos and Wei (2005) to capture the information environment.

Experience and networks variables. We construct different variables to analyze the role of PE firms' experience and networks. "*# PE backer deals target country*" is the number of prior deals conducted by an acquirer's PE backer in the target country. "*# deals fin. advisors*" ("*# deals most exp. fin. advisors*") is the average number of M&A deals that the acquirer's advisors (most experienced advisor) took part in over the past three years[10]. We create two further variables to capture the advisors' *cross-border* deals only.

[10] We restrict the financial advisors variable to three years as the experience of an advisory firm (i.e., investment bank) more than three years ago is less relevant for a current deal. The reason is that bankers at investment banks often change firms and Chemmanur, Ertugrul, and Krishnan (2014) show that it is the experience of the individual investment banker (rather than that of the bank) that matters for acquisition outcomes. To the contrary, in PE firms, funds often last for 10 years, and key personnel, especially general partners, tend to change jobs less frequently. We therefore do not restrict the PE backer variable.

Control variables

We follow related literature to control for other variables that could affect announcement returns and performance. We control for the acquirer's size, free cash flow, leverage, cash holdings, and capital expenditures. We further account for the acquirer's acquisition experience, which we proxy using the number of prior deals and cross-border deals. Importantly, we also control for the number of past deals by the acquirer in the target country, as networks that result from such deals and the established local presence may be substitutes for PE firms' networks. We further account for whether an acquirer has international operations, target size (transaction value), whether a deal is diversifying (to capture industry relatedness), whether multiple bidders exist, whether a deal proceeds by way of a tender offer, whether a deal is friendly, the method of payment, and whether the target is private or publicly listed. Finally, we include a set of characteristics of the acquirer's country. These include the LaPorta *et al.* (1997, 1998) "LLSV" governance index. We check robustness to the amendments made in Spamann (2010). All regressions contain year and acquirer country dummies. Our results are robust when we include a proxy of past target performance (Appendix IA.4D in File S1).

EMPIRICAL ANALYSIS

Determinants of announcement returns in cross-border M&A

We hypothesize that PE backing is associated with a positive stock price reaction in announcements of cross-border deals, and that this effect is stronger if targets are in poor information environments. Table 1 provides OLS (ordinary least squares) regressions to investigate the average effect of the PE-backing signal and the moderating effect of the information environment. We test for the latter by interacting the PE indicator with our two measures of the information environment.

The regression estimates in Models 1 and 3 show that PE backing, on average, has a slightly positive, yet statistically insignificant, effect on announcement returns. Therefore, we can reject H1a and conclude that we have no evidence that, at least on average, acquisitions backed by PE firms perform better. However, we find that that the effect of PE backing becomes statistically significant once

Copyright © 2016 John Wiley & Sons, Ltd.

DOI: 10.1002/smj

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

Table 1. Announcement returns in cross-border M&A deals: PE backing as a signal

	CAR (in %)					
Dependent variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Acquirer PE backing	1.068	−4.038*	−9.642**	1.058	−4.203*	−9.840***
	(0.397)	(0.099)	(0.011)	(0.384)	(0.089)	(0.008)
Target bad WB info		0.839			1.142	
		(0.747)			(0.664)	
Acquirer PE backing × target bad WB info		38.220**			38.760**	
		(0.033)			(0.025)	
Target bad ICRG info			−0.732			0.656
			(0.799)			(0.830)
Acquirer PE backing × target bad ICRG info			52.673***			53.625***
			(0.005)			(0.003)
ln (assets)				−1.098***	−1.121***	−1.099***
				(0.000)	(0.000)	(0.000)
EBITDA/assets				0.151***	0.150***	0.152***
				(0.000)	(0.000)	(0.000)
Debt/assets				0.730	0.952	0.761
				(0.430)	(0.287)	(0.408)
Cash/assets				−1.293	−1.419	−1.366
				(0.191)	(0.135)	(0.166)
Capex/sales				−1.011	−1.592	−1.170
				(0.625)	(0.410)	(0.563)
# Prior deals				−0.005	−0.015	−0.006
				(0.903)	(0.703)	(0.889)
# Prior cross-border deals				0.039	−0.003	0.050
				(0.766)	(0.979)	(0.702)
# Prior deals in target country				−0.021	0.018	−0.041
				(0.891)	(0.896)	(0.790)
Overseas assets				−0.140	−0.169	−0.176
				(0.626)	(0.537)	(0.541)
ln (transaction value)				0.857***	0.917***	0.858***
				(0.000)	(0.000)	(0.000)
Diversifying				0.187	0.251	0.191
				(0.517)	(0.359)	(0.506)
Multiple bidders				0.064	−0.053	0.056
				(0.950)	(0.959)	(0.957)
Tender offer				0.853	0.763	0.854
				(0.239)	(0.294)	(0.240)
Friendly deal				−0.412	−0.623	−0.527
				(0.674)	(0.532)	(0.594)
Cash payment				0.144	0.104	0.129
				(0.610)	(0.698)	(0.647)
Stock payment				−0.618	−0.661	−0.612
				(0.315)	(0.275)	(0.319)
Public target				−2.548***	−2.556***	−2.564***
				(0.000)	(0.000)	(0.000)
Private target				−0.687**	−0.683**	−0.681**
				(0.023)	(0.017)	(0.024)
Market cap/GDP				26.355	−2.679	23.014
				(0.762)	(0.975)	(0.792)
FDI/GDP				−470.207	−336.468	−482.558
				(0.195)	(0.339)	(0.185)
Unemployment				−0.034	−0.011	−0.012
				(0.812)	(0.935)	(0.933)

Copyright © 2016 John Wiley & Sons, Ltd.

DOI: 10.1002/smj

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

Table 1. Continued

Dependent variable	CAR (in %)					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Trade imbalance				8.778	9.471	8.933
				(0.160)	(0.118)	(0.153)
LLSV index				0.932	0.658	0.948
				(0.466)	(0.605)	(0.459)
Bad WB info				−3.419	−6.534	−3.321
				(0.735)	(0.510)	(0.742)
Bad ICRG info				5.387	3.334	4.816
				(0.540)	(0.692)	(0.583)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Acquirer country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4,056	4,363	4,056	4,023	4,326	4,023
Adjusted R-squared	0.013	0.016	0.015	0.039	0.043	0.041

***$p < 0.01$; **$p < 0.05$; *$p < 0.1$ (two-tailed)
Sample includes cross-border M&A deals. Regressions estimated using OLS. The regressions in Model 1 (Model 4) are estimated on the same sample as the regressions in Model 3 (Model 6). Constants were included but are not reported. Standard errors (p-values in brackets) are robust and clustered by acquirer.
WB, World Bank; ICRG, International Country Risk Guide; EBITDA, Earnings Before Interest, Tax, Depreciation, and Amortization; CAPEX, Capital Expenditure; FDI, Foreign Direct Investment.

we condition on the information environment in the remaining models of Table 1. Specifically, we find that the interaction between PE backing and our proxies of the information environment are positive and statistically significant ($p < 0.01$). This implies that announcement returns are larger if the acquirer is PE backed and the target in a poor information environment, lending support for H1b[11].

Using the regression estimates from Model 6, we find that a one-standard-deviation increase in the ICRG index (equal to 0.049; reflecting a worsening in the information environment) is associated with a small increase in announcement returns of 0.03 percent if the acquirer is not PE backed. However, the corresponding effect for the same change in the index is 2.63 percent larger if the acquirer is PE backed. In other words, we find that a decrease in the information environment is associated with an increase in announcement returns, but only if acquirers are backed by PE firms[12].

The role of prior local transactions by private equity firms

We hypothesize that the backing of acquirers by PE firms is a positive signal because of their role in overcoming information problems. We predict that this effect is due to PE firms' experience and networks in the target country, and we expect this effect to be stronger if the information environment is worse.

Table 2 provides OLS regressions to explore these predictions, exploiting our measure on the number of prior deals performed by a PE backer in the target country. As before, we use this variable individually and interact it with our proxies for the information environment. Model 1 shows that the individual effect of the prior-local-deals variable is

[11] In Appendix IA.3 in File S1, we separate the sample based on whether a target is a private or publicly listed firm. We do this as prior research suggests that acquisitions of private targets are generally associated with higher stock price reactions than acquisitions of publicly listed targets (Capron and Shen, 2007; Laamanen, Brauer, and Junna, 2014), and PE-backed acquirers may have a preference for private firms. We find that the magnitude of the PE-signaling effect is similar for private and public targets if they are in poor information environments. In fact, the interaction terms between the PE-backing and information variables are not statistically different across private and public firms. However, we note that these interactions are statistically insignificant for public targets. One likely reason is that the sample of public firms is much smaller, creating standard errors that are larger, compared to those for private firms. Additionally, the PE-backing signal should be most important when targets are difficult to evaluate (and private targets are more difficult for the market to evaluate, and obtain information on, than are public targets).

[12] Appendix IA.4A to Internet Appendix IA.4C in File S1 suggest that it is unlikely that our results are driven by the endogeneity of PE backing.

Copyright © 2016 John Wiley & Sons, Ltd.

DOI: 10.1002/smj

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

Table 2. Announcement returns in M&A deals: prior deals by PE firms in the target country

	CAR (in %)		
Dependent variable	Model 1	Model 2	Model 3
# PE backer deals target country	0.009	−0.027***	−0.034***
	(0.271)	(0.009)	(0.003)
Target bad WB info		2.094	
		(0.423)	
# PE backer deals target country × target bad WB info		0.308***	
		(0.001)	
Target bad ICRG info			2.139
			(0.483)
# PE backer deals target country × target bad ICRG info			0.209***
			(0.000)
Control variables as in Table 1	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Acquirer country fixed effects	Yes	Yes	Yes
Observations	4,023	4,326	4,023
Adjusted R-squared	0.039	0.041	0.039

***$p < 0.01$; **$p < 0.05$; *$p < 0.1$ (two-tailed)
Sample includes cross-border M&A deals. Regressions estimated using OLS. The regression in sample in Model 1 is estimated on the same sample as the regression in Model 3. Constants were included but are not reported. Standard errors (p-values in brackets) are robust and clustered by acquirer.

very small and statistically insignificant ($p = 0.271$). This implies that prior deals, as such, are not viewed as a positive signal by the market and we can reject H2a. However, this effect changes in Models 2 and 3 if we take the information environment into account. Specifically, we find that the interaction terms between the prior-local-deals variable and the information proxies are all positive and statistically significant ($p < 0.01$). This implies that a larger number of prior deals in the target country is viewed as a positive signal if the target is in a poor information environment, providing support for H2b.

In economic terms, the estimated effects are again meaningful. Using Model 3 and evaluating the effects for mean values of the prior-deals variable (0.391), we find that that a one-standard-deviation increase in the ICRG index is associated with CARs that are 0.4 percent higher ($p < 0.01$). This is not a huge effect, but it nevertheless equals about 32 percent of the median CAR in the sample (which is 1.24%).

To investigate the connections channel further, we next study whether PE backing also signals an acquirer's access to experienced financial advisors. To estimate this effect, we regress in Table 3 the announcement returns on an interaction term of the PE-backing variable and our measures of financial advisor experience. By including these interaction terms, we test for the interplay of PE backing and the involvement of experienced financial advisors.

The regression results show that returns in PE-backed deals increase with the experience of the engaged advisors. The estimates in Model 4 of Table 3, for example, suggest that if the cross-border experience of the most experienced advisor increases by five deals, this is associated with a market reaction that is 0.56 percentage points higher ($p = 0.005$). This confirms H3.

Postdeal operating performance and private equity firms

The results in Table 1 show that PE backing signals to the market that a transaction likely creates value if the target is in a poor information environment, as reflected by the positive CARs. We now test whether this short-term stock market reaction correctly captures that an acquirer's operating performance eventually increases as a result of a transaction. We therefore run in Table 4 regressions similar to those in Table 1, but replace the announcement return with our two measures of the change in operating performance (EBIT). We exclude from this analysis tech, pharma, and financial deals, as operating performance improvements due to acquisitions materialize less quickly in these sectors.

The regressions in Table 4 show results that generally mirror those in Table 1. In other words, PE backing in itself is statistically insignificant but acquirer operating performance increases if the

Copyright © 2016 John Wiley & Sons, Ltd.

DOI: 10.1002/smj

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

Table 3. Announcement returns in cross-border M&A deals: PE firms and financial advisors

	CAR (in %)			
Dependent variable	Model 1	Model 2	Model 3	Model 4
Acquirer PE backing	−0.061	−0.070	−0.065	−0.093
	(0.959)	(0.954)	(0.957)	(0.939)
# Deals fin. advisors	−0.002			
	(0.535)			
Acquirer PE backing × # deals fin. advisors	0.033**			
	(0.014)			
# Cross-border deals fin. advisors		−0.011		
		(0.173)		
Acquirer PE backing × # Cross-border deals fin. advisors		0.098***		
		(0.006)		
# Deals most exp. fin. advisor			−0.001	
			(0.736)	
Acquirer PE backing × # deals most exp. fin. advisor			0.036**	
			(0.016)	
# Cross-border deals most exp. fin. advisor				−0.012
				(0.198)
Acquirer PE backing × # Cross-border deals most exp. fin. advisor				0.112***
				(0.005)
Control variables as in Table 1	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
Acquirer country fixed effects	Yes	Yes	Yes	Yes
Observations	4,414	4,414	4,414	4,414
Adjusted R-squared	0.041	0.042	0.041	0.042

***$p < 0.01$; **$p < 0.05$; *$p < 0.1$ (two-tailed)
Sample includes cross-border M&A deals. Regressions estimated using OLS. Constants were included but are not reported. Standard errors (p-values in brackets) are robust and clustered by acquirer.
exp., experienced; fin., financial.

acquirer is backed by a PE firm and the target from a poor information environment. However, we note that the interaction effects are not statistically significant across all models. One reason for why these tests are somewhat weaker could be the inherent difficulty in event studies to capture information about any enduring value creation. Overall, the results in Table 4 hence reject H4a but support H4b. In relation to our analysis in Table 1, the findings in Table 4 indicate that there is real value creation associated with the content of the PE-backing signal.

CONCLUSIONS

This study shows that it is a signal of deal quality if acquirers in cross-border M&A have PE firms as shareholders. As such, the market reacts positively to acquisitions by PE-backed acquirers, but only if the target is in a poor information environment where signaling is particularly important. We find that PE firms' experience and networks, resulting from prior deals in the target country, explain why investors react favorably to such deals. Finally, we show that the market correctly anticipates that operating performance increases after deals with PE-backed acquirers and targets in weak information environments.

Our article contributes most directly to the literature on signaling in M&A. As emphasized by Wu *et al.* (2013: 180), most prior work studied the "benefits of signals conveyed by target firms, yet little is known about the efficiency implications of acquirers' signals." We extend this literature by documenting that acquirers' signals that stem from PE backing can create effects similar to those of target signals. Specifically, we document that acquirer signals can be important in assuring external capital providers that a proposed transaction is value enhancing. We further contribute to the literature on corporate effects in M&A by highlighting a "PE effect" (e.g., Castellaneta and Gottschalg, 2016), as well as the factors that moderate this effect. This extends work by Ferreira, Massa, and Matos (2010) who show that other institutional investors can have

Copyright © 2016 John Wiley & Sons, Ltd.

DOI: 10.1002/smj

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

Table 4. Operating performance after cross-border M&A deals: role of PE backing

	Δ Operating performance $(t, t+1)$ (in %)			Δ Operating performance $(t, t+3)$ (in %)			
Dependent variable	Model 1	Model 2	Model 3	Model 4	Model 5		Model 6
Acquirer PE backing	0.298	−0.595	−1.161	0.818**	0.380		−1.280
	(0.260)	(0.238)	(0.146)	(0.037)	(0.616)		(0.251)
Target bad WB info		−1.117			−1.291		
		(0.399)			(0.668)		
Acquirer PE backing × target bad WB info		6.221**			3.553		
		(0.029)			(0.451)		
Target bad ICRG info			−0.817				−5.475
			(0.572)				(0.125)
Acquirer PE backing × target bad ICRG info			7.151**				10.325**
			(0.036)				(0.048)
Control variables as in Table 1	Yes	Yes	Yes	Yes	Yes		Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes		Yes
Acquirer country fixed effects	Yes	Yes	Yes		Yes	Yes	Yes
Observations	2,138	2,296	2,138		2,138	2,296	2,138
Adjusted R-squared	0.067	0.063	0.067		0.024	0.025	0.025

***$p < 0.01$; **$p < 0.05$; *$p < 0.1$ (two-tailed)

Sample includes cross-border M&A deals. We exclude deals in the tech, pharma, and financial sectors where performance changes materialize less quickly. Regressions estimated using OLS. The regressions in Model 1 (Model 4) are estimated on the same sample as the regressions in Model 3 (Model 6). Constants were included but are not reported. Standard errors (*p*-values in brackets) are robust and clustered by acquirer.

similar effects in overcoming information problems in cross-border M&A.

Our findings provide several possible directions for future research. It would be interesting to investigate the specific organizational mechanisms through which PE firms advise portfolio firms in M&A deals. For example, it could be worth analyzing whether PE firms use formal representation on the board of directors or employ more informal channels outside the board to help firms. It could also be interesting to study how the PE-backing signal in M&A compares with market signals by other owner types.

ACKNOWLEDGEMENTS

We are very grateful to Tomi Laamanen and three referees for their very constructive suggestions. Humphery-Jenner and Suchard are grateful for the support of the Australian Research Council grant DP140103039. We would also like to thank Dirk Baur, Craig Brown, Jerry Cao, James Cummings, Isil Erel, David Feldman, Chris Florackis, Bill Fung, Lixiong Guo, Jarrad Harford, Russell Jame, Adrian Lee, Sophia Li, Michelle Lowry, Vijay Marisetty, Jens Martin, Ron Masulis, Pedro Matos, Joe McCahery, Marco Navone, Pascal Nguyen, Sian Owen, Ludovic Phalippou, Ronan Powell, Meijin Qian, Xiaofeng Quan, Alan Rai, David Reeb, Konark Saxena, George Shinkle, Kar Mei Tang, Karin Thorburn, Radomir Todorov, Stefan Trueck, Yupana Wiwattanakantang, Bernard Yeung, Lei Zhang, and Jason Zein for helpful comments.

REFERENCES

Akerlof GA. 1970. The market for 'lemons': quality uncertainty and the market mechanism. *Quarterly Journal of Economics* **84**(3): 488–500.

Aktas N, de Bodt E, Roll R. 2013. Learning from repetitive acquisitions: evidence from the time between deals. *Journal of Financial Economics* **108**(1): 99–117.

Arikan AM, Capron L. 2010. Do newly public acquirers benefit or suffer from their pre-IPO affiliations with underwriters and VCs? *Strategic Management Journal* **31**(12): 1257–1289.

Baik B, Kang J-K, Kim J-M, Lee J. 2013. The liability of foreignness in international equity investments: evidence from the US stock market. *Journal of International Business Studies* **44**(4): 391–411.

Barkema HG, Bell JHJ, Pennings JM. 1996. Foreign entry, cultural barriers, and learning. *Strategic Management Journal* **17**(2): 151–166.

Barkema H, Vermeulen F. 1998. International expansion through start-up or acquisition: a learning perspective. *Academy of Management Journal* **41**(1): 7–26.

Copyright © 2016 John Wiley & Sons, Ltd.

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

Barkema H, Vermeulen F. 2001. Learning through acquisitions. *Academy of Management Journal* **44**(3): 457–476.

Batjargal B, Liu M. 2004. Entrepreneurs' access to private equity in China: the role of social capital. *Organization Science* **15**(2): 159–172.

Bell RG, Filatotchev I, Rasheed AA. 2012. The liability of foreignness in capital markets: sources and remedies. *Journal of International Business Studies* **43**(2): 107–122.

Bergh D, Connelly B, Ketchen D, Shannon L. 2014. Signalling theory and equilibrium in strategic management research: an assessment and a research agenda. *Journal of Management Studies* **51**(8): 1334–1360.

Bhanji Z, Oxley JE. 2013. Overcoming the dual liability of foreignness and privateness in international corporate citizenship partnerships. *Journal of International Business Studies* **44**(4): 290–311.

Bloomberg. 2015. Global M&A market review. Financial rankings 1H 2015.

Bruton GD, Filatotchev I, Chahine S, Wright M. 2010. Governance, ownership structure, and performance of IPO firms: the impact of different types of private equity investors and institutional environments. *Strategic Management Journal* **31**(5): 491–509.

Bushman RM, Smith AJ. 2003. Transparency, financial accounting information, and corporate governance. *Economic Policy Review* **9**(1): 65–87.

Capron L, Shen JC. 2007. Acquisitions of private vs. public firms: private information, target selection, and acquirer returns. *Strategic Management Journal* **28**(9): 891–911.

Castellaneta F, Gottschalg O. 2016. Does ownership matter in private equity? The sources of variance in buyouts' performance. *Strategic Management Journal* **37**(2): 330–348.

Chemmanur T, Ertugrul M, Krishnan K. 2014. Is it the investment bank or the investment banker? A study of the role of investment banker human capital in acquisitions. Working paper, Boston College.

Ferreira MA, Massa M, Matos P. 2010. Shareholders at the gate? Institutional investors and cross-border mergers and acquisitions. *Review of Financial Studies* **23**(2): 601–644.

Furman J, Stiglitz J. 1998. Economic crises: evidence and insights from East Asia. *Brookings Papers on Economic Activity* **2**: 1–135.

Gelos RG, Wei S-J. 2005. Transparency and international portfolio holdings. *Journal of Finance* **60**(6): 2987–3020.

Golubov A, Petmezas D, Travlos N. 2012. When it pays to pay your investment banker: new evidence on the role of financial advisors in M&As. *Journal of Finance* **67**(1): 271–311.

He X, Su Y. 2013. Do the "haves" come out ahead in Shanghai courts? *Journal of Empirical Legal Studies* **10**(1): 120–145.

Heil O, Robertson TS. 1991. Toward a theory of competitive market signaling: a research agenda. *Strategic Management Journal* **12**(6): 403–418.

Hochberg YV, Ljungqvist A, Lu Y. 2010. Networking as a barrier to entry and the competitive supply of venture capital. *Journal of Finance* **65**(3): 829–859.

Hymer SH. 1976. *The International Operations of National Firms: A Study of Direct Foreign Investment*. MIT Press: Cambridge, MA.

Kale JR, Kini O, Ryan HE. 2003. Financial advisors and shareholder wealth gains in corporate takeovers. *Journal of Financial and Quantitative Analysis* **38**(3): 475–501.

Kang J-K, Kim J-M. 2008. The geography of block acquisitions. *Journal of Finance* **63**: 2817–2858.

Kostova T. 1999. Transnational transfer of strategic organizational practices: a contextual perspective. *Academy of Management Review* **24**(2): 308–324.

Krishnan CNV, Masulis RW. 2014. Law firm expertise and merger and acquisition outcomes. *Journal of Law and Economics* **56**(1): 189–226.

Laamanen T, Brauer M, Junna O. 2014. Performance of acquirers of divested assets: evidence from the U.S. software industry. *Strategic Management Journal* **35**(6): 914–925.

La Porta R, Lopez-de-Silanes F, Shleifer A, Vishny RW. 1997. Legal determinants of external finance. *Journal of Finance* **52**(3): 1131–1150.

La Porta R, Lopez-de-Silanes F, Shleifer A, Vishny RW. 1998. Law and finance. *Journal of Political Economy* **106**(6): 1113–1155.

Larsson R, Finkelstein S. 1999. Integrating strategic, organizational, and human resource perspectives on mergers and acquisitions: a case survey of synergy realization. *Organization Science* **10**(1): 1–26.

Li H, Zhang Y, Li Y, Zhou L-A, Zhang W. 2012. Returnees versus locals: who perform better in China's technology entrepreneurship? *Strategic Entrepreneurship Journal* **6**: 257–272.

Lindstedt C, Naurin D. 2010. Transparency is not enough: making transparency effective in reducing corruption. *International Political Science Review* **31**(3): 301–311.

Masulis RW, Wang C, Xie F. 2007. Corporate governance and acquirer returns. *Journal of Finance* **62**(4): 1851–1889.

Mezias JM. 2002. Identifying liabilities of foreignness and strategies to minimize their effects: the case of labor lawsuit judgments in the United States. *Strategic Management Journal* **23**(3): 229–244.

Moeller SB, Schlingemann FP. 2005. Global diversification and bidder gains: a comparison between cross-border and domestic acquisitions. *Journal of Banking and Finance* **29**(3): 533–564.

Moeller SB, Schlingemann FP, Stulz RM. 2004. Firm size and the gains from acquisitions. *Journal of Financial Economics* **73**(2): 201–228.

Özer Ö, Zheng Y, Ren Y. 2014. Trust, trustworthiness, and information sharing in supply chains bridging China and the United States. *Management Science* **60**(10): 2435–2460.

Ragozzino R, Reuer JJ. 2007. Initial public offerings and the acquisition of entrepreneurial firms. *Strategic Organization* **5**(2): 155–176.

Copyright © 2016 John Wiley & Sons, Ltd.

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License

Ragozzino R, Reuer JJ. 2011. Geographic distance and corporate acquisitions: signals from IPO firms. *Strategic Management Journal* **32**(8): 876–894.
Reuer JJ, Ragozzino R. 2014. Signals and international alliance formation: the roles of affiliations and international activities. *Journal of International Business Studies* **45**(3): 321–337.
Reuer JJ, Tong TW, Wu C-W. 2012. A signaling theory of acquisition premiums: evidence from IPO targets. *Academy of Management Journal* **55**(3): 667–683.
Riahi-Belkaoui A. 2009. Antecedents and consequences of earnings opacity: toward an international contingency theory. Working paper, University of Illinois at Chicago.
Robinson N. 2013. A quantitative analysis of the Indian Supreme Court's workload. *Journal of Empirical Legal Studies* **10**(3): 570–601.
Schijven M, Hitt MA. 2012. The vicarious wisdom of crowds: toward a behavioral perspective on investor reactions to acquisition announcements. *Strategic Management Journal* **33**(11): 1247–1268.
Spamann H. 2010. The "Antidirector rights index" revisited. *Review of Financial Studies* **23**(2): 467–486.
Spence AM. 1974. *Market Signaling: Informational Transfer in Hiring and Related Screening Processes*. Harvard University Press: Cambridge, MA.
Tang EWK. 1998. Can guanxi be a source of sustained competitive advantage for doing business in China? *Academy of Management Executive* **12**(2): 64–73.
Taussig M, Delios A. 2015. Unbundling the effects of institutions on firm resources: the contingent value of being local in emerging economy private equity. *Strategic Management Journal* **36**(12): 1845–1865.
Trautwein F. 1990. Merger motives and merger prescriptions. *Strategic Management Journal* **11**(4): 283–295.
Uzzi B, Gillespie JJ. 2002. Knowledge spillover in corporate financing networks: embeddedness and the firm's debt performance. *Strategic Management Journal* **23**(7): 595–618.
Vishwanath T, Kaufmann D. 1999. Towards transparency in finance and governance. World Bank Policy Research Working paper. Available at: https://ssrn.com/abstract=258978.
Wu C-W, Reuer J, Ragozzino R. 2013. Insights of signaling theory for acquisitions research. *Advances in Mergers and Acquisitions* **12**: 173–191.
Zaheer S. 1995. Overcoming the liability of foreignness. *Academy of Management Journal* **38**(2): 341–363.
Zaheer S. 2002. The liability of foreignness, redux: a commentary. *Journal of International Management* **8**(3): 351–358.
Zaheer S, Mosakowski E. 1997. The dynamics of the liability of foreignness: a global study of survival in financial services. *Strategic Management Journal* **18**(6): 439–464.
Zollo M, Meier D. 2008. What is M&A performance? *Academy of Management Perspectives* **22**(3): 55–77.

SUPPORTING INFORMATION

Additional supporting information may be found in the online version of this article:

File S1. Internet Appendix.

Copyright © 2016 John Wiley & Sons, Ltd.

10970266, 2017, 8, Downloaded from https://sms.onlinelibrary.wiley.com/doi/10.1002/smj.2623 by University of New South Wales, Wiley Online Library on [26/10/2026]. See the Terms and Conditions (https://onlinelibrary.wiley.com/terms-and-conditions) on Wiley Online Library for rules of use; OA articles are governed by the applicable Creative Commons License