Volume 23, Number 2 – June 2021
China Accounting and Finance Review
中国会计与财务研究
2021年6月 第23卷 第2期

A Review of Cross-Border Merger and Acquisition Research *

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Received 14th of February 2020 Accepted 6th of January 2021

Abstract

The surge in the number and value of cross-border mergers and acquisitions (M&As) by Chinese firms in recent years has attracted worldwide attention. To better understand the causes and consequences of Chinese firms' cross-border M&A activities, we review the theoretical and empirical cross-border M&A research published in both Chinese and English journals. First, we discuss the definition of cross-border merger and acquisition. Second, we provide descriptive statistics on the distribution of the cross-border M&A literature by publication year, journal level, research methodology, definition of cross-border M&A, geography, and research question, respectively. Third, we divide the cross-border M&A research into three categories—causes, processes, and consequences—and summarise and critique the relevant research in each category. On the basis of the findings from the review, we argue that future researchers should define the acquirer and the target on the basis of the concept of economic entity by emphasising the ultimate controller of a legal entity. We also identify the gaps in the literature. In terms of research questions, we believe more research is warranted on the causes and consequences of cross-border M&As. In particular, future research needs to pay more attention to the identification and measurement of M&A motivations and propose a stronger research design on the causes of cross-border M&As. We also notice the lack of research on the consequences of cross-border M&As for the acquirer's other stakeholders, industry, and country. We also find that the extant literature has not paid sufficient attention to cross-border M&As by acquirers in emerging markets, SOEs, and unlisted firms.

Keywords: Cross-Border Mergers and Acquisitions, Review, Emerging Markets, Causes, Consequences

* The paper is supported by the National Natural Science Foundation of China (Nos. 72002130, 71632006, and 71972134) and the Shanghai Pujiang Programme (No.2019PJC074).

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I. Introduction

With rapid economic growth, cross-border M&As have increasingly become one of the most important strategies for Chinese firms to quickly acquire high-quality resources and technologies and enhance their international competitive power. Cross-border M&As are an important part of China's national strategies of "Go Global" and "the Belt and Road Initiative" and have had a far-reaching impact on China's economic transformation and industrial structure upgrading. According to the United Nations Conference on Trade and Development (UNCTAD),[4] between 2001 and 2016, the number of cross-border M&As by mainland Chinese firms increased from 53 to 573, and the value increased from US$0.09 billion to US$92.22 billion. In 2013, the value reached $51.53 billion, accounting for up to 19.6% of the total value of global cross-border M&As and making China the third-largest investing country worldwide after the United States and Japan and the largest investing country in emerging markets. The leading business magazines *Fortune* and *The Economist* even used the headlines "China buys the world" (Abkowitz *et al.*, 2009) and "China buys up the world" (Anonymous, 2010), respectively, to describe the surge in cross-border M&As driven by Chinese firms, especially Chinese state-owned enterprises (SOEs).

To date, however, the outcomes of China's waves of cross-border M&As are far from satisfactory (Report on Chinese Enterprises Globalization, 2014). Many Chinese firms have suffered huge losses in cross-border M&As, such as the acquisition by CITIC Pacific (00267.HK) of Sino-Iron in Australia (Li and Hu, 2014; Pu, 2014). There are several reasons for the failures, such as the underlying risk and complexity of cross-border deals and Chinese acquirers' unfamiliarity with the international environment and lack of international experience and investment advisors. Moreover, there are many differences between China, a unique emerging economy, and other countries in terms of country investor protection, corporate governance, country and corporate culture, organisational structure, and management style. These factors lead to concerns that the targets may become less efficient or less profitable following the acquisitions. Furthermore, the dominance of SOEs in China and their heavy reliance on institutional support cast doubt on the motivations for overseas expansion by Chinese firms. Thus, Chinese acquirers, including non-SOEs, are subject to stringent investigations by host countries on the possible impact of Chinese acquisitions on national security. Notable examples include CNOOC's offer to acquire Unocal and Huawei's bid for 3Com.

To sum up, it is important to understand the factors that influence Chinese firms' cross-border M&A activities and to look for potential mechanisms for overcoming the problems. The purpose of our review is to integrate the theoretical and empirical cross-border M&A research, to summarise what is known and unknown from the literatures published in both

[4] Data source: UNCTAD website (http://unctad.org). We do not use the data in the *World Investment Report* published by UNCTAD every year because of some potential deviations and subsequent adjustments.

Chinese and English language journals, and to offer suggestions for future research on cross-border M&As by Chinese firms.

We limit the scope of our review to studies on non-financial firms' cross-border M&A activities. We define a cross-border M&A as an M&A deal in which the country of ownership of the target's economic entity is different from that of the acquirer's economic entity (see section II for specific details). We define a cross-border M&A broadly and place no restrictions on deal characteristics, such as deal value, target type, and control. We exclude financial sector firms and non-enterprise organisations (e.g., private equity funds, audit firms) due to their uniqueness. We search both English and Chinese language accounting, finance, economics, and management journals and restrict our review to publications in A- and B-level journals only, regardless of the publication year, research method, and so forth.[5]

Table 1 provides an outline of our review. We structure our discussion around the following three steps. First, we discuss the fundamental question of "What is a cross-border merger and acquisition?". Second, we conduct descriptive statistics on the distribution of the cross-border M&A literature by publication year, journal level, research methodology, definition of cross-border M&A, geography, and research question, respectively. Finally, we systematically review the cross-border M&A research. We review the literature in English and Chinese language journals separately because the research in English language journals focuses primarily on the developed markets dominated by non-SOEs, while research in the Chinese language journals pays more attention to the emerging markets dominated by SOEs.[6]

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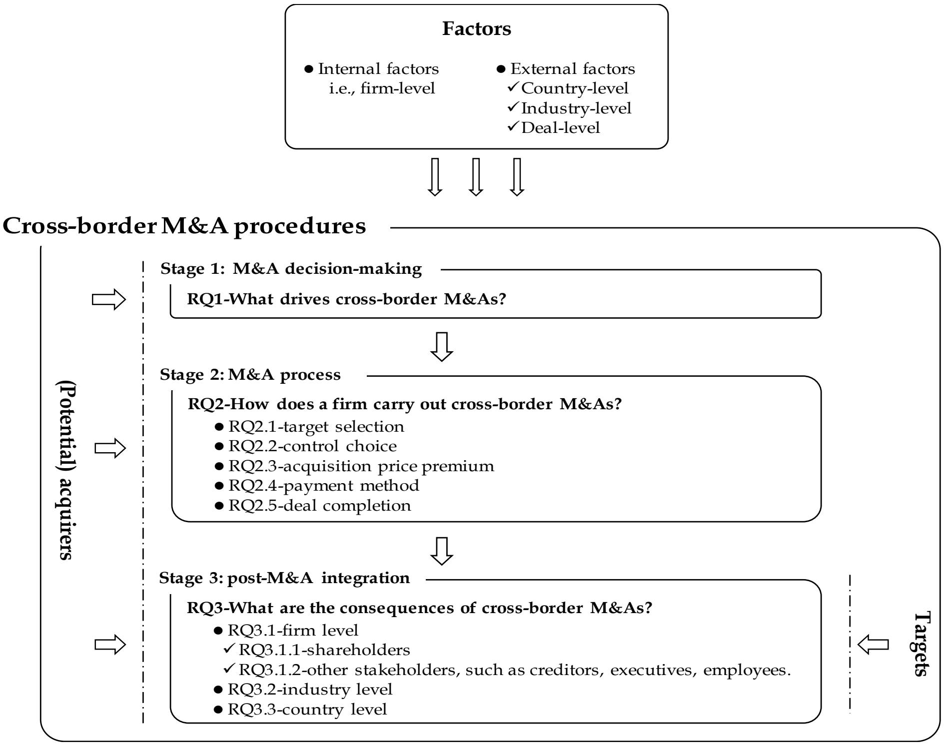
[5] For brevity, we provide the journal list and article selection criteria in Internet Appendix A.

[6] We do not review the emerging market literature in English language journals separately, but instead reference it throughout this paper where applicable, due to its small size and immature research framework.

We organise the literature review by participating parties and research questions. First, according to the sample firms' role in cross-border deals, we divide the literature into two groups: research on acquirers and research on targets. Second, we classify papers on the basis of research questions. Figure 1 shows the cross-border M&A procedures and associated research questions. For the research on acquirers, we structure our discussion around the following three research questions: (1) What drives cross-border M&As? (RQ1); RQ1 focuses on the decision-making stage of cross-border M&As. (2) How does a firm carry out cross-border M&As? (RQ2). RQ2 focuses on the stage of cross-border M&A process, which can be divided into target selection (RQ2.1), control choice (RQ2.2), acquisition price premium (RQ2.3), payment method (RQ2.4), and deal completion (RQ2.5). (3) What are the consequences of cross-border M&As? (RQ3); RQ3 focuses on the stage of post-M&A integration. We divide RQ3 into three categories: consequences at the firm level (RQ3.1), industry level (RQ3.2), and country level (RQ3.3). We further divide RQ3.1 into consequences for shareholders (RQ3.1.1) and other stakeholders, such as creditors, executives,

Figure 1 Cross-Border M&A Procedures and Research Questions



and employees (RQ3.1.2). We classify research on consequences for peers as part of RQ3.2. Unlike acquirers and sellers, targets need not decide whether to conduct cross-border M&As, and generally they do not participate in the pre-completion stage. Therefore, we classify research on targets as RQ3, and the sub-classifications are similar to the research on acquirers.

Specifically, we identify the research questions of each paper on the basis of the dependent variables (Y) in the model. According to the independent variables (X), we classify the factors into internal and external factors. We further classify external factors into country-, industry-, and deal-level[7] factors. For each research question in Figure 1, we explore the effect of various factors (X) on cross-border M&A activities (Y) and its underlying mechanisms.

Cross-border M&A decision-making is the beginning of cross-border M&A activity. It influences not only a firm's decision on whether to conduct cross-border M&As but also subsequent cross-border M&A procedures, such as target selection and post-M&A integration. Therefore, RQ1 has a strong influence on RQ2, which also has a strong influence on RQ3. The correlations among RQ1, RQ2, and RQ3 further affect the sample and research design. Specifically, at the decision-making stage of cross-border M&As, a firm has not yet initiated cross-border M&As. Thus, the sample in RQ1 studies consists of all the firms (i.e., potential acquirers) rather than cross-border M&A deals. Moreover, the sample in RQ2 studies includes all cross-border M&A deals. Because the acquirers have engaged in cross-border M&As, research on RQ2 should exclude the firm-year observations in RQ1 studies for firms that decide not to conduct cross-border M&As. Furthermore, because RQ3 studies focus on the post-acquisition stage, they restrict the sample to the completed deals in the RQ2 studies. Because of sample selection biases, both RQ2 and RQ3 studies should take into account potential self-selection concerns and external validity threats.

We summarise our main findings of the literature review as follows. First, we find that the meaning of "cross-border M&A" is ambiguous. We observe that more than 50% of the reviewed studies provide no descriptive definition of a cross-border M&A. In addition, most of the commonly used definitions of a cross-border M&A portray the acquirer as the legal entity that directly initiates cross-border M&As, without reference to its ultimate parent (the same issue applies to target research). However, from the perspective of economic substance, the ultimate parent should have sole influence and control and full responsibility for its subsidiaries' cross-border M&A activities: that is, the cross-border M&As by subsidiaries can be attributed to the ultimate parent (referred to as the economic entity of an acquirer). Therefore, we define a cross-border M&A as an M&A deal in which the nationality of the target's economic entity is different from that of the acquirer's economic entity, where a firm's nationality refers to its ultimate controller's country (i.e., country of ownership).

Second, from the perspective of research questions, the existing research on acquirers focuses on RQ2 and RQ3 but lacks discussion on RQ1 because of the difficulty in identifying

[7] Some examples of deal-level factors include equity stakes purchased and choice of payment method. Deal characteristics decision can be an external factor affecting other cross-border M&A procedures, although it is part of the cross-border M&A procedures from the perspective of research questions (RQ2). For example, Reuer *et al.* (2004) explore the effect of equity stake purchased on the choice of contingent payouts, and Lin *et al.* (2009) examine how corporate derivatives use affects post-M&A performance. In addition, at the decision-making stage of cross-border M&As, a firm has not yet initiated cross-border M&As. Thus, deal-level factors are not included in RQ1 research.

M&A motivations and research design issues. However, a number of studies on RQ2 and RQ3 suffer from selection biases, and thus some techniques (e.g., Heckman two-stage procedures) should be used to check the robustness of the results. Moreover, the obvious external validity threat posed by selection biases limits the generalisability of the results to a broader set of firms and countries. In addition, the current RQ3 studies focus primarily on RQ3.1 and especially on the consequences for acquirer shareholders (RQ3.1.1). However, we have relatively little evidence about how cross-border M&As affect the acquirer's other stakeholders, industry, and country (RQ3.1.2, RQ3.2, and RQ3.3), which offers opportunities for future research.

Third, from the perspective of geographic location, existing research on acquirers is primarily concerned about developed markets, with less attention being paid to emerging markets. According to UNCTAD, in 1990, the value of cross-border M&As by developing and emerging countries accounted for only 8.5% of the total value of global cross-border M&As, but the percentage increased to approximately 17.2% in 2016. Especially in 2013, the corresponding percentage reached 49.9%, approximately equal to that of developed countries. However, with the exception of Chinese researchers, academic researchers still hold the view that the acquirers in cross-border deals usually come from countries that have higher investor protection than the target countries (Rossi and Volpin, 2004; Bris and Cabolis, 2008; Chari *et al.*, 2010; Erel *et al.*, 2012; Burkart *et al.*, 2014). Extant studies document that firms from countries with better country governance can create more wealth for their shareholders through cross-border M&As because of better corporate governance, more developed financial markets, and investment opportunities. However, emerging countries are dramatically different from developed countries in terms of property rights institution, legal environment, financial market development, and firms' ownership structure, and thus more research is needed to investigate the effects of weak investor protection (e.g., corruption, underdeveloped financial system) in emerging markets on cross-border M&As.

Fourth, from the perspective of the nature of ownership, with the exception of Chinese researchers, existing research on acquirers is primarily interested in non-SOEs and largely ignores SOEs. Compared with non-SOEs, SOEs are born with political connections. Thus, the government plays a crucial role in SOEs' economic activities. On the one hand, SOEs are generally driven by social, economic, and political objectives, such as access to natural resources and techniques, to pursue targets in other countries. SOEs' overseas M&As are often supported by proactive government policies, such as antitrust scrutiny and low-cost loans. On the other hand, SOEs' M&As are subject to more stringent scrutiny by the host countries due to the possible impact of such M&As on national security. These factors give rise to great differences between SOEs and non-SOEs in cross-border M&A activities.

Finally, from the perspective of listing status, existing research on acquirers focuses primarily on listed firms and lacks discussion on unlisted firms due to data availability. Prior research shows that there are great differences between listed and unlisted firms in terms of fundamentals (e.g., firm size and plant productivity; Maksimovic *et al.*, 2013), agency problems triggered by ownership structure, financing constraints, information disclosure, and so forth. Therefore, unlisted firms differ from listed firms on many economic dimensions, including access to capital (Brav, 2009), cash policy (Gao *et al.*, 2013), innovation strategy (Gao *et al.*, 2018), and financial reporting quality (Hope *et al.*, 2013). These differences may further lead to dramatic differences in cross-border M&As between listed and unlisted firms. Thus, overcoming the data constraints of unlisted firms will doubtlessly open up new avenues for further research.

The remainder of this review is organised as follows: Section II discusses the question "What is a cross-border merger and acquisition?", and section III reports descriptive statistics of distribution characteristics for the cross-border M&A literature. Section IV systematically reviews the cross-border M&A research that draws its inferences from theory and evidence. We summarise and conclude the review in section V.

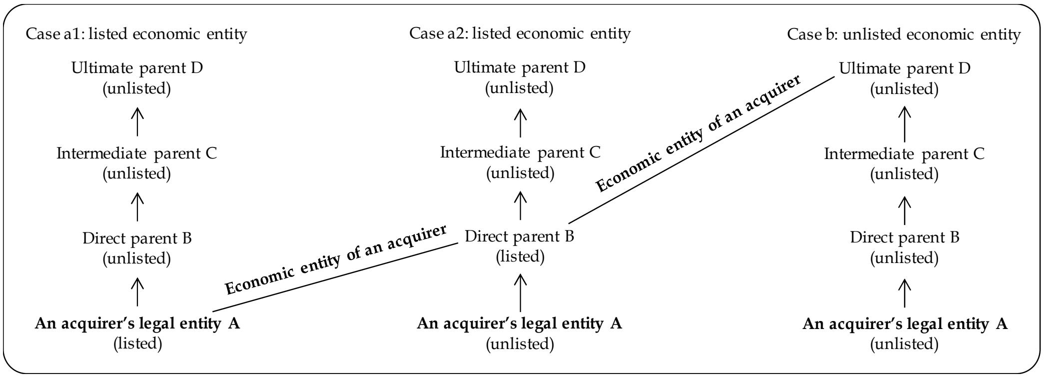
II. What Is a Cross-Border Merger and Acquisition?

A primary issue in the cross-border M&A literature is the definition of a cross-border M&A. As a benchmark to identify cross-border M&A deals and acquirer/target firms, the definition of a cross-border M&A plays a critical role in influencing sample and data selection as well as findings and conclusions. For example, in January 2017, CITIC Limited (00267.HK) announced its intention to acquire a controlling interest in McDonald's China Management Limited for its mainland China and Hong Kong businesses through Grand Foods Investment Holdings Limited, one of CITIC Limited's indirect subsidiaries. In this case, CITIC Limited is headquartered and registered in Hong Kong, whereas CITIC Group, its ultimate parent, is a central SOE and headquartered and registered in Beijing. This raises important questions as to who the acquirer/target in the deal is and whether the transaction can be categorised as a cross-border M&A. The answers depend on the definition of cross-border M&A.

We divide the definition of cross-border M&A into two parts. The first part discusses the identification of the acquirer/target, which determines the sample firms in the reviewed papers. The second part discusses the definition of nationality, which is used to distinguish cross-border M&As from domestic M&As. First, the identification of the acquirer/target involves two conceptual terms: "legal entity" and "economic entity". Take, for example, the acquirer: We define the legal entity of an acquirer as the firm that directly initiates cross-border M&As. Furthermore, we establish the following ownership chain: an acquirer's legal entity A → direct parent B → intermediate parent C → ultimate parent D. We trace the control chain from A to D and define the economic entity of an acquirer as the first listed firm in the control chain or the ultimate parent if there is no listed firm. Figure 2 provides a comparison of legal and economic entities. According to the listing status, we classify an economic entity of an acquirer into two categories: (1) listed economic entity, which can directly initiate cross-border M&As (a1) or acquire the target through its unlisted subsidiary (a2); (2) unlisted economic entity. Only in case a1 are the legal and economic entities of acquirers the same firm.

We define the acquirer/target on the basis of the concept of economic entity. From the perspective of economic substance, the parent should have sole influence and control of, and full responsibility for, its subsidiaries' cross-border M&A activities: that is, the cross-border M&As by the subsidiaries can be attributed to the ultimate parent. Therefore, researchers should treat a business group as a whole and investigate the cross-border M&As from the perspective of the business group rather than identify individual group members' cross-border M&A activities. In addition, listed firms are required to disclose large amounts of information, such as their business strategies and operating decisions, to facilitate better monitoring by shareholders, the SEC, stock exchanges, and the business press. Thus, relative to unlisted firms, listed firms make business decisions independently from their parents. Therefore, we view a listed firm as an economic entity independent of the ultimate parent in the group.

Figure 2 Difference between the Legal and Economic Entity—Taking the acquirer as an example



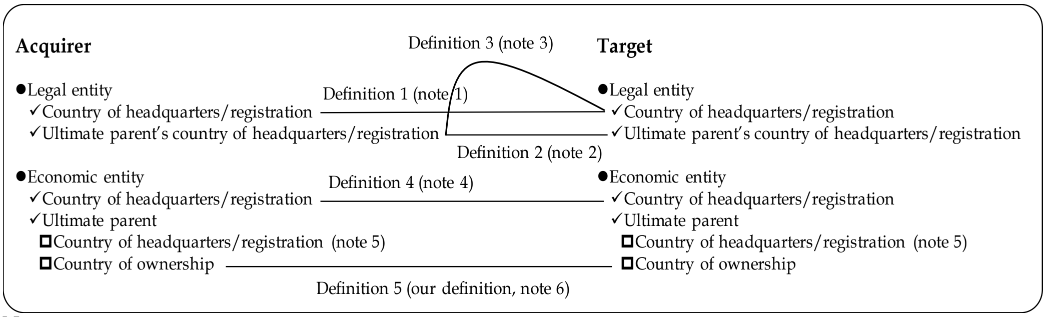
Furthermore, we define a firm's nationality as the country of ownership (i.e., the ultimate controller's country) in order to emphasise the control right and capital source. A firm's ultimate controller can be a government agency or an individual. For an individual, in addition to country of citizenship, we also take into account the country where the person was located before high school graduation to reflect the influence of country culture and education on the person's personality.[8] To sum up, we define a cross-border M&A as an M&A deal in which the nationality of the target's economic entity is different from that of the acquirer's economic entity, where a firm's nationality refers to the country of its ultimate controller.

Figure 3 summarises the definitions of cross-border M&A in the existing literature. For

[8] This definition is only applicable to Chinese firms.

the literature on the legal entities of acquirers (targets), we classify the definitions of cross-border M&A into three categories: (1) the nationality of a single legal entity is defined as its own country where it is either headquartered or registered,[9] (2) the nationality of a single legal entity is defined as its ultimate parent's country, and (3) the nationality of an acquirer's legal entity is defined as its ultimate parent's country, but the nationality of a target's legal entity is defined as its own country. On the basis of these definitions, some papers make a few adjustments in their sample. For example, to exclude mixed cases where foreign (direct) acquirers may execute the decisions of their domestic parents and vice versa, some prior studies use Definition 1 and further require that the acquirer's legal entity and the ultimate parent of the target's legal entity come from different countries (Sun *et al.*, 2017), or that the target's legal entity and the ultimate parent of the acquirer's legal entity come from different countries (Weitzel and Berns, 2006), or that the legal entity of the acquirer is headquartered and registered in the same country (Nadolska and Barkema, 2007; Guo *et al.*, 2012). In the literature on the economic entities of acquirers (targets), the nationality of an economic entity is defined as its own country (Definition 4), regardless of the ultimate parent.

Figure 3 Definitions of Cross-Border M&A in Existing Literature



Notes:

1. Definition 1: a cross-border M&A deal is an M&A deal in which the target's legal entity and the acquirer's legal entity are headquartered (registered) in different countries.
2. Definition 2: a cross-border M&A deal is an M&A deal in which the ultimate parents of the target's legal entity and the ultimate parents of the acquirer's legal entity are headquartered (registered) in different countries.
3. Definition 3: a cross-border M&A deal is an M&A deal in which the target's legal entity and the ultimate parent of the acquirer's legal entity are headquartered (registered) in different countries.[10] At present, no papers use Definition 3 based on the country of registration. However, similar to other definitions of cross-border M&A, Definition 3 based on the country of registration is probably a reasonable measurement of cross-border M&A. Thus, it is still shown in the figure.
4. Definition 4: a cross-border M&A deal is an M&A deal in which the target's economic entity and the acquirer's economic entity are headquartered (registered) in different countries. At present, no papers use Definition 4 based on the country of headquarters. However, similar to other definitions of cross-border M&A, Definition 4 based on the country of headquarters is probably a reasonable measurement of cross-border M&A. Thus, it is still shown in the figure.
5. At present, no papers use Definition 5. However, similar to Definition 2, Definition 5 is probably a reasonable measurement of cross-border M&A. Thus, it is still shown in the figure.
6. Definition 5 (our definition): a cross-border M&A deal is an M&A deal in which the nationality of the target's economic entity is different from that of the acquirer's economic entity, where a firm's nationality refers to the country of its ultimate controller (a government agency or an individual).

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[9] We are concerned about whether the ultimate parent is reflected in the definition of cross-border M&A. Thus, we do not take into account the potential difference between headquartered countries and registration countries.

[10] Definition 3 comes from Thomson Financial's SDC Mergers and Acquisitions database.

The existing literature primarily defines acquirer/target on the basis of the concept of legal entity, and only a few studies are concerned about the economic entity.[11] Moreover, the majority of the studies define the nationality of an acquirer (or target) on the basis of the legal entity's country of domicile (Definition 1), while only a minority of papers take into account the domicile country of the ultimate parent (Definitions 2 and 3).[12] However, a parent can strategically establish a subsidiary in any country worldwide through M&As, greenfield investments, or other alternative entry modes. Thus, a subsidiary's nationality (country of headquarters or registration) may differ significantly from its ultimate parent's nationality (country of headquarters, registration, or ownership).[13] This is more common for multinational firms. Compared with non-multinational firms, multinational firms are more likely to engage in cross-border M&As due to motivations and advantages such as firm size, profitability, and international experience. Therefore, it is particularly important for researchers to identify the acquirer/target and its nationality. In addition, despite the consideration of the ultimate parent, Definition 3 is problematic because it uses different criteria to identify the nationality of the acquirer and the target: that is, a firm's nationality in Definition 3 is not exogenous and depends on its position in a cross-border deal.

Note that our definition of cross-border M&A is not applicable for certain research topics. For example, Hanlon *et al.* (2015) investigate the effect of tax on US firms' foreign acquisitions. Under the US tax system, tax jurisdiction refers to a firm's place of registration, and the firm's worldwide earnings should eventually be taxed in the home jurisdiction. Thus, to explore how a US parent uses a foreign subsidiary's acquisitions to avoid the tax, Hanlon *et al.* (2015) define the acquirer on the basis of the economic entity but use the country of registration to proxy for nationality, regardless of the ultimate parent's country of registration, headquarters, and ownership.

III. Descriptive Statistics

In this section, we provide descriptive statistics on the distribution of the cross-border M&A literature by publication year, journal level, research methodology, definition of cross-border M&A (entity type and nationality), geography, and research question, respectively. These descriptive statistics are provided separately for the literature in Chinese and English language journals to better understand the literature distribution in both types of journals.

3.1 Publication Year

[11] See Table 5 for distribution of publications.
[12] See Table 6 for distribution of publications.
[13] Using a random sample of Chinese listed firms, we examine the extent to which a subsidiary's nationality (headquartered or registration country) differs from its ultimate parent's nationality (country of headquarters, registration, or ownership). The result is consistent with our prediction. For brevity, we provide the result in Internet Appendix B.

Table 2 lists the number of publications by year. While English language journals in management focus on theoretical research, journals in accounting, finance, and economics require more rigorous data analysis. We therefore separately count the publications in these two subfields (the same as Table 3-4).

There are 148 publications on cross-border M&As in English language journals. Papers in accounting, finance, and economics account for approximately 50% of these publications. Since 2004, there has been a gradual increase in the number of publications, but until 2017, the yearly number of publications is stable, with a temporary growth spurt in the period 2008 to 2010. There are 70 papers on cross-border M&As in Chinese journals. This figure, which is less than half the number of cross-border M&A publications in English language journals, indicates that cross-border M&As have not received significant attention from Chinese researchers.

Table 2 Number of Publications by Year

	English journal				Chinese journal
Year	(1) Accounting, finance, and economics	(2) Management	Total	(1)%	Number
-1999	23	15	38	61%	7
2000	2	2	4	50%	4
2001	0	1	1	0%	2
2002	0	0	0	-	3
2003	0	0	0	-	4
2004	3	2	5	60%	2
2005	5	0	5	100%	2
2006	3	2	5	60%	3
2007	3	4	7	43%	3
2008	7	3	10	70%	1
2009	4	9	13	31%	4
2010	4	9	13	31%	3
2011	6	2	8	75%	5
2012	4	1	5	80%	3
2013	4	2	6	67%	3
2014	3	4	7	43%	4
2015	6	3	9	67%	5
2016	4	4	8	50%	6
2017.05	2	2	4	50%	6
Total	83	65	148	56%	70

Note that the unit of observation is an article.

3.2 Journal Level

Table 3 highlights the number of publications by journal level. We count English language journals in management separately for the reason set out above for Table 2. The percentage of A-level publications in both English and Chinese is less than 30%. This indicates that more high-quality research is needed in both English and Chinese journals.

Table 3 Number of Publications by Journal Level

Journal level	English journal				Chinese journal
	(1) Accounting, finance, and economics	(2) Management	Total	(1)%	Number
A	33	6	39	85%	21
B	50	59	109	46%	49
Total	83	65	148	56%	70
A%	40%	9%	26%		30%

Note that the unit of observation is an article.

3.3 Methodology

Table 4 shows the number of publications by the research method adopted. We first classify each paper as either analytical research or empirical research depending on whether it involves data analysis. Analytical research does not use a data analysis approach, whereas empirical research entails engaging in data analysis. We classify analytical research into two categories: normative and modelling. We also classify empirical research into five categories: archival studies, experimental studies, surveys, case studies, and field studies. For the reasons set out above in respect of Table 2, we count English language journals in management separately.

We find that the empirical methodology is the most used method in English language journals. Specifically, 90% of the literature in English language journals involves empirical research, and 98% of that empirical work involves the use of large samples: that is, archival, experimental, and survey studies. Compared with research in accounting, finance, and economics, research in management uses a more diverse set of methodologies. Research in management features a relatively high proportion of analytical research and, in the context of empirical research, relatively extensive use of archival and survey studies.

Only 66% of the literature in Chinese journals involves empirical research, and 65% of that empirical work involves the use of large samples. In addition, a relatively large proportion of the papers adopt analytical research and small sample approaches, such as case studies. The relative dominance of theoretical studies and the paucity of empirical studies imply that Chinese research on cross-border M&As is still in its infancy. This is consistent with our findings in section IV.

New techniques and methodologies play a role in further research. The study by Yan *et al.* (2016) is the first to propose a tailored model learning algorithm in the M&A field; the study suggests that investors' M&As influence each other and occur in a cascading fashion. The traditional multiple regression model is unable to flexibly capture both the dynamics of past M&A events and the prospective events in continuous time space. To solve the problem, Yan *et al.* (2016) use Hawkes processes, which can naturally incorporate an M&A's timestamp and explore dynamic information, thereby predicting an investor's prospective M&A. Using textual analysis, Li *et al.* (2019) investigate the role of stock exchange comment letters in domestic M&As. They compare the texts in the initial and revised M&A reports and find that comment letters in domestic M&As can reduce information asymmetry, thereby improving post-M&A performance. In the field of international trade, social network analysis is widely used to explore the structure of international trade. The dimensions of a network, including centrality, strength, and heterogeneity, are often used to recognise a country's (or a country-industry's) position in the global value chain as well as the characteristics of its trade networks; this mitigates the limitations of traditional financial and trade indicators (Albert and Barabási, 2002; Ma *et al.*, 2016). The techniques and methodologies adopted in other areas may open new avenues for further research on cross-border M&As.

Table 4 Number of Publications by Research Methodology

		English journal				Chinese journal
Research methodology		(1) Accounting, finance, and economics	(2) Management	Total	(1)%	Number
Analytical	Normative	2	6	8	25%	18
	Model	5	2	7	71%	6
Empirical	Archival	76	39	115	66%	25
	Experimental	0	1	1	0%	4
	Survey	0	14	14	0%	1
	Case	0	1	1	0%	16
	Field	0	2	2	0%	0
Total		83	65	148	56%	70
Empirical/Total%		92%	88%	90%		66%
(Archival+Experimental+ Survey)/Empirical%		100%	95%	98%		65%

Note that the unit of observation is an article. If one article adopts two or more research methods, we count the primary one.

3.4 Definition of Cross-Border M&A

We provide descriptive statistics on the definition of cross-border M&A along two dimensions: entity type and nationality of the acquirer or target. Our aim is to provide a cohesive picture of the definition of cross-border M&A in the literature. We limit the scope of our descriptive statistics in sections 3.4 to 3.6 to large-sample empirical research (i.e., archival, experimental, and survey studies) for two reasons. First, our primary concern is with large-sample studies. Second, given that they lack data analysis, studies using other methodologies provide almost no definition or description of the sample in context, which makes it difficult to infer the definition of cross-border M&A that these studies use.

Table 5 presents the distribution of publications classified by the entity type of the acquirer or target. We find that up to 97 to 98 per cent of the papers focus on the legal entity of an acquirer and/or a target, and only 2 to 3 per cent of the papers define the acquirer or the target on the basis of the substantive nature of the economic entity. The latter approach facilitates the analysis of business groups' cross-border M&A activities.

Table 5　Number of Large-Sample Empirical Publications by Entity Type

	English journal		Chinese journal	
Entity type of acquirer/target	Number	Total%	Number	Total%
Legal entity	127	98%	29	97%
Economic entity	3	2%	1	3%
Total	130	100%	30	100%

Note that the unit of observation is an article.

Table 6 reports the distribution of publications classified by the nationality of the acquirer or target. In general, the meaning of "cross-border M&A" is ambiguous. Up to 56% and 60% of the papers published in English and Chinese journals, respectively, do not provide a clear description of nationality. In addition, most of the commonly used definitions of nationality are based on the country of origin of a single legal entity (i.e., Definition 1). This indicates that much like the approach for the entity type, the majority of the studies ignore the ultimate parent firm in the definition of nationality.

Table 6　Number of Large-Sample Empirical Publications by Definition of Nationality

Definition				English journal		Chinese journal	
No.	Entity type	Acquirer's nationality	Target's nationality	N	Total%	N	Total%
X	Legal entity	No disclosure		73	56%	18	60%
1		Legal entity's country	Legal entity's country	49	38%	9	30%
2		Ultimate parent's country	Ultimate parent's country	1	1%	2	7%
3		Ultimate parent's country	Legal entity's country	4	3%	0	0%
X	Economic entity	No disclosure		1	1%	0	0%
4		Economic entity's country	Economic entity's country	2	2%	1	3%
Total				130	100%	30	100%

Note that the unit of observation is an article.

3.5 Sample Characteristics

We report descriptive statistics on the sample characteristics along two dimensions: geography and listing status. We limit the scope of our descriptive statistics to large-sample empirical research for the reasons set out in section 3.4.

Table 7 Number of Publications by Geographic Location of the Sample

Panel A: Summary statistics of large-sample empirical analyses on acquirers

		English journal			Chinese journal		
Geographic location of acquirer	Geographic location of target	N	Subtotal%	Total%	N	Subtotal%	Total%
Developed market	Developed market	94	91%	88%	0	0%	0%
	Emerging market	6	6%	6%	2	100%	8%
	No restriction	3	3%	3%	0	0%	0%
	Subtotal	103	100%	96%	2	100%	8%
Emerging market	Developed market	4	80%	4%	12	55%	50%
	Emerging market	1	20%	1%	0	0%	0%
	No restriction	0	0%	0%	10	45%	42%
	Subtotal	5	100%	5%	22	100%	92%
Total		107		100%	24		100%

Panel B: Summary statistics of large-sample empirical analyses on targets

		English journal			Chinese journal		
Geographic location of target	Geographic location of acquirer	N	Subtotal%	Total%	N	Subtotal%	Total%
Developed market	Developed market	32	94%	82%	0	0%	0%
	Emerging market	2	6%	5%	3	100%	33%
	No restriction	0	0%	0%	0	0%	0%
	Subtotal	34	100%	87%	3	100%	33%
Emerging market	Developed market	6	86%	15%	4	67%	44%
	Emerging market	0	0%	0%	0	0%	0%
	No restriction	1	14%	3%	2	33%	22%
	Subtotal	7	100%	18%	6	100%	67%
Total		39		100%	9		100%

Notes:

1. The unit of observation is the geographic location of the acquirer-geographic location of the target-article in Panel A and the geographic location of the target-geographic location of the acquirer-article in Panel B. If an article contains subsamples in different geographic locations or focuses simultaneously on the acquirer and the target, we separately count the article in all of the groups to which it belongs. In addition, the unit of observation in the "Subtotal" and "Total" rows is an article: that is, each article is counted only once.
2. According to the sample description, we identify the geographic location of the acquirer and the target in each article, regardless of the entity type and the definition of nationality. If an article has no restriction on the geographic location of the acquirer (target), we classify the article on the basis of the geographic location of the largest part of the sample used.

Table 7 presents the distribution of publications by the geographic location of the sample. According to the sample description, we identify the geographic location of the acquirer and the target in each paper, regardless of the entity type and definition of nationality. Panel A reports the results for research on acquirers. We find that in English language journals, only 5% of the studies discuss acquirers from emerging markets. This contrasts with the approach of Chinese journals, where the main focus is on acquirers from emerging markets, especially

China; unfortunately, this consists of a relatively small number of studies. According to UNCTAD, in 2013, the value of cross-border M&As by acquirers from developing and emerging countries accounted for 49.9% of the total value of global cross-border M&As, approximately equal to that of developed countries. This suggests that acquirers from emerging markets are becoming increasingly important in global M&A markets. Thus, more research is needed on cross-border M&As by acquirers from emerging markets.

Panel B reports the results for research on targets. We find that the number of studies on targets is relatively small (39 in English language journals, 9 in Chinese language journals) and two thirds less than the numbers of studies on acquirers (107 in English language journals, 24 in Chinese language journals). Moreover, English language journals pay more attention to targets from developed markets, whereas Chinese journals focus primarily on targets from emerging markets, especially China.

Table 8 Number of Publications by Listing Status of the Sample

Panel A: Summary statistics of large-sample empirical analyses on acquirers

		English journal			Chinese journal		
Geographic location of acquirer	Listing status of acquirer	N	Subtotal%	Total%	N	Subtotal%	Total%
Developed market	Listed	69	67%	64%	0	0%	0%
	Unlisted	0	0%	0%	0	0%	0%
	No restriction	42	41%	39%	2	100%	8%
	Subtotal	103	100%	96%	2	100%	8%
Emerging market	Listed	3	60%	3%	8	36%	33%
	Unlisted	0	0%	0%	0	0%	0%
	No restriction	2	40%	2%	14	64%	58%
	Subtotal	5	100%	5%	22	100%	92%
Total		107		100%	24		100%

Panel B: Summary statistics of large-sample empirical analyses on targets

		English journal			Chinese journal		
Geographic location of target	Listing status of target	N	Subtotal%	Total%	N	Subtotal%	Total%
Developed market	Listed	24	71%	62%	0	0%	0%
	Unlisted	0	0%	0%	0	0%	0%
	No restriction	10	29%	26%	3	100%	33%
	Subtotal	34	100%	87%	3	100%	33%
Emerging market	Listed	1	14%	3%	5	83%	56%
	Unlisted	0	0%	0%	0	0%	0%
	No restriction	6	86%	15%	1	17%	11%
	Subtotal	7	100%	18%	6	100%	67%
Total		39		100%	9		100%

Notes:

1. The unit of observation is the listing status of the acquirer-geographic location of the acquirer-article in Panel A and a listing status of the target-geographic location of the target-article in Panel B. If an article contains subsamples in different listing statuses or focuses simultaneously on the acquirer and target, we separately count the article in all of the groups to which it belongs. In addition, the unit of observation in the "Subtotal" and "Total" rows is an article: that is, each article is counted only once.
2. According to the sample description, we identify the geographic location of the acquirer and the target in each article, regardless of the entity type and the definition of nationality. If an article has no restriction on the geographic location of the acquirer (target), we classify the article on the basis of the geographic location of the largest part of the sample used.

Table 8 reports the distribution of publications by listing status in the sample. We find that in both English and Chinese journals, studies on acquirers (targets) focus on listed acquirers (targets) or do not specify whether the acquirers (targets) are listed.[14] At present, there is very little research on unlisted firms due to data limitations, which poses significant challenges in interpreting unlisted firms' cross-border M&A activities.

3.6 Research Question

Table 9 shows the number of publications by research question. We limit the scope of our descriptive statistics to large-sample empirical research for the reasons set out in section 3.4. Panel A reports the results for research on acquirers. We find that studies on acquirers from developed markets have traditionally dominated in English language journals. Among these studies, 18%, 44%, and 54% address RQ1, RQ2, and RQ3, respectively.[15] RQ2.1 studies account for approximately 60% of RQ2 research; the number of studies on RQ2.2 to RQ2.5 is relatively small. Up to 95% of the RQ3 papers focus on the consequences of cross-border M&As to acquirer shareholders (RQ3.1.1). However, we know little about how cross-border M&As affect acquirers' other stakeholders, industry, and country (RQ3.1.2, RQ3.2, and RQ3.3). This offers opportunities for future research.

Chinese journals focus primarily on acquirers from emerging markets, especially China. Among the studies on emerging markets, 18%, 41%, and 41% address RQ1, RQ2, and RQ3, respectively. It is notable that up to 56% of the RQ2 studies pay attention to RQ2.5, indicating that Chinese researchers are concerned about the successes and failures of cross-border M&A bids. In the RQ3 research, RQ3.2 and RQ3.3 have received no attention; these may therefore be interesting areas for future research.

Panel B reports the results for research on targets. We find that studies on targets from developed markets have traditionally dominated in English language journals. These studies predominantly focus on RQ3.1, with less attention being paid to RQ3.2 and RQ3.3. In contrast, Chinese researchers are more concerned about targets from emerging markets, especially those from China. Research on both RQ3.1 and RQ3.2 plays an important role in Chinese

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[14] Take, for example, research on acquirers. We classify the limited studies involving unlisted acquirers into two categories: (1) those that do not use firm-level financial data in their analysis, such as Ahern *et al.* (2015) and Zhang and Zhou (2010); and (2) those that use firm-level financial data. In English language journals, researchers rely primarily on surveys to gather financial data on unlisted acquirers, such as Uhlenbruck (2004) and Morosini *et al.* (1998). Some researchers have unique data sources. For example, Blouin *et al.* (2005) have access to data from the Statistics of Income, Washington, D.C. headquarters; Chen (2008) collects data from *Japanese Overseas Investment 1985–1986* and the Japanese Ministry of Finance. In Chinese journals, most research (Jiang, 2017; Huang and Yang, 2014) primarily uses the Annual Industrial Survey Database of the National Bureau of Statistics of China (NBSC), which contains financial information on unlisted firms in China. In addition, Liu *et al.* (2009) obtain financial data from surveys as well as from the Jiangsu Provincial Foreign Equity and Foreign Investment Enterprise Database provided by the Jiangsu Branch of State Administration of Foreign Exchange.

[15] We do not exclude studies with certain errors or problems from the scope of our descriptive statistics. For example, some papers on RQ1 have sample selection errors, and a number of studies on RQ2 and RQ3 suffer from self-selection and the threat to external validity caused by selection bias (see section IV for details).

journals, but further research on RQ3.3 is needed.

Table 9 Number of Publications by Research Question

Panel A: Summary statistics of large-sample empirical analyses on acquirers

Geographic location of acquirer	Research question		English journal N	English journal Subtotal%	English journal Total%	Chinese journal N	Chinese journal Subtotal%	Chinese journal Total%
Developed market	RQ1-cause	Subtotal	19	100%	18%	1	100%	50%
	RQ2-M&A process	RQ2.1-target selection	27	60%	26%	1	100%	50%
		RQ2.2-control choice	6	13%	6%	0	0%	0%
		RQ2.3-acquisition price premium	9	20%	9%	0	0%	0%
		RQ2.4-payment method	7	16%	7%	0	0%	0%
		RQ2.5-deal completion	9	20%	9%	0	0%	0%
		Subtotal	45	100%	44%	1	100%	50%
	RQ3-consequence	RQ3.1-firm level						
		RQ3.1.1-shareholders	53	95%	51%	0	-	0%
		RQ3.1.2-other stakeholders	2	4%	2%	0	-	0%
		RQ3.2-industry level	1	2%	1%	0	-	0%
		RQ3.3-country level	0	0%	0%	0	-	0%
		Subtotal	56	100%	54%	0	-	0%
	Total		103		100%	2		100%
Emerging market	RQ1-cause	Subtotal	0	-	0%	4	100%	18%
	RQ2-M&A process	RQ2.1-target selection	0	0%	0%	3	33%	14%
		RQ2.2-control choice	0	0%	0%	0	0%	0%
		RQ2.3-acquisition price premium	1	50%	20%	1	11%	5%
		RQ2.4-payment method	0	0%	0%	0	0%	0%
		RQ2.5-deal completion	1	50%	20%	5	56%	23%
		Subtotal	2	100%	40%	9	100%	41%
	RQ3-consequence	RQ3.1-firm level						
		RQ3.1.1-shareholders	3	100%	60%	6	67%	27%
		RQ3.1.2-other stakeholders	0	0%	0%	3	33%	14%
		RQ3.2-industry level	0	0%	0%	0	0%	0%
		RQ3.3-country level	0	0%	0%	0	0%	0%
		Subtotal	3	100%	60%	9	100%	41%
	Total		5		100%	22		100%

Panel B: Summary statistics of large-sample empirical analyses on targets

Geographic location of target	Research question		English journal N	English journal Total%	Chinese journal N	Chinese journal Total%
Developed market	RQ3-consequence	RQ3.1-firm level				
		RQ3.1.1-shareholders	27	79%	0	0%
		RQ3.1.2-other stakeholders	2	6%	3	100%

		RQ3.2-industry level	5	15%	0	0%
		RQ3.3-country level	0	0%	0	0%
	Total		34	100%	3	100%
Emerging market	RQ3-consequence	RQ3.1-firm level				
		RQ3.1.1-shareholders	5	71%	4	67%
		RQ3.1.2-other stakeholders	1	14%	0	0%
		RQ3.2-industry level	1	14%	4	67%
		RQ3.3-country level	0	0%	0	0%
	Total		7	100%	6	100%

Notes:
1. The unit of observation is the research question-geographic location of the acquirer-article in Panel A and the research question-geographic location of the target-article in Panel B. If an article contains subsamples from different geographic locations or focuses simultaneously on the acquirer and the target, we separately count the article in all groups to which it belongs. The unit of observation in the "Subtotal" and "Total" rows is an article: that is, each article is counted only once.
2. According to the sample description, we identify the geographic location of the acquirer and the target in each article, regardless of the entity type and the definition of nationality. If an article has no restriction on the geographic location of the acquirer (target), we classify the article on the basis of the geographic location of the largest part of the sample used.

IV. Main Findings

Compared with research on targets, research on acquirers dominates in the cross-border M&A research,[16] with strong theoretical and methodological guidance.[17] There is a large number of studies on acquirers in English language journals. Research in Chinese journals is still in its infancy, with only a small number of empirical studies. Research in English language journals pays great attention to developed markets. Thus, the findings and conclusions of this body of research may not be applicable to emerging markets, especially to a country like China whose economy is dominated by SOEs. In addition, research on acquirers focuses primarily on listed firms and lacks any in-depth discussion of unlisted firms.[18] The findings of this body of research may therefore not be applicable to unlisted firms. Future research addressing these concerns would be of great benefit.

4.1 Cross-Border M&A Research in English Language Journals

In general, there is a large number of studies on acquirers in English language journals. The research is primarily concerned about cross-border M&As by firms from developed markets. This type of research involves few empirical RQ1 studies because of the difficulty in identifying M&A motivations and research design challenges. Despite a large number of studies on RQ2 and RQ3, some researchers ignore selection bias and the associated threat to external validity, which limits the generalisability of their results. The RQ3 studies focus primarily on RQ3.1, in particular on the effects of cross-border M&As on the acquirer shareholders (R Q3.1.1). However, there is little or no evidence of how cross-border M&As

[16] See Table 7 in section III for the distribution of publications.
[17] For brevity, we provide a detailed discussion of studies on targets in Internet Appendix C.
[18] See Table 8 in section III for the distribution of publications.

affect the acquirer's other stakeholders, industry, and country (RQ3.1.2, RQ3.2, and RQ3.3).

4.1.1 What drives cross-border M&As?

Theoretical studies suggest that a firm's cross-border M&A decisions are driven by internal factors, such as motivations, competencies, and human psychological characteristics, as well as external country- and industry-level factors. However, because of the difficulty in identifying M&A motivations and research design issues, empirical RQ1 studies are few in number. In addition, research on RQ1 focuses primarily on developed markets dominated by non-SOEs, with little attention paid to emerging markets dominated by SOEs. Further research is needed on these topics.

Domestic M&A research provides clear theoretical arguments to explain the determinants of M&As; these determinants also drive cross-border M&As. The synergy hypothesis proposes that M&As take place when the predicted value of the combined firm is greater than the sum of the values of the individual firms.[19] The additional value, or synergistic gain, is derived from the reallocation of resources between the firms. The synergy hypothesis is premised on the assumption that managers choose M&As to maximise shareholder wealth. The agency cost hypothesis[20] asserts that M&As are driven by managerialism. For example, managers have the incentive and discretion to engage their firms in M&As aimed at empire building (Jensen, 1986) or reducing their largely undiversifiable risk of losing jobs (Amihud and Lev, 1981). Advantages such as increased profitability, better access to capital, and prior M&A experience facilitate the completion of M&As and thus increase the probability of M&As (Harford, 1999; Gorton *et al.*, 2009; Bena and Li, 2014; Harford and Uysal, 2014; Harford and Schonlau, 2013). Human psychological characteristics can also help to explain M&A decisions. For example, the limited rationality of the stock market (Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004) and managerial overconfidence (Roll, 1986) may lead to overvaluation, which increases the probability that a merger will occur.

Country- and industry-level factors, such as financial market conditions (Maksimovic *et al.*, 2013), can also drive M&As directly or affect M&As indirectly through firm-level factors. Several studies suggest that economic disturbances or industry shocks contribute to extensive M&A activities both among industries and over time. Examples of shocks include deregulation, changes in input costs, and innovations in financing technology that induce or

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[19] The synergy motivation can be further divided into an operating and a financial motivation (Halpern, 1983; Jensen and Ruback, 1983; Lewellen, 1971). The operating motivation is based on the attempt to improve operational efficiency, such as adopting complementary resources and technologies, realising economies of scale and scope, obtaining monopoly power in product markets, and replacing an incompetent management team. The financial motivation is the attempt to optimise the financial structure, including avoiding bankruptcy costs through diversification, redeploying excess cash held either by the acquirer or by the target, using the target's unused debt capacity, and using underutilised tax and other types of tax advantages.

[20] It is also called the managerialism hypothesis.

enable changes in industry structure (Gort, 1969; Mitchell and Mulherin, 1996).

Some researchers focus on factors that potentially affect cross-border M&As but are not present to the same extent in domestic M&As. National boundaries are likely to be associated with imperfections and higher costs in product and/or factor markets. Thus, international factors, such as economic and institutional differences, can lead to synergy or agency considerations that motivate cross-border M&As. Exchange rate fluctuations and regulatory differences are examples of such international factors (Doukas and Travlos, 1988; Erel *et al.*, 2012; Harris and Ravenscraft, 1991).

Table 10 Research on Causes of Cross-Border M&As (RQ1): Evidence from Literature on Acquirers in Developed Markets

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	CEO overconfidence	A	Overvaluation of synergy→(+)cause	1
	Cross-listing	A	Reduce agency problem & convenience in trading →(+)cause	2
	Experience	A	Coordination skill→(+)cause	1
Panel B: External factors				
Country	Taxation	A	Agency consideration→(+)tax avoidance→(+)cause	1
Industry	-	-	-	-

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

Table 10 shows that despite the existence of a rich theoretical literature, there are few empirical RQ1 studies. Prior research demonstrates that cross-border M&As are positively related to CEO overconfidence (Ferris *et al.*, 2013) and M&A experience (Nadolska and Barkema, 2007); this is similar to the findings of domestic M&A research. Some studies discuss the role of cross-listing and expect that cross-listing reduces transaction costs and thus drives cross-border M&As (Kumar and Ramchand, 2008; Tolmunen and Torstila, 2005). Cross-listing is believed to be associated with better investor protection and information transparency, as is typical of developed markets such as the United States. Furthermore, an acquirer can strategically list shares in the home market of a target and voluntarily dilute dominant shareholder control through capital raising events. These factors are all believed to lead to a higher likelihood of successful acquisitions and lower acquisition costs. Cross-listed stocks also provide a useful form of payment in acquisitions because of their convenience in trading and potential home bias. However, empirical evidence of the implications of cross-listing for cross-border M&A activity is mixed, possibly due to research design differences and self-selection issues. Hanlon *et al.* (2015) examine the effect of US tax laws on cross-border M&As and find that potential repatriation taxes[21] are associated with agency-driven acquisitions.

The few empirical RQ1 studies focus primarily on firm-level factors. Moreover, the role of external country- and industry-level factors such as credit policy, financial market development, and anti-takeover and antitrust policies is underappreciated; this area offers opportunities for future research. Finally, the RQ1 literature suffers from two major limitations which pose significant challenges in further research.

One major limitation is that the motivations that significantly drive firms' cross-border M&As are difficult to identify and measure. How to identify and investigate the factors that motivate cross-border M&As in a large sample of cross-border M&As poses a significant challenge for further research. Some papers use the sign of a measure of post-M&A performance, such as the stock market reaction to the deal or the firms' operating performance, to identify cross-border M&A deals motivated by synergies or agency problems (Seth *et al.*, 2000; Ozkan, 2012). However, they exclude firm-year observations in which firms decide not to conduct cross-border M&As, and thus do not in effect belong to the RQ1 research.[22]

Karolyi and Liao (2017) argue that unlike non-SOEs, which generally seek to maximise firm value, SOEs are generally driven by social, economic, and political objectives and so will have different motivations for engaging in cross-border M&As. There is little research on this issue because the literature focuses primarily on developed markets, which are dominated by non-SOEs. Further work is needed on the factors that motivate SOEs to engage in cross-border M&As as well as on the role of government in cross-border M&As.

The other major limitation is the issue of research design. At the decision-making stage of cross-border M&As, a firm has not yet initiated cross-border M&As. Thus, the sample in RQ1 studies consists of all firms. However, some studies exclude certain firm-year observations in which firms decide not to conduct cross-border M&As, so these studies hardly belong to the RQ1 research. We classify these papers into two broad groups. The first set of papers examines the choice between cross-border M&As and domestic M&As; their unit of observation is therefore an M&A deal. The relevant factors they examine include firm-level factors on the acquirer's side, such as institutional ownership (Andriosopoulos and Yang, 2015), firm size and stock price movements (Erel *et al.*, 2012) and country-level governance (Martynova and Renneboog, 2008). The second set of papers examines the choice faced by firms entering foreign countries, which must choose between acquisitions and other entry modes, such as greenfield investments, joint ventures, and strategic alliances; the unit of observation is therefore a cross-border deal. In addition to some theoretical studies (Chen, 2010; Hennart, 2009; Meyer and Estrin, 2001), numerous empirical studies have attempted to

[21] Generally, the US operates under a global tax system for earnings within a single legal entity. Specifically, profits earned in the US are taxed immediately, but profits earned in a foreign subsidiary are generally not taxed until these profits are distributed to the US parent company, usually in the form of a dividend.

[22] We classify these papers as RQ3 research.

explain the determinants of entry mode choices. The range of factors that they have suggested include the following: (1) firm-level factors, including investors' strategic considerations (Chen, 2008), diversity (Barkema and Vermeulen, 1998; Hennart and Park, 1993; Tan, 2009; Wilson, 1980), subsidiary autonomy (Slangen and Hennart, 2008), international experience (Buckley and Casson, 1998; Hennart and Park, 1993; Slangen and Hennart, 2008; Wilson, 1980), board characteristics and management compensation (Datta *et al.*, 2009), and ownership structure (Boellis *et al.*, 2016); (2) country-level factors, including cultural differences (Buckley and Casson, 1998; Kogut and Singh, 1988) and the host country's institutional environment (Dikova and van Witteloostuijn, 2007; Jandik and Kali, 2009); and (3) industry-level factors, including market structure (Buckley and Casson, 1998), tacit knowledge, and marketing intensity (Tan, 2009). We do not count these studies in Table 10, but the determinants examined in these studies are useful references for further research.

4.1.2 How does a firm carry out cross-border M&As?

Research on RQ2 focuses primarily on target selection (RQ2.1) and lacks discussion on control choice (RQ2.2), acquisition price premium (RQ2.3), payment method (RQ2.4), and deal completion (RQ2.5). Because of sample selection biases, some RQ2 studies suffer from self-selection concerns and external validity threats, which limit the generalisability of the results to a broader set of firms and countries.

4.1.2.1 Target selection

Target selection refers to the M&A process by which a prospective acquirer, once it decides to expand through an M&A, searches for and locks in on a target firm. An acquirer's decision on a target includes a consideration of the country characteristics, industry characteristics, and firm characteristics associated with the target firm, such as the choice of a related or unrelated target. Table 11 presents the state of the RQ2.1 literature. Evidence suggests that target selection is affected by a variety of factors. Research on RQ2.1 focuses on firm- and country-level factors while paying less attention to industry- and deal-level factors. Some RQ2.1 papers do not control for selection bias, such as the effect of the acquirer's characteristics on target selection (Hisey and Caves, 1985). The paucity of research on industry- and deal-level factors as well as the need to deal with selection bias provide opportunities for future research.

Some micro-level studies suggest that the firm-specific characteristics of an acquirer affect target selection. Hisey and Caves (1985) find that the combination of an acquirer's intangible assets, such as superior research and development (R&D), sales, and managerial capacity, and the target's basic activity often yields more firm value; as such, an acquirer with advantages in intangible assets generally prefers a related target. In contrast, when an acquirer with low profitability and development needs to expand into a new market, it is more likely to acquire an unrelated target. Ferris *et al.* (2013) expect that CEO overconfidence has a positive effect on M&A diversification, but they are unable to find significant evidence to support this proposition. Some researchers investigate the firm-specific characteristics of a target that make it attractive to a foreign acquirer, such as firm size, ownership structure, and R&D capability (Aharony and Barniv, 2004; Ferrecia *et al.*, 2010).[23]

Table 11 Research on Target Selection (RQ2.1): Evidence from Literature on Acquirers in Developed Markets

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Firm-specific characteristics	A	Differences in firm characteristics→differences in target selection	2
		T	Differences in target characteristics	2
	CEO overconfidence	A	Overvaluation of synergy→(+)target selection, e.g., unrelated targets	1
Panel B: External factors				
Country	Policy	A	Encourage cross-border M&As→(+)target selection	5
	Labour market regulation	T	Restrict dismissal of employees→(+)target selection, e.g., targets in high-tech sector	1
	Intellectual property rights protection	T	Improve productivity & profitability→(+)target selection	1
	Taxation	AT	Double taxation→(-)target selection	1
	Humanism	AT	Increase valuation and integration cost→(-)target selection	4
	Country governance	A	Accounting treatment for goodwill→target selection	1
		T	Weak country governance→(+)differences in governance→(+)synergy→(+)target selection Strong country governance→(-)inactive market for corporate control→(+)target selection	4
		AT	Similarity in governance→(-)information asymmetry→(+)target selection	1
	Political factor	T	Political intervention→(-)target selection	2
		AT	Differences in democratic system→(-)SOEs' target selection	1
	Resource	T	Human development→(+)target selection	1
	Country popularity	T	Investors' preference→(+)target selection	1
	Exchange rate	AT	Improve funding capacity & ability to pay→(+)target selection	3
	Stock market movement	AT	Improve funding capacity & ability to pay→(+)target selection	1
	Market development	T	Poor development→(+)integration cost→(-)target selection, e.g., unrelated targets	1
		AT	Increase integration cost→(-)target selection, e.g., unrelated targets	1
	Market barrier	T	-	-

[23] These papers focus primarily on the (potential) targets. We classify them as research on acquirers because they relate to the decision of the acquirer at the target selection stage.

		AT	Market barrier→(-)target selection, e.g., unrelated targets	1
	Foreign currency reserve	A	Foreign currency reserve→(+)SOEs' target selection	1
	Industrial structure	T	Strategic sector→(+)SOEs' target selection	1
		AT	Differences in industrial structure→(+)SOEs' target selection	1
	Domestic M&A activity	A	Government domestic M&A activity→(+)SOEs' target selection	1
	Productivity	A	-	-
		T	-	-
	Institutional ownership	T	Reduce information asymmetry and transaction cost→(+)target selection	1
Industry	Industrial advantage	A	-	-
Deal	-	-	-	-

Notes:

1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

A few studies focus on external factors. For example, several researchers explore the country-specific determinants of an acquirer's target selection or whether a firm is targeted, including country governance, such as investor protection and accounting standards (Cheng *et al.*, 1997; Martynova and Renneboog, 2008; Kim and Lu, 2013; Lel and Miller, 2015), taxation (Huizinga and Voget, 2009), and political intervention (Dinc and Erel, 2013; Jory and Ngo, 2014). Differences in humanism, economy, and market can influence coordination and integration costs and thus affect an acquirer's choice between a related or unrelated target (Hisey and Caves, 1985). Karolyi and Liao (2017) assess the differences in target selection between state-owned acquirers and non-state-owned acquirers. They observe that state-owned acquirers are more likely than non-state-owned acquirers to come from autocratic countries with higher levels of foreign currency reserves and more active domestic M&As; they are also more likely to pursue targets in countries with larger strategic sectors and with dissimilar industry structures.

The unit of observation in these papers is a firm or a cross-border M&A deal. A large number of studies use a country as the unit of analysis and examine the effect of country-specific factors on the volume of cross-border M&As in a target country: that is, target country selection. Regarding factors related to acquirers, some researchers investigate whether government policy in country A affects country A's investment through M&As in country T (Maule, 1968; Reuber, 1969, 1970; Maule, 1969, 1970). From the perspective of the targets, a large number of studies explore how the characteristics of country T or country pair A–T influence the volume of M&As between two countries. Country-specific characteristics include labour market regulation (Alimov, 2015); intellectual property rights protection

(Alimov and Officer, 2017); taxation (Huizinga and Voget, 2009); humanism, such as culture and language (Siegel *et al.*, 2011; Ahern *et al.*, 2015; Erel *et al.*, 2012); country governance, such as investor protection and accounting standards (Rossi and Volpin, 2004; Francis *et al.*, 2016); political intervention (Dinc and Erel, 2013); human development (Owen and Yawson, 2010); country popularity (Hwang, 2011); exchange rate and stock market movement (Adler and Dumas, 1975; Froot and Stein, 1991; Erel *et al.*, 2012); and institutional ownership (Ferrecia *et al.*, 2010). Mariotti and Piscitello (1995) go beyond country-specific analysis to use city-level data in one country to explore target city selection.

The main limitation of the above literature is that it focuses only on country-level factors and pays no attention to firm- and industry-level factors. Karolyi and Liao (2017) argue that the relative subservience of SOEs to national strategic considerations means that their choice of a target country is significantly affected by their government's preferences. They find that foreign currency reserves and government domestic M&A activities in country A, as well as the differences in democratic system and industrial structure between country A and country T, can affect country A's preference for country T, but strategic sectors in country T have no such effect.

4.1.2.2 Control choice

Control choice refers to the M&A process by which an acquirer decides the optimal level of control to exercise over a target after target selection. An acquirer needs to decide on the size of the equity stake to purchase and on whether to obtain the control rights over a target. The RQ2.2 literature provides multiple theoretical explanations for control choice but with little empirical support. Some RQ2.2 studies do not control for selection bias, such as the effect of the size of an acquirer on control choice (Chari and Chang, 2009). The need for additional empirical research and for such research to deal with selection bias issues provides opportunities for future research.

Table 12 presents the determinants of control choice as set out in the literature. Karolyi and Liao (2017) provide firm-level evidence of the differences in control preferences between SOEs and non-SOEs. They argue that compared with non-SOEs, which tend to focus on maximising firm value, SOEs are generally driven by national strategies and are thus more likely to engage in complete control (100%) transactions.

On the basis of the risks and the associated benefits and costs in cross-border M&As, researchers generally provide two theoretical explanations for control choice in M&As. The first explanation is that a firm prefers an M&A entry mode rather than greenfield investments or joint ventures because of the difficulties of separating the desired assets from the non-desired assets of the target. The high costs of separating desired assets have a negative effect on the size of the equity stake purchased by an acquirer. Chari and Chang (2009) find empirical evidence that the size of the target affects the acquirer's control preference but employment contract rigidity in the target country does not. The second explanation suggests that the information asymmetry between the acquirer and the target increases *ex ante* adverse selection and valuation costs as well as *ex post* moral hazards and integration costs; acquirer firms therefore reduce the equity stakes that they purchase when information asymmetry is high. Empirical evidence suggests that an acquirer's control preference is positively associated with the institutional ownership of the target firm (Ferrecia *et al.*, 2010) but negatively related to the humanism (e.g., culture, language, and religion) diversity in the acquirer country and the target country as well as their differences (Chari and Chang, 2009; Malhotra and Gaur, 2014; Cuypers *et al.*, 2015; Dow *et al.*, 2016). Chari and Chang (2009) find that the political and economic risks in the target country, as well as the industrial similarities between the two firms, may affect the choice of control to some extent but that industry-level uncertainty about the target has no effect.

Table 12 Research on Control Choice (RQ2.2): Evidence from Literature on Acquirers in Developed Markets

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Nature of ownership	A	SOEs→(+)national strategy→(+)control right	1
	Firm size	T	Large size→(+)asset separation cost→(+)minority stakes	1
	Institutional ownership	T	Reduce information asymmetry and transaction cost →(+)control right	1
Panel B: External factors				
Country	Humanism	A	Diversity of humanism→(+)understand its negative effect→(+)minority stakes	1
		T	Diversity of humanism→(+)information asymmetry →(+)minority stakes	1
		AT	Information asymmetry→(+)valuation and integration cost →(+)minority stakes	4
	Political factor	T	Political risk→(+)information asymmetry → (+)minority stakes	1
	Economic factor	T	Economic risk→(+)information asymmetry → (+)minority stakes	1
	Labour market regulation	T	Employment contract rigidity→(+)asset separation cost→(+)minority stakes	1
Industry	Technology	T	Information asymmetry→(+)valuation and integration cost→(+)minority stakes	1
	Industry relatedness	AT	Information asymmetry→(+)valuation and integration cost→(+)minority stakes	1
Deal	-	-	-	-

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

4.1.2.3 Acquisition price premium

The acquisition price premium refers to the extent to which the bid price paid by an acquirer exceeds the target value. As the premium is calculated using the target's stock prices, RQ2.3 research limits the targets to listed firms, regardless of the listing status of the acquirers.

For an acquirer, the bid price is the major cost in a cross-border M&A deal. Thus, it cannot be higher than the value created. For a seller, the bid price cannot be lower than the *ex post* target's value. Therefore, the premium paid by the acquirer depends on the expected magnitude of the synergy, the acquirer's ability to pay, and the valuation and bargaining power of both the acquirer and the seller.

Table 13 shows that there are few RQ2.3 studies. The literature focuses primarily on country-level factors. Only one paper pays attention to firm-level factors. Indeed, Tolmunen and Torstila (2005) discuss the role of cross-listing and expect that cross-listing by acquirers reduces the premium; this prediction is based on the claims that cross-listing opportunities are associated with better investor protection and that target shareholders in a cross-border M&A will generally prefer cross-listed stocks. However, their empirical results are inconsistent with their predictions.

Researchers also analyse country-level factors. Some researchers examine the effect of governance in the acquirer country and the target country on the premium. Burkart *et al.* (2014) argue in their model that stronger investor protection in the acquirer country increases the acquirer's wealth and external funding capacity, thereby increasing the premium in cross-border M&A deals. However, Rossi and Volpin (2004) obtain empirical results showing that the premiums of cross-border M&A deals are not driven by institutional differences between the two countries, despite the fact that foreign acquirers pay more than domestic acquirers. There are two competing views on the effects of governance in the target country. The first view is that weaker investor protection in the target country increases the barriers to entry and the importance of local partners. This results in lower bargaining power for the acquirer, forcing the firm to pay a higher premium. The other view is that weaker investor protection reduces the expected magnitude of synergistic gains, which reduces the acquirer's willingness to pay and thus lowers the premium. Weitzel and Berns (2006) examine the effect of target country corruption and find evidence in support of the second view.

However, the relationship between institutional differences and the premium is asymmetric and depends on the direction of investment flows. On the basis of cultural familiarity theory, Lim *et al.* (2016) argue that the absolute cultural distance between a given pair of countries may play a differential role in the expected information asymmetry and potential synergies depending on the degree of familiarity with each other's culture between the two countries. This may have an asymmetric impact on the premium. Some researchers discuss the effect of political intervention (Dinc and Erel, 2013) and tax treatments and accounting standards (Cheng *et al.*, 1997) on the premium. Madura *et al.* (2011) find that international takeover premiums have become more responsive to US premiums as the globalisation process across economies and financial markets has evolved, while country- and deal-specific variables have become less significant.

Some factors that receive considerably attention in emerging market research are ignored in the literature on developed markets.[24] Some researchers find that when pursuing targets in the natural resources, telecommunications, or other strategic sectors, Chinese acquirers pay more to increase the likelihood of deal completion (Sun *et al.*, 2017). However, the effect of the attributes of the target industry remains unknown to acquirers from developed markets. Further research is needed on these topics.

Table 13 Research on Acquisition Price Premium (RQ2.3): Evidence from Literature on Acquirers in Developed Markets

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Nature of ownership	A	-	-
	Cross-listing	A	Reduce agency problem & convenience in trading →(-)premium	1
Panel B: External factors				
Country	Political factor	T	Political intervention→(+)premium	1
	Taxation	A	Tax deduction for goodwill→(+)premium	1
		T	Tax deduction for investment→(+)premium	1
	Country governance	T	Weak country governance→(-)consequence→(-)premium Weak country governance→(+)market barrier → (+)bargaining power→(+)premium	1
		AT	Acquirer>target→(+)consequence & ability to pay →(+)premium	2
	Humanism	AT	Increase valuation and integration cost →(-)consequence→(-)premium	1
	US market	The third party	Globalisation→(+)effect of US market → premium	1
	National pride	A	-	-
		T	-	-
Industry	Technology	T	-	-
	Natural resource	T	-	-
Deal	-	-	-	-

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.
4. To test the premiums, some RQ2.3 studies (e.g., Cheng and Chan, 1995) control for various factors, including industry-level (e.g., whether the acquisition is in a related industry) and deal-level (e.g., deal value, payment method, deal type) factors. We do not count these factors (i.e., control variables) in the table.

[24] See Table 20.

4.1.2.4 Payment method

In the M&A process, an acquirer decides on the method of payment at the pre-completion stage. Forms of M&A payment include cash, stock, debt, and contingent payments. Given the large size of many M&A deals, the choice of payment method can have a significant impact on an acquirer's financing decision (e.g., debt or equity financing) in a cross-border deal and also on an acquirer's ownership structure, financial risk, tax, and subsequent financing decisions (Faccio and Masulis, 2005). Despite its importance, the choice of payment has received little attention. Moreover, some RQ2.4 studies do not control for selection bias, such as the effect of M&A experience and the size of the equity stake purchased by acquirers on payment choice (Reuer *et al.*, 2004). These matters remain open for future research.

Domestic M&A research provides rich theoretical and empirical studies that seek to explain the determinants of the M&A payment method; the findings of this line of research also drive the choice of payment in cross-border M&As. From the perspective of an acquirer, the choice of payment method can have a significant effect on the financing decision in an M&A deal as well as on the subsequent ownership structure, financial condition, and funding capacity. The factors associated with these economic decisions, such as the acquirer's financial risk (e.g., liquidity, leverage), financing constraints (e.g., debt capacity), firm and stock value (e.g., stock price), and information asymmetry in the valuation of the target (e.g., whether the acquisition is in an unrelated industry), can in turn influence the choice of payment. The payment method can be affected by the individual characteristics of the management of the acquirer, such as preferences for control rights. The payment method is also important to a seller. For example, a seller can derive tax benefits from stocks but will have to bear the risk of becoming a minority shareholder in the target and the associated agency problems; a cash payment has the opposite effect (Faccio and Masulis, 2005). Therefore, the choice of payment method should take into account the seller's preferences and associated factors such as the seller's financial risk (e.g., liquidity, leverage), financing constraints (e.g., debt capacity), the acquirer's firm and stock value (e.g., growth opportunity, agency problem, stock price), and information asymmetry in the valuation of the target (e.g., whether the acquisition is in an unrelated industry).

Furthermore, selling the stocks of an acquirer to foreign investors can cause several problems, including higher trading costs, lower liquidity, exposure to exchange risk, less timeliness, higher information asymmetry, and home bias (Faccio and Masulis, 2005). For these reasons, cross-border M&A deals are often concluded in cash (Huang *et al.*, 2016; Burns *et al.*, 2007; Rossi and Volpin, 2004).

The literature on RQ2.4 focuses on factors that potentially affect the payment method in cross-border M&As but are not present to the same extent in domestic M&As. Table 14 presents the state of the RQ2.4 literature. For firm-level factors, Ferris *et al.* (2013) find that CEO overconfidence can help to explain the prevalence of cash payments in cross-border

M&As. Some researchers expect cross-listing by the acquirer to be positively associated with stock payments due to the aforementioned claims that there is an association between cross-listing and good investor protection and that the target shareholders generally prefer cross-listed stocks; empirical evidence on this issue is mixed (Tolmunen and Torstila, 2005; Kumar and Ramchand, 2008). The M&A experience of the acquirer and uncertainty about the target's assets (e.g., when the assets consist largely of human capital and intangible assets) can influence the information asymmetry and valuation risk faced by the acquirer and thus the choice of contingent payouts (Reuer *et al.*, 2004).

For country-level factors, RQ2.4 studies pay more attention to the governance in the countries of the acquirer and the target. Research (Burns *et al.*, 2007; Rossi and Volpin, 2004) finds that strong investor protection in the acquirer country can mitigate the expropriation risk faced by the seller and therefore reduce the probability of cash payment. The investor protection in the target country can also influence the information asymmetry and valuation risk faced by the acquirer and thus the choice of contingent payouts (Reuer *et al.*, 2004). In addition, for industry- and deal-level factors, industrial similarities and the size of the equity stake purchased by the acquirer can affect the choice of contingent payouts through the risk channel (Reuer *et al.*, 2004).

Table 14 Research on Payment Method (RQ2.4): Evidence from Literature on Acquirers in Developed Markets

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Cross-listing	A	Reduce agency problem & convenience in trading →(+)stock payment	2
	Experience	A	Coordination skill→(-)contingent payout	1
	CEO overconfidence	A	Overvaluation of synergy→(+)cash payment	1
Panel B: External factors				
Country	Country governance	A	Strong country governance→(-)agency problem →(-)cash payment	2
		T	Weak country governance→(+)information asymmetry→(+)valuation risk→(+)contingent payout	1
Industry	Industry relatedness	AT	Information asymmetry→(+)valuation risk → (+)contingent payout	1
	Resource	T	Human capital & technology →(+)valuation risk →(+)contingent payout	1
Deal	Equity stakes to purchase	A	Investment risk→(+)contingent payout	1

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

4.1.2.5 Deal completion

Deal completion refers to whether a cross-border M&A deal can be successfully completed. At this stage, an acquirer has not yet initiated post-acquisition integration. Deal failure includes deal termination, withdrawal, abandonment, and expiration in the M&A process of detailed bidding, negotiation, and completion. Therefore, the sample in RQ2.5 research includes both completed and failed cross-border deals.

There are currently few studies on RQ2.5. Dinc and Erel (2013) compare the completion rate between cross-border and domestic M&As and find no inherent difficulties in completing cross-border M&As. Their findings suggest that cross-border M&As *per se* have no impact on deal completion. Some researchers analyse the determinants of deal completion, as shown in Table 15. The nature of ownership is an important firm-level factor in deal completion. Non-SOEs tend to focus on maximising firm value, whereas SOEs are generally driven by national strategic considerations. This gives rise to differences between SOEs and non-SOEs in terms of target selection, control choice and, payment method and thus in deal completion (Karolyi and Liao, 2017; Meyer and Altenborg, 2008). Other studies (Dikova *et al.*, 2010; Faelten *et al.*, 2014) discuss the role of experience, such as an acquirer's M&A experience and international experience and shareholders' international experience. Experience is a potentially valuable source of coordination skills and routines for a firm willing to acquire targets abroad which may increase the deal completion rate. Past experience may also moderate the negative effect of information asymmetry, which could mitigate challenges such as those arising from differences in governance and humanism and even facilitate the acquisition of an unrelated target; this would reduce the deal failure rate. In contrast, Nadolska and Barkema (2007) argue that early experience may have a negative impact because of the initial inability of a firm to determine what part of the knowledge and routines developed from prior experience can be effectively used in new settings. Zhou *et al.* (2016) emphasise that experience may have asymmetric impacts on deal completion depending on the direction of cross-border M&As: that is, whether the investment is inbound to an emerging market or outbound from an emerging market. From the perspective of targets, institutional ownership at the firm level may reduce information asymmetry and thus increase the likelihood of deal completion (Ferrecia *et al.*, 2010).

Some country-level factors increase the environmental complexity and transaction costs in M&A deals, thus reducing the deal completion rate, such as the differences between two countries in terms of governance and humanism (Dikova *et al.*, 2010) and political and economic risk (Zhou *et al.*, 2016). Firms can learn by observing the activities of peers and neighbours; these information spillovers make firms more likely to complete a cross-border M&A deal (Francis *et al.*, 2014). For the deal-level factors, Huang *et al.* (2016) find that stock payment has a negative impact on the deal completion rate. Zhou *et al.* (2016) argue that country- and deal-level factors may have asymmetric impacts on the deal completion rate depending on the direction of cross-border M&As, such as an investment inbound to an emerging market or outbound from an emerging market.

Table 15 Research on Deal Completion (RQ2.5): Evidence from Literature on Acquirers in Developed Markets

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Nature of ownership	A	SOEs→(+)national strategy→(-)deal completion	2
	Experience	A	Experience→(+)coordination skill→(+)deal completion Early experience→(-)ability to identify and analyse →(-)deal completion	4
	Institutional ownership	T	Reduce information asymmetry and transaction cost →(+)deal completion	1
	Cross-listing	A	-	-
Panel B: External factors				
Country	Country governance	T	-	-
		AT	Environmental complexity→(+)transaction cost →(-)deal completion	2
	Humanism	AT	Environmental complexity→(+)transaction cost →(-)deal completion	1
	Political factor	AT	Political risk→(+)environmental complexity→(-)deal completion	1
	Economic factor	AT	Economic risk→(+)environmental complexity → (-)deal completion	1
	Technology	AT	-	-
	M&A activity	A	M&A activities by other firms→(+)information spillover→(+)deal completion	1
		T	M&A activities of other firms→(+)information spillover→(+)deal completion	1
Industry	Technology	T	-	-
	Natural resource	T	-	-
	M&A activity	A	M&A activities by other firms→(+)information spillover→(+)deal completion	1
Deal	Payment method	A	Stock payment→(-)deal completion	2

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

Some RQ2.5 studies do not control for selection bias issues, such as the effect of M&A experience and payment method on deal completion (Nadolska and Barkema, 2007; Dikova *et al.*, 2010; Faelten *et al.*, 2014; Huang *et al.*, 2016). Some factors that receive considerable attention in emerging market research are ignored in the developed market literature.[25] Researchers find that when pursuing targets in the natural resources, high-tech, or other strategic sectors, Chinese acquirers are subject to rigorous investigations by host countries on the possible impact of Chinese acquisitions on national security, leading to a fairly high failure rate (Hu and Wu, 2011; Li and Wu, 2016; Jia and Li, 2016). As noted above, research on acquirers from developed markets has not assessed the effects of target industry attributes. Further research is needed on these topics.

4.1.3 What are the consequences of cross-border M&As?

Compared with RQ1 and RQ2 studies, studies on RQ3 are numerous. These studies focus primarily on the consequences of cross-border M&As for the acquirer shareholders (RQ3.1.1) and pay little attention to the other stakeholders, industry, and country (RQ3.1.2, RQ3.2 and RQ3.3). Some RQ3 papers also suffer from self-selection concerns and external validity threats, which limit the generalisability of the results to a broader set of firms and countries.

4.1.3.1 Consequences at the firm level

Cross-border M&As affect the acquirer shareholders in various ways. Due to data limitations, the consequences of cross-border M&As are frequently measured using financial information, such as the value of the acquirer firm (e.g., cumulative abnormal return (CAR), buy-and-hold abnormal return (BHAR)), operating performance (e.g., ROA, ROE), and R&D capability. A small number of studies attempt to use non-financial performance measures, such as international transfer of knowledge and capability at the post-M&A integration stage and the governance activity of foreign acquirers in targets (Kang and Kim, 2010); these studies collect data using questionnaires and case studies. As the non-financial impact of cross-border M&As ultimately translates into a financial impact, we do not distinguish between financial performance and non-financial performance.

There are numerous RQ3.1.1 papers. We divide these papers into two groups. The first group examines cross-border M&A motivations as a determinant of economic consequences. The second group discusses the effect of internal and external factors on the consequences and the mechanisms underlying these effects.

Firms engage in cross-border M&As in response to specific motivations. The first group of studies on RQ3.1.1 investigates the effect of cross-border M&A motivations on economic consequences. The motivations behind cross-border M&As are difficult to identify and measure, which poses a significant challenge for large-sample empirical studies. Two papers observe that firms with high agency costs make less profitable foreign acquisitions in the US repatriation tax setting (Hanlon *et al.*, 2015; Edwards *et al.*, 2016). A small number of studies use data obtained through questionnaires to discuss the international transfer of knowledge and capability at the post-M&A integration stage as well as the factors facilitating such

[25] See Table 22.

transfer (Bresman *et al.*, 1999, 2010; Björkman *et al.*, 2007; Birkinshaw *et al.*, 2010; Verbeke, 2010; Zander and Zander, 2010).

Some papers provide indirect evidence of M&A motivations as a determinant of consequences. The consequences that arise from the synergy hypothesis are the exact opposite of those that arise from the agency cost hypothesis; some papers therefore use the sign of post-M&A performance to identify the motivations for M&As (Seth *et al.*, 2000; Ozkan, 2012). The prevalence of non-SOEs maximising firm value in developed markets has led to a large number of studies that examine the synergy hypothesis, that is, whether cross-border M&As can create value for acquirer shareholders; in these studies, researchers control for various internal[26] and external[27] factors (Doukas and Travlos, 1988; Conn and Connell, 1990; Kang, 1993; Pettway *et al.*, 1993; Markides and Ittner, 1994; Doukas, 1995; Eun *et al.*, 1996; Cakici *et al.*, 1996; Lee and Caves, 1998; Gregory and McCorriston, 2005; Doukas and Kan, 2006; Francis *et al.*, 2008; Dos Santos *et al.*, 2008). The evidence from these studies is mixed, possibly due to differences in the samples used, the periods under study, and the empirical models used. Some researchers compare the performance of foreign acquirers to that of control firms, such as domestic acquirers (Eckbo and Thorburn, 2000; Andre *et al.*, 2004; Conn *et al.*, 2005; Moeller and Schlingemann, 2005; Ben-Amar and Ander, 2006; Danbolt and Maciver, 2012; Frijns *et al.*, 2013) and firms expanding abroad through other entry modes (Shaver, 1998; Jandik and Kali, 2009). Unfortunately, some papers do not account for the self-selection bias associated with firms choosing the investment modes that result in the greatest expected return; empirical techniques such as the Heckman two-stage procedure should be used to check the robustness of the results in such papers.

The second group of studies on RQ3.1.1, which, as shown in Table 16, includes a large number of studies, examines the effects of internal and external factors on the consequences and the mechanisms underlying these effects. Some RQ3.1.1 papers do not account for sample selection bias, so their results are not robust to potential self-selection bias and lack external validity.

Firm-level factors affecting the consequences of cross-border M&As include experience, the use of an investment advisor, the level of media attention, political factors, and the target's listing status. The information asymmetry faced by an acquirer may be mitigated, thereby increasing the value creation of the cross-border M&A, if the acquirer, its shareholders, and/or its independent directors have prior experience with M&As and international investment (Masulis *et al.*, 2012; Faelten *et al.*, 2014). The use of an investment advisor, increased media attention (Benou *et al.*, 2007), and the institutional ownership of the target (Ferrecia *et al.*,

[26] Some examples of internal factors include profitability, financial conditions, debt capacity, R&D capability, and experience.

[27] External factors can be divided into three groups: country-level (e.g., exchange rate, taxation, geographical diversity), industry-level (e.g., industry concentration, whether the acquisition is in a related industry), and deal-level (e.g., payment method, deal value, target type) factors.

2010) also play important roles in facilitating information flows and thus producing greater value creation.

Table 16 Research on Consequences for Shareholders (RQ3.1.1): Evidence from Literature on Acquirers in Developed Markets

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Experience	A	Coordination skill & information advantage→(+)consequence	2
	Political connection/ nature of ownership	A	Political connection→(+)political support → (+)consequence Political connection→(+)political intervention → (-)consequence	1
		T	Political connection→(+)political support→ (+)consequence Political connection→(+)information asymmetry & premium & political intervention→ (-)consequence	1
	Investment advisor	A	Advisor→(-)information asymmetry→ (+)consequence	1
	Media attention	T	Media attention→(-)information asymmetry→ (+)consequence	1
	Cross-listing	A	-	-
	Listing status	T	Unlisted firms→(-)premium→(+)consequence	3
	Management capacity	A	-	-
	Institutional ownership	T	Reduce information asymmetry and transaction cost→(+)consequence	1
Panel B: External factors				
Country	Taxation	A	Repatriation tax→(+)agency consideration→ (-)consequence	2
		AT	Differences in tax rate→(+)tax credit→ (+)consequence	1
	Country governance	AT	Acquirer>target→(+)corporate governance & funding capacity→(+)consequence Acquirer<target→(+)pressure from minority shareholders→(+)corporate governance→ (+)consequence	7
		T	Relevance of accounting quality→(+)premium →(-)consequence	1
	Humanism	AT	Differences in norms and routines & information asymmetry→(+)integration cost→(-)consequence R&D capacity & innovation→(+)consequence	8
	Labour market regulation	T	Restrict dismissal of employees→(+)optimise target selection→(+)consequence	1
	Intellectual property rights protection	T	Improve productivity & profitability→ (+)consequence	1
	M&A activities	A	M&A activities by other firms→(+)information spillover→(+)consequence	1

		T	M&A activities of other firms→(+)information spillover→(+)consequence	1
	Exchange rate	AT	-	-
	Economic development	AT	-	-
Industry	Technology	T	-	-
	Natural resource	T	-	-
	Industry relatedness	AT	-	-
	M&A activities	A	M&A activities by other firms→(+)information spillover→(+)consequence	1
Deal	Payment method	A	Contingent payout→(-)investment risk→(+)consequence	1
	Corporate derivative	A	Reduce information asymmetry→(+)consequence	1

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.
4. To test the wealth effects of cross-border M&As, a large number of RQ3.1.1 studies control for various factors, including firm- (e.g., profitability, financial condition, debt capacity, R&D capability), country- (e.g., exchange rate, taxation, geographical diversity), industry- (e.g., industry concentration, whether the acquisition is in a related industry), and deal-level factors (e.g., payment method, deal value, target type). We do not count these factors (i.e., control variables) in the table.

There are two opposing views on the influence of acquirers' political connections. One view is that political connections create value for acquirers by providing them with political support, such as antitrust scrutiny and low-cost loans. The other view is that firms with political connections are subject to political intervention that drives cross-border M&As to meet national strategies. The effect of political connections may vary with the institutional environment. While strong institutions limit the ability of firms to acquire private benefits, political connections affect the acquirers primarily through the political intervention channel. The impacts of political support are likely to be more pronounced in a weak institutional environment; Brockman *et al.* (2013), however, find no support for the significance of this factor. Jory and Ngo (2014) discuss the role of targets' political connections, as measured by the nature of ownership, in privatisation acquisitions. They argue that acquisitions of SOEs help acquirers gain access to restricted markets or strategic resources; therefore, these acquirers have relatively more opportunities and perform better in restrictive business environments. However, acquirers of SOEs are more likely to overpay due to the lack of information transparency as well as political intervention at the post-M&A integration stage.

Some research (Conn *et al.*, 2005; Faccio *et al.*, 2006) demonstrates that acquirers of unlisted targets generate greater increases in wealth for shareholders than acquirers of listed targets. Acquirers of unlisted targets often pay low prices due to liquidity discounts, ownership concentration, and limited competition for unlisted firms; this results in substantial value creation. John *et al.* (2010) further find that this phenomenon exists only when the targets come from countries with strong investor protection. This indicates that the relationship between the listing status of targets and synergistic gains depends on the institutional environment in the target country.

Research on country-specific factors focuses primarily on country governance, such as investor protection and accounting standards. Theory suggests that governance may be transferred in both directions, that is, from acquirers to targets and vice versa; this can lead to wealth creation for both acquirers and targets. Good country governance can spur financial market development and improve firms' corporate governance and funding capacity. When the acquirer is from a country with stronger governance than the country of the target, the governance advantage can provide the target with more investment opportunities, which can generate wealth for both firms. When the target is from a country with stronger governance than the country of the acquirer, then the acquisition of a majority control (50%< final ownership <100%) may lead the acquirer be put under pressure by the target's minority shareholders to use the better governance regime of the target, resulting in a large increase in value. The relationship between country governance and value creation depends on the internal and external environment, such as the intangible assets intensity and the listing status of the target; however, empirical evidence on that issue is mixed (Martynova and Renneboog, 2008; Goergen and Renneboog, 2008; Chari *et al.*, 2010; John *et al.*, 2010; Danbolt and Maciver, 2012; Ellis *et al.*, 2017). In addition, Black *et al.* (2007) provide evidence of the relationship between the relevance of the target's accounting quality and the acquirer's long-term performance.

Research also pays significant attention to humanism, especially culture. There are two competing views on the role of cultural differences. One view is that cultural differences, which represent differences in the norms and routines embedded in national culture, increase the information asymmetry faced by acquirers and the integration costs, thereby reducing synergistic gains. The alternative view is that cultural differences can spur innovation and learning by helping to break rigidity, and thus improve post-M&A performance. However, empirical evidence on this issue is mixed (Morosini *et al.*, 1998; Chakrabarti *et al.*, 2009; Siegel *et al.*, 2011; Ahern *et al.*, 2015). To explain these mixed results, some researchers suggest distinguishing between national and organisational cultural differences (Weber *et al.*, 1996; Sarala and Vaara, 2010). Reus and Lamont (2009) argue that the relationship between cultural differences and post-M&A performance depends on the acquirer's integration capability, such as understandability, communication, and key employee retention. Moore (2011) suggests a holistic ethnographic approach in further research in this area.

Some studies discuss the role of labour market regulation (Alimov, 2015) and intellectual property rights protection (Alimov and Officer, 2017) in the target country, as well as differences in tax laws (Manzon *et al.*, 1994). A firm can also learn by observing the activities of its peers and neighbours; these information spillovers can be a key driver of value creation in cross-border M&As (Francis *et al.*, 2014). As regards deal-level factors, corporate derivatives (Lin *et al.*, 2009) and the payment method (Mantecon, 2009) may influence the information asymmetry and investment risks faced by the acquirer, and therefore the synergistic gains.

There is very little research on the consequences of cross-border M&As for an acquirer's other stakeholders (RQ3.1.2). Only Renneboog *et al.* (2017) and Ozkan (2012) provide empirical evidence in this area. Renneboog *et al.* (2017) investigate bond performance in cross-border M&As from the perspective of bondholders. Ozkan (2012) examines the impact of foreign acquisitions on CEO compensation packages. In addition, Lommerud *et al.* (2006) assert that in their model, an international merger leads to lower wages for the acquirer.

Cross-border M&As clearly have significant impacts which can be assessed from multiple perspectives. For example, according to the synergy hypothesis, cross-border M&As can enhance the monopoly power and bargaining power of acquirers in product markets, which may directly influence suppliers and customers. The adoption of complementary resources and technologies can improve the acquirer's operational efficiency, which may have a direct influence on employees. According to the agency cost hypothesis, managers can use cross-border M&As to build business empires and/or reduce the risk of losing their jobs. The payment method may also affect the acquirer's financing decision and subsequent financial risk and may thus have an effect on creditors.

Further research is needed on the effects of cross-border M&As on acquirers' other stakeholders, such as creditors, suppliers, customers, executives, and employees. Cross-border M&As can affect stakeholders along several dimensions, such as wage and employment concerns for employees and compensation and tenure concerns for executives. These areas offer interesting avenues for future research.

4.1.3.2 Consequences at the industry level

Discussions on industry-level consequences in the literature are almost always from the perspective of targets.[28] A variety of questions remain unanswered as to the effects of cross-border M&As on the industry of the acquirer, although Clougherty *et al.* (2014) attempt to answer some of these questions.

Specifically, Clougherty *et al.* (2014) explore how industry-level cross-border M&As affect the wages of acquirers' local peers. Two competing hypotheses are proposed to explain the wage effects of cross-border M&As. The spillover effect hypothesis holds that cross-border M&As can generate positive wage effects for domestic firms through technology and capability transfer as well as productivity improvement. The alternative bargaining effect hypothesis argues that cross-border mergers provide firms with options to reallocate post-merger production on the basis of labour costs, which has negative wage effects for domestic firms. Furthermore, trade unions affect post-M&A wages. Competition between unions in two

[28] See Internet Appendix C for details.

countries after cross-border M&As may generate wage cuts in domestic firms. Therefore, the negative bargaining effect may be more pronounced for firms with strong union market power. Where acquirers and targets are involved in closely related production activities, negative bargaining effects may be enhanced due to the substitutability of the firms' production.

Research (Martynova and Renneboog, 2008; Bresman *et al.*, 1999, 2010; Clougherty *et al.*, 2014) demonstrates that knowledge, resources, capabilities, and governance may be transferred in both directions. Both targets and acquirers may possess competitive advantages in cross-border M&As, and these advantages may spill over to their local rivals and industries. On the basis of theories on the target industry effects of cross-border M&As, we propose three explanations for the effects of cross-border M&As on the acquirer industry. First, the information-signalling hypothesis states that cross-border M&As convey information about potential growth opportunities in the industry, which should benefit industry rivals. Second, the contagion effect hypothesis states that cross-border M&As can benefit local markets through indirect technology and governance transfer and inefficiency reduction. Finally, the competitive hypothesis states that acquirers may become stronger competitors due to their greater access to technology, corporate governance, and other resources, which may be detrimental to local rivals. The information-signalling and contagion effect hypotheses both suggest that cross-border M&As can lead to improvements in governance and/or productivity as well as positive reactions from rivals. In contrast, the competitive hypothesis expects smaller market shares or negative reactions from rivals. The industry effect of cross-border M&As is likely to vary across individual rivals as individual rivals may react differently depending on their unique characteristics.

Cross-border M&As affect the acquirer industry along several dimensions, including industry value (e.g., stock price and Tobin Q), operating performance (e.g., ROE, ROA), technology (e.g., R&D capability, innovation), governance, import and export, wages, and employment.

The issues discussed above provide opportunities for future research. Additional research is also needed to address the broader issue of whether a firm's cross-border M&A activity can influence the cross-border M&A activities (including RQ1, RQ2 and RQ3) of its industry peers and even of the whole industry. Francis *et al.* (2014) find that a firm can learn by observing the activities of its industry peers and that these information spillovers can be a key driver of deal completion and synergy in cross-border M&As. They provide guidance on how to analyse this issue for future work.

4.1.3.3 Consequences at the country level

Cross-border M&As affect the country of the acquirer along several dimensions, including country-level economic development (as indicated by measures such as stock market prices), technology (as indicated by the level of R&D capability and innovation), country governance, import and export, and employment. Unfortunately, there is no evidence of the country effect of cross-border M&As (RQ3.3).

Further research is needed to address the broader issue of whether a firm's cross-border M&A activity can influence the cross-border M&A activities (including RQ1, RQ2 and RQ3) of its neighbours and of the whole country. As noted above, Francis *et al.* (2014) stress the value of learning and information spillovers in inducing cross-border M&As; this can have country-level effects. Madura *et al.* (2011) find that international takeover premiums have become more responsive to US premiums as the globalisation process across economies and financial markets has evolved, while country- and deal-specific variables have become less significant. These two papers provide guidance to future researchers on how to approach this issue.

4.2 Cross-Border M&As by Chinese Firms

Almost all of the discussions on Chinese firms' cross-border M&A activities are found in Chinese journals. Theoretical studies dominate in this area, which has few empirical studies. Early studies in this area focus primarily on the theoretical construct of cross-border M&As. We divide these studies into two groups. The first group introduces the theories of cross-border M&As in English language journals and presents an overview of cross-border M&As around the world.[29] The second group analyses Chinese firms' cross-border M&A activities using classic cases such as Lenovo's merger of IBM's PC business and Geely's acquisition of Volvo (Wang, 2007; Cheng and Jia, 2016). The few empirical analyses largely focus on deal completion (RQ2.5) and firm-level consequences (RQ3.1). However, the evidence is mixed, possibly due to data limitations and the differences in the samples used, the periods studied, and the empirical models used.

4.2.1 Early non-empirical research

Unlike the position in developed markets, the government has traditionally been a dominant player in the Chinese economy. The Chinese government thus plays a crucial role in the capital market and in firms' economic activities. Chinese firms (especially SOEs) are generally driven by social, economic, and political strategic considerations when pursuing targets in other countries. Chinese firms are also motivated to expand into other countries by institutional support such as reduced antitrust scrutiny and low-cost loans, which further influence subsequent cross-border M&A procedures such as target selection and post-M&A integration. These features of Chinese firms cast doubt on the motivations for their expansions abroad, which may have a negative impact on Chinese acquisitions. Therefore, the findings of research in developed markets, including key theoretical propositions such as the synergy hypothesis and the agency cost hypothesis, may not be applicable to the cross-border M&As

[29] This group includes Cao (1990), Chen (1992), Wang and Wang (1994), Xu (1998), Kang and Ke (1998), Xu (2000), Zhao and Pu (2000), Yang (2001), Li (2003), Zhang and Zhang (2004), Pan (2004), Yu (2005), and Li and Li (2013). We do not provide a detailed discussion of these papers here.

conducted by Chinese firms.

Although Chinese researchers believe that there are differences between Chinese and foreign firms, early theoretical studies still analyse the cross-border M&As conducted by Chinese firms on the basis of the research in English language journals, ignoring China's unique economic and institutional environment. These studies focus primarily on RQ1 and RQ3.1.1. Whereas research on RQ1 in English language journals prefers normative analyses and empirical tests, work on RQ1 in Chinese journals often uses case studies and models to summarise the motivations for cross-border M&As. Some of the studies published in Chinese journals conclude that Chinese firms, much like foreign firms, are usually motivated by economic benefits, such as synergistic gains, to expand into other countries (Lin *et al.*, 2000; Li *et al.*, 2011), although the drivers of synergies may differ in the case of Chinese firms (Su and Liu, 2013). Su and Liu (2013) analyse 10 classic cases of Chinese firms' cross-border acquisitions and compare them with the literature published in top English-language management journals to assess whether the theories of cross-border M&As in English language journals are applicable to Chinese firms. They report that the main purpose of Chinese firms is to obtain intellectual property rights, management experience, technology, and other scarce resources; this contrasts with the quest for economies of scale and scope and market power that typically drives foreign firms. Although economic disturbances or industry shocks contribute to extensive M&A activity, the specific factors that affect this activity are different between Chinese and foreign firms. Foreign firms are affected mainly by industrial competition and profits, whereas Chinese firms are more significantly affected by industrial integration and financial crises. Chen (1986) finds that CEO overconfidence may lead to market overvaluation and further Chinese firms' cross-border M&A activities. This is consistent with the findings reported in English language journals.

Some researchers are concerned about post-M&A integration (RQ3.1.1). For example, Cheng *et al.* (2017) discuss how Chinese firms seek acceptance and support from stakeholders: that is, organisational legitimacy. Using Geely's acquisition of Volvo as a case study, they point out that Chinese firms face market and institutional forces from both domestic and foreign countries in cross-border M&As; thus, the firms should adapt to the new market and culture of the foreign country and simultaneously retain personnel with their own motivations and objectives for cross-border M&As. Cultural integration is essential to adapt to new environments (Wang *et al.*, 2015). The integration of intangible assets, such as knowledge and technology, is also important (Liu *et al.*, 2007; Yu and Wang, 2008; Wu and Su, 2014; Li and Gao, 2016).

4.2.2 Empirical research

A small number of empirical studies on Chinese firms' cross-border M&A activities has recently emerged. These papers focus primarily on RQ2 and RQ3, especially RQ2.5 and RQ3.1. The prevalence of SOEs in the Chinese economy leads research in China to focus on cross-border M&As by SOEs or motivated by national strategic considerations to a greater degree than research in English language journals does. Therefore, the following two factors are particularly important in empirical research on Chinese firms: the nature of ownership of the acquirer and the industry characteristics of the target; the latter includes questions such as whether the target is in the technique, natural resources, or other strategic sectors. China also differs significantly from other countries in terms of institutions, financial market development, legal system, firm ownership structure (Allen *et al.*, 2005), organisational culture, and management style. This raises concerns that the target firms could become less efficient or less profitable following acquisitions, which would ultimately have a negative impact on Chinese firms. Therefore, Chinese researchers pay special attention to the country-level institutional and humanistic factors of the target. In addition, how to facilitate the cross-border M&As is a big concern, and thus the acquirer's experience and cross-listing are also the focus of some papers.

Table 17 presents the state of the RQ1 literature on cross-border M&As by Chinese firms. Similar to research in English language journals, research in Chinese journals pays little attention to RQ1. Specifically, only a few studies examine the choice between acquisitions and other entry modes used by Chinese firms to enter foreign countries (Zhang, 2003; Hong *et al.*, 2015; Zhou *et al.*, 2015; Lv and Guo, 2015). However, these papers exclude certain firm-year observations in which firms decide not to conduct cross-border M&As, and thus they hardly belong to the RQ1 research.

Table 17 Research on Causes of Cross-Border M&As (RQ1): Evidence from Literature on Cross-Border M&As by Chinese Firms

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	CEO overconfidence	A	-	-
	Cross-listing	A	-	-
	Experience	A	-	-
Panel B: External factors				
Country	Taxation	A	-	-
Industry	-	-	-	-

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

Tables 18 to 22 show the state of research on RQ2.1 to RQ2.5, respectively. Although a minority of studies address RQ2.1 (Liu *et al.*, 2016; Liu *et al.*, 2017; Xie and Jiang, 2017) and RQ2.3 (Sun *et al.*, 2017), RQ2.2 and RQ2.4 have received no attention. In addressing RQ2.3, Hope *et al.* (2011) explore the effect of national pride on the premium paid by acquirers from emerging markets when they undertake acquisitions in developed markets. They consider national pride as a means by which national, social, or political considerations could influence the decision-making of individuals. According to research in psychology, individual behaviour is affected by virtue of belonging to the social group. Thus, national pride can increase citizens' optimism about their country and their desire to see their nation advance economically. People are also more inclined to identify as group members when the status of the group is unstable; political and economic transition tends to entail such instability. Managers in emerging markets may be swayed by national pride and confidence to pay higher premiums to targets from developed countries. Hope *et al.* (2011) provide guidance for future work on Chinese firms' cross-border M&A activities.

Table 18 Research on Target Selection (RQ2.1): Evidence from Literature on Cross-Border M&As by Chinese Firms

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Firm-specific characteristics	A	-	-
		T	-	-
	CEO overconfidence	A	-	-
Panel B: External factors				
Country	Policy	A	-	-
	Labour market regulation	T	-	-
	Intellectual property rights protection	T	-	-
	Taxation	AT	-	-
	Humanism	AT	-	-
	Country governance	A	-	-
		T	Strong country governance→(-)environmental complexity & transaction risk→(+)target selection	1
		AT	-	-
	Political factor	T	-	-
		AT	-	-
	Resource	T	Natural resource & technology→(+)target selection	1
	Country popularity	T	-	-
	Exchange rate	AT	-	-
	Stock market movement	AT	Improve funding capacity & ability to pay →(+)target selection	1
	Market development	T	Purchasing power & growth→(+)target selection	1
		AT	-	-
	Market barrier	T	Market barrier→(-)target selection	1
		AT	-	-
	Foreign currency reserve	A	-	-
	Industrial structure	T	-	-
		AT	-	-

	Domestic M&A activity	A	-	-
	Productivity	A	Differences in productivity→(+)target selection	1
		T	Differences in productivity→(+)target selection	1
	Institutional ownership	T	-	-
Industry	Industrial advantage	A	Industrial advantage→(+)target selection	1
Deal	-	-	-	-

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

Table 19 Research on Control Choice (RQ2.2): Evidence from Literature on Cross-Border M&As by Chinese Firms

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Nature of ownership	A	-	-
	Firm size	T	-	-
	Institutional ownership	T	-	-
Panel B: External factors				
Country	Humanism	A	-	-
		T	-	-
		AT	-	-
	Political factor	T	-	-
	Economic factor	T	-	-
	Labour market regulation	T	-	-
Industry	Technology	T	-	-
	Industry relatedness	AT	-	-
Deal	-	-	-	-

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

Table 20 Research on Acquisition Price Premium (RQ2.3): Evidence from Literature on Cross-Border M&As by Chinese Firms

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Nature of ownership	A	SOEs→(+)national strategy & insensitivity to bid price →(+)premium	1
	Cross-listing	A	-	-
Panel B: External factors				
Country	Political factor	T	-	-

	Taxation	A	-	-
		T	-	-
	Country governance	T	-	-
		AT	-	-
	Humanism	AT	Mistrust→(-)deal completion→(+)premium	1
	US market	The third party	-	-
	National pride	A	-	-
		T	-	-
Industry	Technology	T	High-tech sector→(-)national security→(-)deal completion→(+)premium	1
	Natural resource	T	Natural resource sector→(-)national security→(-)deal completion→(+)premium	1
Deal	-	-	-	-

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

Table 21 Research on Payment Method (RQ2.4): Evidence from Literature on Cross-Border M&As by Chinese Firms

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Cross-listing	A	-	-
	Experience	A	-	-
	CEO overconfidence	A	-	-
Panel B: External factors				
Country	Country governance	A	-	-
		T	-	-
Industry	Industry relatedness	AT	-	-
	Resource	T	-	-
Deal	Equity stakes to purchase	A	-	-

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

Research on RQ2 in China focuses primarily on RQ2.5 (Zhang *et al.*, 2010; Zhang and Zhou, 2010; Hu and Wu, 2011; Li and Wu, 2016; Jia and Li, 2016). Compared with RQ2.5 research in English language journals (see Table 15), RQ2.5 research in China engages in more comprehensive discussions of the various determinants of deal completion. However, the results of these studies are mixed, possibly due to the differences in the samples used, the periods studied, and the empirical models used.

Table 22 Research on Deal Completion (RQ2.5): Evidence from Literature on Cross-Border M&As by Chinese Firms

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Nature of ownership	A	SOEs→(+)national strategy→(-)deal completion	3
	Experience	A	Experience→(+)coordination skill→(+)deal completion	3
	Institutional ownership	T	-	-
	Cross-listing	A	Reduce agency problem & window to the world→(+)deal completion	1
Panel B: External factors				
Country	Country governance	T	Strong country governance→(-)environmental complexity→(+)deal completion	3
		AT	Environmental complexity→(+)transaction cost→(-)deal completion	1
	Humanism	AT	Mistrust→(+)integration cost→(-)deal completion	1
	Political factor	AT	Good political relationship→(+)investment environment & safety→(+)deal completion	1
	Economic factor	AT	-	-
	Technology	AT	Differences in technology→(+)consequence→(+)acquirer's initiative→(+)deal completion	1
	M&A activities	A	-	-
		T	-	-
Industry	Technology	T	High-tech sector→(-)national security→(-)deal completion	4
	Natural resource	T	Natural resource sector→(-)national security→(-)deal completion	5
	M&A activities	A	-	-
Deal	Payment method	A	-	-

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

Much like the RQ3 research in English language journals, the RQ3 research in China focuses only on RQ3.1. Using non-financial indicators, Wang *et al.* (2014) explore the determinants of foreign subsidiary autonomy, such as springboard intent, institutional constraints, and political connections. A large number of studies discuss whether cross-border M&As can create value for Chinese firms (Cheng and Zhang, 2006; Gu and Reed, 2011; Shao *et al.*, 2012; Yu and Wang, 2014; Zhao *et al.*, 2016; Jiang, 2017). Whereas research in English language journals commonly uses the stock market reaction as a proxy for post-M&A performance, research in China is also concerned about improvements in competitiveness and efficiency and therefore adopts a wide variety of measures, including productivity, R&D

investment, operational efficiency, corporate governance, and investment efficiency, to assess post-M&A performance (Yu and Wang, 2014; Zhao *et al.*, 2016; Jiang, 2017). Unfortunately, sample size limits the power of these tests, primarily due to data limitations.[30] It is therefore important to establish a database that provides a comprehensive and accurate sample of cross-border M&As by Chinese firms for further work.

Table 23 Research on Consequences for Shareholders (RQ3.1.1): Evidence from Literature on Cross-Border M&As by Chinese Firms

Level	Factor	Source	Predicted effect	Number
Panel A: Internal factors				
Firm	Experience	A	-	-
	Political connection/ nature of ownership	A	Political connection→(+)political support →(+)consequence Political connection→(+)political intervention→(-)consequence	3
		T	-	-
	Investment advisor	A	Advisor→(-)information asymmetry→ (+)consequence	1
	Media attention	T	-	-
	Cross-listing	A	Reduce agency problem→(+)consequence	1
	Listing status	T	-	-
	Management capacity	A	Management capacity→(+)consequence	1
	Institutional ownership	T	-	-
Panel B: External factors				
Country	Taxation	A	-	-
		AT	-	-
	Country governance	AT	-	-
		T	-	-
	Humanism	AT	Differences in norms and routines & information asymmetry→(+)integration cost→(-)consequence	2
	Labour market regulation	T	-	-
	Intellectual property rights protection	T	-	-
	M&A activities	A	-	-
		T	-	-
	Exchange rate	AT	Currency appreciation→(+)ability to pay →(+)consequence	1
	Economic development	AT	Economic expansion→(+)consequence	1
Industry	Technology	T	High-tech sector→(+)consequence	1
	Natural resource	T	Scarce resources→(+)consequence	2
	Industry relatedness	AT	Reduce information asymmetry→ (+)consequence	2
	M&A activities	A	-	-
Deal	Payment method	A	Cash payment→(+)capital→ (+)consequence	3
	Corporate derivative	A	-	-

[30] Cheng and Zhang (2006), Shao *et al.* (2012), Yu and Wang (2014), Jiang (2017), and Gu and Reed (2011) contain 22, 54, 103, 108, and 157 cross-border M&A deals in their samples, respectively.

Notes:
1. "Source" refers to the source of factors. Specifically, "A" and "T" refer to acquirer- and target-side factors, respectively, and "AT" refers to the differences between the acquirer and target in a certain factor.
2. The "Predicted effect" column provides the underlying mechanism that connects a certain factor and cross-border M&A activities, where "+" and "-" refer to a positive and a negative effect, respectively.
3. "-" refers to the factors that have received no attention in the existing literature.

Some researchers focus on the customers of the acquirer (RQ3.1.2). Using interview and experimental study data, Guo and Tao (2012), Guo *et al.* (2012), and Yang *et al.* (2013) investigate customers' evaluations of Chinese brands that acquire famous foreign brands and the factors driving such evaluations; the factors of interest include brand name strategy, pricing strategy, and original country strategy.

RQ3.2 and RQ3.3 have received no attention, despite their particular importance in research on Chinese firms' cross-border M&A activities. Unlike the position in developed markets, the government (or SOEs) has traditionally dominated the Chinese economy. Consequently, Chinese firms generally pursue targets in other countries on the basis of social, economic, and political considerations. Their cross-border M&A activities are therefore motivated by considerations beyond the interests of individual firms; also relevant are industry and country considerations such as industrial structure upgrading, technology improvement, job stability, infrastructure development, and social welfare. The cross-border M&As undertaken by Chinese firms therefore have multidimensional consequences. For this reason, we should consider the perspectives not only of the acquirers but also of their industry and country in evaluating the consequences of cross-border M&As. Moreover, analysis from different perspectives may point in conflicting directions. For example, cross-border M&As may upgrade the industrial structure or improve industrial technology and job stability, even when they do not create value for the acquirers. Analyses carried out exclusively from the perspective of the acquirer may therefore provide biased evidence. Considering different perspectives when evaluating the consequences of cross-border M&As provides opportunities for future research.

4.3 Cross-Border M&As of Chinese Firms

Foreign acquisitions of Chinese firms are used strategically by the Chinese government to introduce advanced management skills and advanced technologies of foreign origin into China. This strategy has a far-reaching impact on China's industrial structure upgrading and SOE reform. This naturally raises the question of how best to attract foreign investors to the Chinese market.

In addition to theoretical research on the issue (Pan, 2002; Mao and Yuan, 2005; Hu and Yu, 2003), a few empirical studies focus on foreign firms that acquire Chinese firms. These empirical papers focus on RQ1 and RQ2; there is no research on RQ3. Liu *et al.* (2009) examine the choice of foreign firms between acquisitions and other entry modes when entering the Chinese market. However, they exclude certain firm-year observations in which firms decide not to conduct cross-border M&As and thus hardly belong to the RQ1 research. Moreover, research on RQ2 focuses only on RQ2.1. For instance, Chang *et al.* (2013) and Huang and Yang (2014) investigate the firm-specific characteristics of Chinese targets that make them attractive to foreign acquirers, such as firm size, age, financing constraints, exports, R&D capability, and nature of ownership, but find mixed evidence. The financial data used in these two papers come from the Annual Industrial Survey Database of the NBSC, a data source with serious drawbacks (Nie *et al.*, 2012). The results may therefore not be robust, and additional research is needed in this area.

Furthermore, research on the foreign acquisitions of Chinese firms focuses primarily on Chinese targets and uses their post-M&A performance to evaluate the introduction of foreign investors into the Chinese capital market.[31] One major limitation of the studies in this area is that they pay minimal attention to the factors that attract foreign investors to the Chinese market and motivate the acquisitions. Therefore, we encourage further research to discuss the foreign acquisitions (including RQ1, RQ2, and RQ3) of Chinese firms from the perspective of the foreign acquirers. This can help to better understand the preferences of foreign acquirers and offer useful information to regulators who wish to promote the Chinese economy through advanced management skills and advanced technologies of foreign origin.

V. Conclusion

In this paper, we systematically review theoretical and empirical research on cross-border M&As in accounting, finance, economics, and management and discuss the state of the literature in both Chinese and English language journals. In general, we call for research to pay more attention to a number of issues. First, we propose that researchers define cross-border M&A on the basis of the economic entity of the acquirer (a target) and its country of ownership in order to highlight the control rights and the source of capital. Second, we call for more research on the causes and consequences of cross-border M&As (RQ1 and RQ3). In particular, the difficulties in identifying M&A motivations and research design issues pose significant challenges for RQ1 research. Additional research is also required on the consequences of cross-border M&As for acquirers' other stakeholders, industry, and country (RQ3.1.2, RQ3.2, and RQ3.3). Finally, we encourage future researchers to focus on cross-border M&As by acquirers from emerging markets, SOEs, and unlisted firms.

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[31] See Internet Appendix C for details.

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