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Nonmarket strategies in cross-border mergers and acquisitions process and performance: The case of a telecommunication multinational

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Abstract

Literature rarely examines the effects of nonmarket strategies on cross-border mergers and acquisitions (CBMA) performance. This dissertation addresses the gap by analyzing how and why nonmarket strategies are used and affect CBMA performance. Based upon a single case study, six semi-structured interviews and additional sources were analyzed. The study identifies nonmarket strategies which the case company uses aiming to obtain organizational legitimacy from various stakeholders. This research reveals that the effects of nonmarket strategies on the case company's CBMA performance vary across specific nonmarket activities. Corporate Social Responsibility (CSR), as the first subcategory of nonmarket strategies, positively affects CBMA performance, while the effects of Corporate Political Activity (CPA), the second subcategory, depend on the specific activity used. The CPAs lobbying and financial campaign contributions positively affect CBMA performance, whereas hiring former politicians has no effects on CBMA performance. Another insight is that an integration of CSR and CPA positively impacts CBMA performance. This dissertation identifies obtained organizational legitimacy of various stakeholders as the mechanism bridging nonmarket strategies and CBMA performance. *Social Reputation* and a *population's CPA acceptance* are revealed as factors affecting the effectiveness of CSR and CPA in CBMA, respectively. This study contributes to the literature by providing new insights regarding the effects of nonmarket strategies on CBMA performance, the underlying mechanism, and factors impacting the effectiveness of nonmarket strategies in CBMA. Additionally, it confirms research implying positive effects of the integration of CSR and CPA on organizational performance and extends this research to CBMA.

Keywords: Cross-border M&A; acquisition performance; nonmarket strategy; corporate social responsibility (CSR); corporate political activity (CPA)

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Resumo

Esta dissertação analisa como e porquê são utilizadas estratégias não comerciais e afecta o desempenho das fusões e aquisições transfronteiriças (CBMA). Com base num único estudo de caso, foram analisadas seis entrevistas semi-estruturadas e fontes adicionais. O estudo identifica estratégias não de mercado que a empresa do caso utiliza com o objectivo de obter legitimidade organizacional dos interessados. Esta investigação revela que os efeitos das estratégias não comerciais no desempenho da empresa do caso CBMA variam entre actividades específicas não comerciais. A Responsabilidade Social Empresarial (RSE), como primeira subcategoria de estratégias não de mercado, afecta positivamente o desempenho da CBMA, enquanto os efeitos da Actividade Política Empresarial (CPA), a segunda subcategoria, dependem da actividade específica utilizada. O lobbyismo dos CPAs e as contribuições das campanhas financeiras afectam positivamente o desempenho do CBMA, enquanto que a contratação de ex-políticos não tem efeitos no desempenho do CBMA. Outra percepção é que uma integração da RSE e da CPA tem um impacto positivo no desempenho da CBMA. Esta dissertação identifica a legitimidade organizacional obtida de várias partes interessadas como o mecanismo que liga as estratégias não de mercado e o desempenho da CBMA. A reputação social e a aceitação da CPA da população são revelados como factores que afectam a eficácia da RSC e da CPA na CBMA, respectivamente. Este estudo contribui para a literatura, ao fornecer conhecimentos sobre os efeitos das estratégias não comerciais no desempenho da CBMA, o mecanismo subjacente, e os factores que afectam a eficácia das estratégias não comerciais.

Palavras-chave: Fusões e aquisições transfronteiriças; desempenho de aquisições; estratégia não comercial; responsabilidade social empresarial (RSE); actividade política empresarial (CPA)

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Introduction

In 2017, Bayer AG increased its lobbying expenditures by 47% to \$13.7 million in the US (The Center for Responsive Politics, n.d.-a). Simultaneously, the 2016 proposed merger and acquisition (M&A) transaction between the German Bayer AG and the American Monsanto was pending due to an ongoing antitrust approval process in the US. In cross-border M&A (CBMA), multinational enterprises (MNE) invest millions in lobbying and other nonmarket strategies (The Center for Responsive Politics, n.d.-a). However, what are the effects of nonmarket strategies on the performance of CBMA? As of now, limited research tackles that question. Ahammad et al. (2017) do not find a direct relationship between nonmarket strategies and CBMA performance. However, their study implies a positive indirect relationship resulting from increased stakeholder support obtained through the engagement in nonmarket strategies. More research has focused on the implications of nonmarket strategies and their components, Corporate Political Activity (CPA) and Corporate Social Responsibility (CSR), on the performance of domestic M&A. For instance, Deng et al. (2013) provide evidence that a firm's high CSR score increases M&A performance. In addition, Brockman et al. (2013) argue that CPA helps towards the deal's regulatory approval and ultimately to greater M&A performance. The growing popularity of nonmarket strategies in CBMA, the gap in mainstream research regarding the effects of nonmarket strategies on CBMA performance, and the fact that M&A, on average, do not lead to superior value creation and even destroy value (King et al., 2004), imply that the usage of nonmarket strategies in CBMA might be a promising avenue for companies and research. These three aspects are also the key motivational factors behind this dissertation's topic. Thus, the thesis focuses on analyzing the effects of nonmarket strategies on CBMA performance.

This study's objective is to examine how and why nonmarket strategies are used and affect the performance of cross-border mergers and acquisitions. The research method chosen is a single case study that concentrates on a European telecommunication multinational. Since the case company has always acted as the acquiring firm, this study focuses on using nonmarket strategies and the possible performance effects from the acquirer's perspective. The following research questions intend to provide guidance for the research and fulfill this thesis's aim:

***RQ 1:** What factors and how have shaped the case company's cross-border M&A performance, as revealed by the interviewees?*

***RQ 2:** How and why the case company engages in nonmarket strategies in the process of cross-border M&A?*

***RQ 3:** How and why do nonmarket strategies affect the case company's cross-border M&A performance, as revealed by the interviewees?*

The study uses the single case study method. In conducting research, six interviews were held with managers working for the case company, and secondary data was used to enrich the interviews' findings. This dissertation neither discloses the case company's nor the interviewees' names since M&A is a confidential topic, and the anonymity provided was a prerequisite to get open answers.

This study identifies seven nonmarket strategies in CBMA, of which the case company applies six. The company uses these strategies aiming to obtain organizational legitimacy from various stakeholders during the CBMA process. This dissertation examines that the effects of nonmarket strategies on the case company's CBMA performance vary across the specific nonmarket activities. CSR as a particular category of nonmarket strategies positively affects the firm's CBMA performance across all four identified social activities. In contrast, the performance implications of CPA depend on the specific activity. Lobbyism and financial campaign contributions positively affect the firm's CBMA performance, while the employment of former politicians, as a third political activity, does not affect CBMA performance. Another critical insight of this study is that lobbying through social promises is highly beneficial for CBMA performance. The described strategy represents an integrated use of CSR and CPA. This thesis also shows that obtained organizational legitimacy from stakeholders through the engagement in nonmarket strategies is the underlying mechanism for why nonmarket strategies lead to subsequent CBMA performance effects. The study implies that the firm's social reputation developed prior to the deal increases the effectiveness of M&A-related CSR activities, while the degree to which a country's population accepts CPA impacts the effectiveness of political strategies.

This research firstly reviews relevant literature. Second, the methodology used is described. Third, the thesis introduces the case company before presenting the results. Subsequently, the discussion synthesizes the literature review and the results from the case study, and ultimately the conclusion summarizes the study's key findings, derives theoretical and practical implications, and points towards possible future research.

Chapter 1. Literature review on international expansion and nonmarket strategies

1.1. Main internationalization decisions

Welch and Luostarinen (1988) define internationalization as “the process of increasing involvement in international operations” (p. 36). If firms plan to internationalize, they have to make several significant decisions. They need to choose where they will operate abroad, what to sell in the chosen market, how to enter the particular market, and how to design the internal organization to maximize the company’s capacity (Welch & Luostarinen, 1988).

One of the major decisions is the location, i.e., choosing which foreign market the company enters. During the selection process, the management needs to consider economic, political, cultural, and physical distances compared to the domestic market since all these factors might influence the financial viability of foreign operations (Welch & Luostarinen, 1988). Additionally, the firm needs to decide what it is going to sell in the chosen foreign market. Are they offering the same product as in the domestic market, or are they adjusting the product to the new foreign market? In conclusion, the company needs to decide the exact sales object before entering a foreign market. A third key aspect is how the firm enters the foreign market. A broad array of different foreign operation modes exists, ranging from export to a wholly-owned foreign subsidiary. Whereas the first three decisions focus on foreign market activities, the firm also needs to consider internal aspects. In general, the firm has to maximize its organizational capacity. It involves several decisions. However, the three most important ones are concerned with the organizational structure, the personnel, and the financing. Before increasing involvement in international operations, a firm has to establish an internal organizational structure. One example of such a structure is that the firm organizes itself along the geographical regions it is operating in. For instance, a multinational firm has one division responsible for the operations in North America and one for Asia. A second aspect is developing and training employees to enable them to work in a more international context. Furthermore, firms need to decide how to finance the international expansion (Welch & Luostarinen, 1988).

The subsequent chapters will focus on the motives of internationalization and the three market-oriented decisions (where, what, and how), as they are the most influential ones in the internationalization process (Welch & Luostarinen, 1988).

1.1.1. Motives for internationalization

Scholars argue that firms that expand internationally can increase their profitability and the growth rate compared to firms that solely operate in the domestic market (Hitt et al., 1997). Hill (2013) groups the motives for internationalization into four categories: market expansion, location economies, experience effects, and leveraging subsidiary skills.

Firms expand to foreign markets to access new customers and increase their market scope (Shimizu et al., 2004). The underlying idea is that firms can grow as they offer their products or services to a greater customer base. It often involves transferring products that the firm initially offers in the domestic market to foreign markets. However, such a transfer is not limited to products themselves but also includes a firm's core competencies (Hill, 2013). Such competencies are difficult to match for competitors and thus often represent a source of competitive advantage and lead to superior product development, production, or marketing of goods (Hamel & Prahalad, 1994).

Another motive is that firms desire access to location economies. Countries differ along economic, political, and cultural dimensions, resulting in varying factor costs and providing countries comparative advantages. Different labor and taxation regulations or access to natural resources are just three sources of such advantages. Firms expand internationally to benefit from such comparative advantages. One example is firms moving their production facilities from the US to China to benefit from a lower wage level. Another example is firms establishing a presence in the Silicon Valley to benefit from the extensive local knowledge in software development. These two examples show that the advantages of location economies are two-fold. On the one hand, firms can lower their costs associated with value-adding activities, like production. On the other hand, firms can increase the product's value due to access to specific resources. According to the location economies approach, the optimal solution would be to locate every single value-adding activity in the country where the comparative advantage is the greatest. However, transportation costs, trade barriers, and political and economic risks associated with a firm's operations in countries where the governments are considered unstable or totalitarian limit such a strategy (Hill, 2013).

Firms also expand internationally as they strive for cost economies. By expanding the market scope and getting access to new customers, firms can often increase their produced quantities. According to the experience curve concept, such an increase leads to lower costs per unit produced (Hill, 2013). The experience curve indicates that increasing cumulative production quantities decrease per-unit costs (Hall & Howell, 1985). Such cost reductions result

from two aspects – learning effects and economies of scale. The former describes the idea that employees learn with time and adopt more efficient ways of working. Such improvements increase labor productivity and ultimately reduce per-unit costs (Hill, 2013). Economies of scale refer to a reduction in unit costs based on a large volume that is produced. These cost reductions have two primary sources. First, the ability to spread fixed costs over a larger volume of produced quantities. Second, a greater purchasing bargaining power due to increased firm size (Hill, 2013).

Hill (2013) claims that firms also internationalize as they want to leverage on skills obtained by subsidiaries. More recent theory assumes that the development of valuable capabilities can happen everywhere in the network of internationally operating firms, such as in the corporate headquarter and foreign subsidiaries. The underlying idea why firms expand to foreign markets is that they plan to transfer these subsidiary-specific capabilities across the entire network of their international operations to leverage these capabilities also in other entities and create value (Birkinshaw & Hood, 1998).

1.1.2. Market and entry mode selection

Market selection

In the previous chapter, the central question of ‘where to expand to’ is raised. To decide that, companies need to assess the long-term profit potential of individual markets (Hill, 2013). Such a market assessment includes four overarching factors: market potential, competitive landscape, legal and political environment, and sociocultural influences (Griffin & Pustay, 2015).

A firm that plans to expand to foreign markets needs to evaluate the market potential in every country it considers entering. Such an analysis includes the current market size, the customers’ purchasing power, and the expected growth rates of the market and purchasing power. If applicable, the firm should divide the particular market into segments since it enables the firm to identify the most profitable customer segments within the assessed market (Hitt, 2013).

A second significant aspect of market evaluation is the competitive landscape. A firm should focus on both the current and expected competitive situations. Thus, identifying the number and size of competitors currently present in the market and considering possible new entrants is necessary. Furthermore, an analysis of the competitors’ products, pricing strategies, distribution networks, and strengths and weaknesses is needed (Griffin & Pustay, 2015). This

analysis aims to derive whether the firm can offer additional value to the customers compared to the competitors already operating in the market. Such additional value can include satisfying consumers' unmet needs or offering a better price-to-quality ratio than competitors (Bogner et al., 1996).

An additional aspect that firms need to consider is the legal and political environment given in each market. Countries show differences regarding trade restrictions, like tariffs or regulations concerning labor, taxation, or pricing. The regulations mentioned above are some examples; however, the analyzing firm needs to evaluate all specific regulations relevant to its operations. Additionally, the company should evaluate the government's stability. Unstable governments result in uncertainty and represent a significant risk for firms entering foreign markets (Griffin & Pustay, 2015).

The fourth dimension firms should pay attention to when planning to enter foreign markets is the socio-cultural influence. Such influences differ across countries; thus, a firm should be aware of such differences and the subsequent consequences. Griffin and Pustay (2015) argue that such an analysis is crucial since sociocultural factors influence consumers' needs and preferences. The analyzing firm needs to understand these preferences to meet the local customers' demands. Depending on the mode of foreign market entry, sociocultural influences also gain relevance in the context of potential employees. Detailed analysis helps to understand the motivational basis, the norms regarding working hours and pay, and the role of labor unions in the particular foreign market (Schneider & De Mayer, 1991). However, as socio-cultural influences are somewhat subjective, they are difficult to measure and assess (Griffin & Pustay, 2015).

Based on the four factors above, analyzing firms ultimately need to conduct a benefits-costs-risks evaluation. Firms weigh the benefits given by the entrance into the new market with the costs and risks associated. The most promising market should be entered (Griffin & Pustay, 2015).

Foreign market entry modes

Firms have to decide how they are entering foreign markets. Thus, they need to choose a specific entry mode. Delios and Beamish (1999) differentiate between non-equity and equity modes of foreign market entry. On the one hand, the most common non-equity modes are exporting, licensing, and franchising. On the other hand, joint ventures (JV) and wholly-owned subsidiaries are the standard equity entry modes.

In the context of export, firms produce the product in a different country and physically transfer the output to the foreign market where they sell the product ultimately. In return, the producing firm gets the monetary value of the transferred output (Griffin & Pustay, 2015). Theory differentiates between direct and indirect export, depending on whether an intermediary is included in the export process (Griffin & Pustay, 2015). One main advantage of export is that the firm does not need to set up operations in the foreign market. Thus, the costs and risks associated with expanding to a foreign market are relatively low. Export also provides the chance to enter a market gradually and learn in a new environment before committing substantial financial resources. Exporting results in a relatively centralized production and enables the company to realize experience economies. Another benefit is that export is not prone to restrictions concerning direct investments in a specific country. However, export includes transportation costs and might be subject to trade restrictions, like tariffs, increasing the costs of selling the product in the foreign market.

Licensing involves an agreement that the licensor grants the licensee access to specific intangible assets for a certain period. Such assets include patents or processes, for instance. The licensor receives a royalty payment in return. Such agreements have the benefit that the licensor does not need to set up operations in the foreign market and thus faces limited costs and risks. Additionally, licensing is an entry mode to circumvent tariffs and restrictions concerning foreign direct investments (Hill, 2013). Griffin and Pustay (2015) argue that the licensee usually has local market knowledge. One major disadvantage of licensing is that the licensor does not control the operations abroad. Such control is especially relevant if the agreement includes technological know-how obtained by the licensor. Licensing bears the risk of losing the competitive advantage attached to this technological know-how, as the licensee might get insights into it and use it on different occasions. The firm also delegates the production of the output for a specific foreign market to the licensee, hence limiting the opportunities of experience economies. Furthermore, the licensor receives a royalty fee in return, limiting its opportunities to extract the market potential present in the foreign market (Hill, 2013).

Franchising is a specific form of licensing, often including a longer-term commitment compared to regular licensing. Another difference is that franchising, besides granting access to intangible assets, also involves strict rules regarding the franchisee's business operations. Like in licensing, the franchisee needs to pay a royalty fee to the franchisor (Hill, 2013). The associated advantages with franchising as a foreign market entry mode are similar to the advantages of licensing. An additional benefit is that the franchisor has closer control over the franchisee due to the implemented rules. The drawbacks of franchising equate to those of

licensing. As franchising usually includes a familiar brand name and a global network of franchisees (e.g., McDonald's), an additional risk is that if some franchisees are offering a lousy product or service quality, this might have reputational impacts on all other franchisees in the entire network (Griffin & Pustay, 2015).

One equity mode to enter foreign markets is a joint venture. This involves the establishment of a company in a foreign market that at least two independent companies own. The firms usually provide equity and managers and, in return, get an ownership stake in the JV. In most cases, one of the involved firms is already present in the foreign market, thereby providing local knowledge to the JV. Another advantage is that all involved firms share the costs and risks associated with the set-up of the venture. Furthermore, a JV circumvents trade barriers as the firm operates from the foreign market (Hill, 2013). Additionally, it might help avoid any restrictions regarding foreign direct investments, as research suggests that a JV with one local firm involved faces a low risk of governmental interferences (Bradley, 1977). However, several disadvantages occur in the context of JVs. One major problem is that firms might risk that the other JV partners get access to valuable technological know-how. Furthermore, a JV always includes limited control as at least two parties share the venture. Also, the realization of experience and location economies is limited since a firm cannot extract the entire value and needs to share these economies with its partners. Another drawback is concerned with the conflict potential that might arise due to the shared ownership. JV partners possibly have different opinions regarding the JV's goals or strategic positioning (Hill, 2013). Even though the costs and risks of establishing a JV in a foreign market are shared among the firms, setting up a JV is one of the most costly and risky entry modes since JVs require the set-up of an entirely new line of operations (Griffin & Pustay, 2015).

Another mode of foreign market entry is a wholly-owned subsidiary. This entry mode can be achieved if the entering firm either sets up an entirely new subsidiary or acquires an already established local actor. The former is labeled as greenfield investment and the latter as CBMA (Brouthers & Brouthers, 1977). In the following, the advantages and drawbacks of a wholly-owned subsidiary in general are outlined before continuing with the specifics of greenfield investments and CBMA.

One significant benefit of a wholly-owned subsidiary is that a firm protects its specific technological know-how and that it must not fear losing its competitive advantage through a partnership. Additionally, the entering firm has tight control over all operations abroad and is not restricted by trade barriers. Furthermore, a wholly-owned subsidiary enables the firm to capture all the local market potential and achieve experience and location economies. However,

a wholly-owned subsidiary is the costliest mode of foreign entry. Managing an entire entity abroad increases the organizational complexity of the entering firm. Due to a missing local partner, the entering firm faces the risk of being exposed to governmental interferences and restrictions concerning foreign direct investment (Hill, 2013).

One major advantage of CBMA is a relatively quick execution as the firm buys an already operating local firm. Furthermore, the entering firm acquires extensive local market knowledge (Hill, 2013). However, CBMA does not always lead to superior value creation and often even result in value destruction (Shimizu et al., 2004). Why mergers often fail to create value is discussed in a subsequent section (see chapter 1.3.3.). A greenfield investment offers the flexibility to develop the operations in the foreign market precisely as desired. This is advantageous compared with CBMA since establishing new operations and a corporate culture is usually easier than changing existing ones. Drawbacks of greenfield investments are the slow execution, the fact that no local market knowledge exists when entering the foreign market, and the great degree of uncertainty since the entering firm has to set up an entire organization and does not know beforehand how the local market is going to react to the new market entry (Hill, 2013).

Foreign market entry mode selection

Firms need to consider the level of commitment and the subsequent costs and risks before deciding how they enter a foreign market. According to Rugman et al. (2011), Dunning's (1977) OLI framework is the most comprehensive model to select an appropriate foreign market entry mode. Based on the fact whether a firm has ownership advantages (O), location advantages (L), and internalization advantages (I), the framework provides general recommendations on what mode to choose.

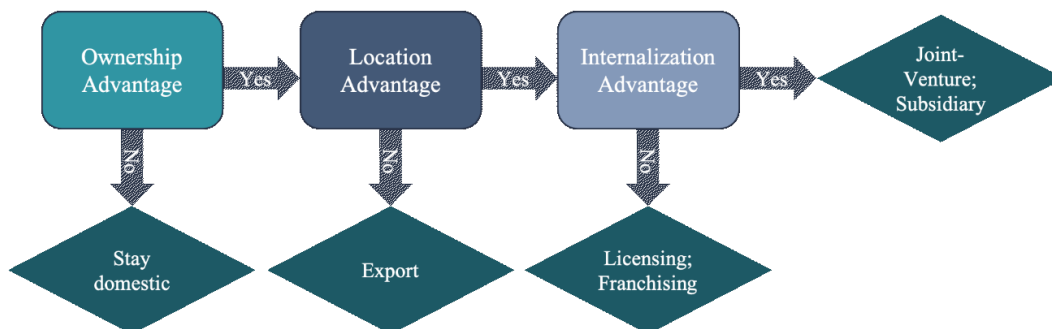
A firm has ownership advantages if it possesses tangible or intangible resources that help to establish a competitive advantage. Such advantages can originate from patented technology or brand names, for instance. Besides tangible and intangible assets, ownership advantages can also result from transactional capabilities. For example, a firm's strength to coordinate operations in a globally connected network of subsidiaries. If a company does not possess such ownership advantages, the general recommendation is that the firm should remain in the domestic market only. However, if a firm has such advantages, location advantages need to be considered next (Dunning, 1977).

The concept of location advantages builds on the idea that certain countries have comparative advantages. Such advantages include, for example, lower factor costs, access to

natural resources, presence of specific knowledge, or favorable regulations. These benefits might incentivize firms to shift some functions, like production or product development, to foreign markets. If a firm has ownership advantages but no location advantages, it should keep the business functions in the home market and export the final output to the foreign market. If a firm has ownership and location advantages, it must consider the third pillar: internalization advantages (Dunning, 1977).

Internalization advantages refer to whether it is more efficient if the firm organizes its operations abroad internally or transfers the operations to external actors. Companies decide to internalize operations if the costs associated with an internal organization and management are lower than the engagement of external actors. A significant factor in this context is the risk of losing sensitive technological know-how. If a firm has ownership advantages and location advantages but no internalization advantages, it should choose licensing or franchising as foreign market entry mode. However, if the firm has all three advantages, the firm should enter the market through a JV or a wholly-owned subsidiary (Dunning, 1977) (see Figure 1).

Figure 1. The process of entry mode selection



Source: Own work based on Dunning J.H. (1977). Trade, Location of Economic Activity and the MNE: A Search for an Eclectic Approach. In Ohlin, B., Hesselborn, P.O. & Wijkman, P. M. (Eds.), *The International Allocation of Economic Activity*. Palgrave Macmillan.

1.1.3. Adaption to foreign markets

The decision on what to sell in a foreign market (Welch & Luostarinen, 1988) is shaped by two kinds of pressures influencing the firm's operations abroad: pressure for cost reductions and pressure for local responsiveness (Birkinshaw et al., 1995).

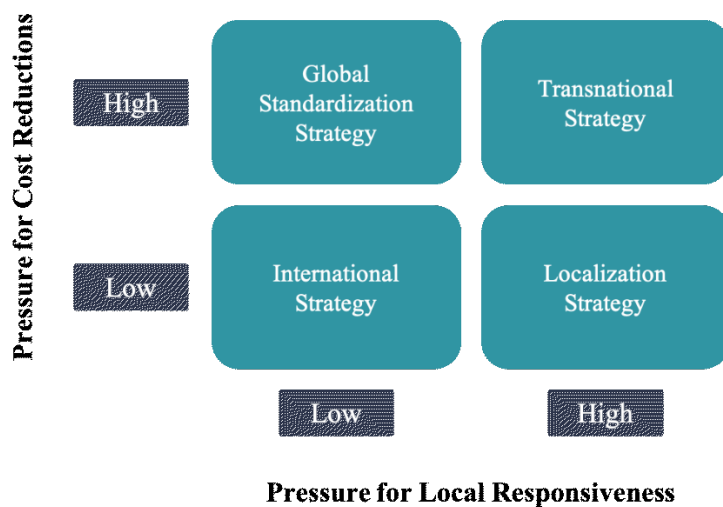
Firms engaging in global operations are often forced to reduce costs. Intense competition in globalized markets drives this pressure. Another factor that increases the force to reduce costs is competitors located in low-cost countries, producing at significantly lower

cost levels. If customers have great bargaining power due to an intense concentration of customers or low switching costs, the need to reduce costs further grows (Hill, 2013).

Also, internationally active firms often need to adapt their offerings to the specific country they are operating in. Such pressure for local responsiveness arises if consumers' preferences differ from country to country, which is expected since consumers' preferences are deeply embedded in a nation's culture and traditions. Therefore, firms need to adapt their offerings and marketing to local preferences. Differences in local infrastructure and business practices might also cause pressure for local responsiveness. An example concerning infrastructure is that in North America the electrical system is based on 110 volts, whereas the European system works with 240 volts.

Bartlett and Ghosal (1989) developed a framework providing generic strategic recommendations depending on the specific influences of the two pressures mentioned above (see Figure 2).

Figure 2. Bartlett and Ghosal framework



Source: Own work based on Bartlett, C. A., & Ghoshal, S. (1989). *Managing across borders: The transnational solution (1st ed.)*. Harvard Business Press.

When a firm is confronted with high-cost reduction pressure but low pressure for local differentiation, Bartlett and Ghosal (1989) recommend engaging in a global standardization strategy. The idea is to achieve cost reductions through economies of scale, learning effects, and location economies. Due to low local responsiveness pressure, firms do not need to adapt their offerings to each market. Thus, they can offer a standardized product globally. This enables the company to achieve economies of scale and learning effects as the production can

be centralized. Additionally, the firm can benefit from location economies if it locates its essential functions, like production, in the optimal location for each of the functions. The mentioned aspects result in cost reductions which are often reflected in an aggressive pricing strategy. A global standardization strategy is usually applied in the context of goods that serve universal needs worldwide.

If a firm faces low pressure for cost reductions but tremendous pressure for local responsiveness, it should engage in a localization strategy. Such a strategy involves the adaption of the firm's offerings to the local consumers' preferences. The local responsiveness of the firm usually increases the offering's value and gets more attractive for customers. Nevertheless, a localization strategy often requires the duplication of production facilities or marketing functions in different countries. Such a decentralized approach limits a firm's ability to achieve economies of scale and learning effects, resulting in higher costs. A localization strategy is successful if the adaption enables the firm to charge higher prices and compensate for the additional costs.

Today's competitive global markets often force firms to adapt to local preferences and reduce costs simultaneously. Bartlett and Ghosal (1989) label the corresponding strategy as transnational. When applying a transnational strategy, firms need to balance both the need to consider local preferences and reduce costs through economies of scale, for instance. According to Bartlett and Ghosal (1989), a transnational enterprise has to leverage the core competencies of the subsidiaries. They argue that such competencies do not solely reside in the corporate headquarter but can also be developed in foreign subsidiaries. Thus, the firm needs to ensure the multidimensional flow of core competencies. Successfully implementing a transnational strategy is difficult as local responsiveness raises costs and thus conflicts with the pressure for cost reductions.

If a firm neither faces tremendous pressure to reduce costs nor to adapt its offering to local preferences, Bartlett and Ghosal (1989) propose an international strategy. The general idea is that a firm uses products that were initially produced for the domestic market in foreign markets as well. Such strategies often involve that functions, like product development, are located in the domestic market, whereas the firm places production and marketing in major local markets. This results in higher costs as some functions need to be duplicated. However, due to the lack of pressure for cost reductions, this is less critical compared to a global standardization strategy. International strategies are successful if the product serves a universal need and no competition is present in the market, forcing the firm to reduce costs significantly. The fact that no competition is present is the major difference to the context in which a global

standardization strategy should be applied. The absence of competition might arise due to patents possessed by the firm.

However, international and localization strategies are usually not applicable in the longer term. In the context of international strategy, competitors will enter the market at some point in time, and a firm's high-cost base might endanger the firm's future success. Therefore, the firm should proactively reduce costs and shift towards a global or transnational strategy. Localization strategies offer significant benefits. However, in the longer term, intense competition will result in pressure for cost reductions and force firms to engage in a transnational strategy.

1.2. Theory of multinational enterprise

1.2.1. Multinational enterprises and foreign direct investments

Rugman et al. (2011) define a multinational enterprise by the fact that it engages in foreign direct investment (FDI). FDI describes when a company invests directly in facilities to produce or operate in a foreign market (Hill, 2013). Further, it also includes the subsequent control and management of the value-adding activities in the foreign market by the investing firm (Dunning & Lundan, 2008). Thus, an MNE is a firm that possesses and controls value-adding activities in several countries. According to the described modes of foreign market entry (see chapter 1.1.2.), FDI includes greenfield investments and CBMA (Hill, 2013). Compared to other modes of entry, these two options internalize the operations abroad in their subsidiary. Thus, internalization theory is the basis for why MNEs arise (Narula et al., 2019).

1.2.2. Transaction cost theory and internalization

Internalization theory claims that MNEs arise when the costs associated with coordinating economic activities across borders are lower if the firm internalizes these activities compared to engaging with external market actors (Buckley & Casson, 1976). Such economic activities involve accessing, recombining, and managing specific resources, like know-how, raw materials, or marketing and distribution services (Hennart, 1982). Scholars emphasize the transaction efficiency of the development, deployment, and exploitation of firm-specific advantages (FSAs) (Buckley & Casson, 1976). Rugman (1981) describes FSAs as firm-specific unique capabilities that arise when a firm develops special know-how and competencies that are difficult to duplicate for competitors. Such FSAs include product differentiation abilities,

economies of scale, superior marketing capabilities, brand equity, access to raw materials, intangible assets like patents, proprietary technology, and managerial capabilities (Hymer, 1960).

A fundamental assumption of internalization theory is that MNEs arise to bypass markets since markets are imperfect and result in significant transaction costs (Buckley & Casson, 1976). Transaction costs result from exchanges happening in the marketplace (Coase, 1937). Such costs have several reasons: risks and uncertainties on the buyer and seller side are involved in most transactions. Thus, costs arise from negotiations, subsequent monitoring, and enforcement (Buckley & Casson, 1976). Hennart (1982) implies that transaction costs also arise from opportunistic behavior of some market actors. One example is when two firms agree to use assets that need mutual adaption jointly. The lack of control regarding the subsequent use of such assets, especially tacit knowledge, might lead to cheating and represents transaction costs (Hennart, 2009). Another source of transaction costs is governmental policies limiting trade, such as tariffs (Rugman, 1981). Scholars assume that the internalization of operations through MNEs can reduce such transaction costs (Buckley & Casson, 1976) since the corporate headquarter actively selects and trains host country managers and reduces the misalignment between the local managers' and the MNE's goals (Ouchi, 1979). One key argument is that internal operations face a lower risk of knowledge appropriation. Additionally, the headquarter can steer the subsidiary's investments and effort regarding the development and recombination of FSAs through monetary incentives for local managers (Baker et al., 1994). However, Buckley and Strange (2011) claim that research has not paid enough attention to transaction costs associated with internal operations. They argue that internal transactions involve information, coordination, and motivation costs. Information costs arise as not everyone in the organization has access to all the needed information to make optimal decisions. Coordination costs are based on the fact that members of an organization usually have to work jointly on activities, and motivation costs result from different goals of different stakeholders since not all stakeholders aim for maximizing the firm's value. These mentioned costs need to be considered if a firm decides to either internalize operations or use external markets. This is especially relevant for MNEs since greater geographical and cultural distances are involved, and thus coordination costs might be higher.

Based on the transaction cost theory, scholars started to expand research and argued that internalization is not solely caused by transaction costs. Rugman (1981) synthesizes FSAs and country-specific advantages (CSAs). CSAs are comparative advantages one country has compared to other countries. Such advantages include favorable production factors, demand

conditions, and institutional and cultural characteristics of a country. Rugman (1981) claims that to extract the total value of CSAs, they need to be augmented with FSAs. Based on these insights, subsequent internalization research focused not solely on transaction costs associated with the transfer of FSAs, but also on how FSAs provided by the MNE's headquarter could be recombined with FSAs of local subsidiaries to create additional value for the MNE (Pitelis & Verbeke, 2007). In the beginning, the MNE was considered as a hierarchy where just the headquarter develops, transfers, and exploits its FSAs to foreign markets.

Based on Rugman's (1981) work, scholars started to consider the MNE not as a strict hierarchy but instead as a network, where FSAs can be developed, transferred, and recombined in both the MNE headquarter and the local subsidiaries (Rugman & Verbeke, 1992). Therefore, scholars began to differentiate between non-location-bound (NLB) and location-bound (LB) FSAs (Rugman & Verbeke, 1992). "NLB FSAs represent company strengths that can easily be transferred across locations at low cost, deployed, and profitably exploited, with only limited need for resource recombination. Such NLB FSAs typically include the upstream patented technological knowledge, and the downstream brand names." (Rugman et al., 2011, p. 765). In contrast, LB FSAs are firm-specific strengths that cannot be easily deployed and exploit across different locations. Such LB FSAs include an excellent local reputation, strong relationships with local actors like suppliers, or a well-functioning retail network (Rugman et al., 2011). The headquarter usually has NLB FSAs, like R&D, that are considered transferable to local subsidiaries. However, the FSAs developed by the subsidiaries are often based on local initiatives to face the pressure of local responsiveness. Therefore, the FSAs of subsidiaries are usually LB (Rugman & Verbeke, 1992). The key strategic challenge of the MNE and subsidiary is to transform this LB FSA into an NLB FSA and transfer it subsequently to the entire MNE network. This transformation might be enabled if the specific FSA is augmented with best practices from the MNE network (Rugman & Verbeke, 2001). If the transformation is successful, these subsidiary-specific NLB FSAs can be recombined with other FSAs, NLB or LB, of the MNE or local subsidiaries and serve as an additional source of value creation. In conclusion, the more recent internalization research considers the MNE as a network with omnidirectional flows of NLB FSAs that might ultimately maximize the value creation potential of the entire MNE (Narula, 2017).

1.2.3. Eclectic paradigm

Another significant stream of research in the context of MNEs is the eclectic paradigm, or in other words, the OLI framework, developed by Dunning (1977). Chapter 1.1.2. already introduces the OLI framework; thus, this section focuses on the reconciliation between Rugman's CSA and FSA logic and the OLI framework.

Rugman and Verbeke (2008) argue that location advantages and CSAs are entirely consistent as both focus on the specific advantages one location provides compared to other locations. However, they claim that the ownership and internalization advantages should not be assessed independently since they are interdependent and need to be reviewed in an integrated manner. The underlying reasoning is that ownership advantages, like patented technology, help to overcome market imperfections, such as the risk of knowledge appropriation. At the same time, market imperfections trigger internalization. Thus, to reconcile the FSA dimension and the ownership and internalization advantages, the user must be aware of the interdependencies between the two mentioned advantages.

1.3. Cross-border mergers and acquisitions

Mergers and acquisitions are a form of corporate strategy and are considered one of the most consequential and important corporate investment decisions (Deng et al., 2013). Mergers describe when two firms combine their operations into one new firm. Whereas acquisitions refer to the economic activity when one firm acquires, friendly or hostile, another firm (Jansen, 2008). In the subsequent chapters, both terms are used interchangeably, except otherwise stated.

Ongoing globalization and increasing global competition are key drivers of the rising importance of CBMA since the 1990s. Shimizu et al. (2004) define "cross-border M&As as those involving an acquirer firm and a target firm whose headquarters are located in different home countries" (p. 309). Research describes CBMA as a foreign market entry mode (see chapter 1.1.2.) (Hitt et al., 2012).

1.3.1. Motives for cross-border mergers and acquisitions

Extensive research focuses on the following question: "Why do firms engage in M&A?". Nowadays, domestic M&A and CBMA can be approximated since most domestic deals also include several international components (e.g., the integration of international subsidiaries) (Child et al., 2001). Thus, the reasons why firms engage in domestic and international deals are

similar (Shimizu et al., 2004). Therefore, this section first illustrates why firms generally engage in M&A and second explains the additional motives associated with international deals.

Haleblian et al. (2009) summarize the most common M&A motives into four categories: value creation, managerial self-interest, environmental factors, and firm characteristics.

The motive of value creation refers to the rationale that M&A might increase firm value, for instance, through synergies. The rationale is that the combined firm is more valuable than both firms standalone (often described as $2 + 2 = 5$) (King et al., 2004). Scholars argue that an increased market power after a successful M&A transaction is one factor that might increase firm value (Singh & Montgomery, 1987). This argument is especially relevant in horizontal M&A since such deals reduce the number of competitors within a market (Bradley et al., 1988) and lead to an increased market concentration in both national and global markets. Such an increase is often accompanied by rising prices and enables firms to extract a greater share of value from their customers (Haleblian et al., 2009). Additionally, the theory suggests that M&A can lead to greater operational efficiency. Potential economies of scale or layoffs of redundant employees, mainly in administrative functions, result in cost reductions (Singh & Montgomery, 1987). Scholars imply that the redeployment of existing firm resources can be a significant value creation area. The underlying idea is that firms use their assets or transfer competencies to the new context arising from the M&A transaction to realize economies of scope, for instance. Another motive of firms to engage in M&A is to acquire new resources and capabilities (Haleblian et al., 2009). On the one hand, firms want to access resources they depend on and are currently in external control (resource dependency theory; Pfeffer, 1972). On the other hand, M&A can serve as means to obtain complimentary or newly established resources (Hitt et al., 2009). In general, acquiring new resources aims to maintain or build a competitive advantage (King et al., 2008).

A second overarching motive is managerial self-interest. It assumes that managers do not solely engage in M&A to increase shareholder wealth but also to fulfill their interests. Two of these interests are increased compensation and power. Evidence suggests that CEO compensation rises, on average, after an acquisition irrespective of the M&A performance (Haleblian et al., 2009). Additionally, M&A increase firm size, and Haleblian and Finkelstein (1993) examine that increased firm size often leads to greater CEO power which, in turn, reduces their employment risk. Roll (1986) found evidence that CEO hubris can also serve as an M&A motive. In such a case, the acquiring firm's CEO shows exaggerated self-confidence and believes that he can better manage the target firm's operations than the current management (Manne, 1965).

Haleblian et al.'s (2009) third category refers to environmental factors. Firms engage in M&A to reduce environmental uncertainty and the associated risks. A key reason in this context is that firms aim to decrease the dependency from a specific set of customers or suppliers (Chatterjee, 1986). Horizontal M&A can help the combined firm to establish its business on a broader base of customers and suppliers, and vertical M&A enable firms even to take control of the mentioned stakeholders. This control significantly reduces the uncertainty regarding suppliers' product quality or customers' future purchasing behavior.

Firm characteristics, particularly a firm's strategy, serve as reasons why firms get involved in M&A. If a company aims to grow in the future M&A are common tools to implement such strategies (Haleblian et al., 2009).

Besides the described motives to engage in M&A, scholars also examine why firms engage in CBMA. Firms are motivated to expand internationally through CBMA as it represents an opportunity to enter and get access to foreign markets. CBMA enables them to explore new business opportunities (Shimizu et al., 2004). CBMA, as a particular means of foreign market entry, has the advantage that it might help to overcome market entry barriers (Hitt et al., 2012) as well as the liability of foreignness (LOF) (Eden & Miller, 2004). Scholars imply that by acquiring a locally established market player, foreign acquirers get access to local knowledge, customer and supplier relationships, and governments. Thus, firms overcome the LOF partly (Eden & Miller, 2004). Another rationale of CBMA is that it provides a relatively fast entry compared to a greenfield investment (Hitt et al. 2001).

Besides getting access to a foreign market, firms engage in CBMA to enhance their competitiveness in globally connected markets. This motive does not necessarily refer to the idea of entering a specific market but instead exploiting more favorable business environments in other countries (Hitt et al., 2001). A study undertaken by Deloitte (2017) confirms that M&A managers often engage in CBMA to leverage different regulatory settings in different countries to gain competitive advantages in global markets. Such regulations include favorable labor costs or taxation laws.

CBMA is also a means to protect firms against future threads (Shimizu et al., 2004). Martin et al. (1998) illustrate this aspect with the example that a current supplier often follows its customer's internationalization approach to avoid that the customer engages with a new supplier abroad and that, in turn, might risk the business relationship between the current supplier and customer in their home country.

The aim to acquire new resources and capabilities through M&A gets even more relevant in an international context. Research implies that greater differences between firms,

also caused by geographic distance, are excellent sources of value creation and learning (Stahl & Voigt, 2008).

1.3.2. Process of cross-border mergers and acquisitions

Scholars developed several different models to describe the M&A process (Calipha et al., 2010), of which two are outlined in the following. Jansen (2008) illustrates the process with nine individual phases. He clusters them into three major steps: pre-acquisition phase, transactional phase, and post-acquisition phase. The initial pre-acquisition phase consists of a self-Due Diligence when the company analyzes its strategy, capabilities, future opportunities, and threats. A detailed examination of the competitive landscape is undertaken, and ultimately a strategy development phase consists of the firm deciding what its future goals are and the appropriate means to achieve them (e.g., alliance vs. M&A as growth strategy). The second central process stage is the transactional phase. During this step, the firm starts screening the market and contacts potential targets. Additionally, a target-Due Diligence is conducted to understand the target's business model and identify possible risks and opportunities. Furthermore, the acquirer values the potential target from a financial perspective and derives an appropriate intrinsic value and price. A last step within the transaction phase includes antitrust considerations, negotiations with the target, and signing a deal. The antitrust considerations are multidimensional in international deals since at least two different antitrust authorities are involved. The last major stage – the post-acquisition phase – includes activities like post-merger planning, the actual post-merger integration (alignment of organizational, strategic, administrative, operative, cultural, and external factors), and lastly, the evaluation of the M&A performance.

Gomes et al. (2013) choose another approach. They acknowledge that an M&A process has several marginal steps. However, they summarize the entire process into two stages: pre-acquisition and post-acquisition. They argue that most sub-steps are blurry, do not have clear boundaries, and can partly vary in the conducted order. Nonetheless, pre-acquisition and post-acquisition are divided by the legal transfer of ownership of the target company. In the subsequent chapters, the study focuses on pre-acquisition activities and post-acquisition performance, thus adapting the definition of Gomes et al. (2013).

1.3.3. Cross-border mergers and acquisitions performance

As mentioned before, domestic deals and CBMA can be approximated due to the internationality of domestic deals. Therefore, the overall performance of M&A deals is described before putting a specific focus on CBMA performance.

During the last decades, extensive research focused on the question of whether M&A do create value. Most studies examine the performance of M&A based on different post-acquisition measures. Scholars put particular emphasis on financial metrics: short-term abnormal stock returns, long-term abnormal stock returns, and long-term accounting performance (mainly approximated by Return on Assets). More recent research also includes nonfinancial performance indicators based on managerial assessment and a firm's innovativeness (King et al., 2020). The former measures post-acquisition performance based on surveys or interviews conducted with involved M&A managers, and the latter analyzes post-acquisition innovativeness, referring to the number of new patents or R&D expenditures (King et al., 2020). Subsequently, this thesis uses the terms *post-acquisition performance* and *M&A performance* interchangeably.

Past research examined inconclusive results regarding the linkage between M&A activity and post-acquisition performance. Therefore, King et al. (2004) conducted a meta-analysis and revealed that M&A, on average, have a significant positive effect on the target's post-acquisition financial performance. However, acquiring firms experience only positive abnormal stock returns on the day of the deal announcement. Beyond that day acquirers do not have superior post-acquisition financial performance compared to firms not engaging in M&A. King et al. (2004) also conclude that, on average, acquiring firms even suffer negative long-term financial performance after engaging in M&A. A recently published meta-analysis confirms that acquirers do not experience a statistically significant financial performance different from zero after engaging in M&A. The nonfinancial metrics also prove that it is difficult to improve an acquirer's post-acquisition performance (King et al., 2020). Since this thesis focuses on the post-acquisition performance of acquiring firms, it excludes the target's perspective in the subsequent sections.

The linkage between CBMA and post-acquisition performance of the acquiring firm has been less researched than the corresponding linkage in domestic deals as previously outlined. The research available mainly focuses on financial metrics, like short-term and long-term abnormal stock returns, while nonfinancial measures are rarely analyzed (Hitt et al., 2012). Scholars have little agreement regarding the acquirer's post-acquisition performance in CBMA

(Shimizu et al., 2004). Thus, Shimizu et al. (2004) conclude that the relationship between CBMA activity and the acquirer's post-acquisition performance is inconclusive.

Given that M&A, on average, do not lead to positive post-acquisition performance, scholars identify reasons why such transactions often fail. One major aspect is that acquiring firms pay a too high premium (Hitt et al., 2009). Studies imply that acquirers pay premia between 30–50% (Hayward & Hambrick, 1997). The underlying rationale is that if firms pay a too high premium, they cannot generate returns exceeding this premium and realize negative long-term acquisition performance (Datta et al., 1992). One factor that contributes to paying too high premia is top-management hubris. The management team overestimates the possible synergies and operational efficiencies due to overconfidence. Given these exaggerated projected synergies, the management is willing to pay a higher price. However, in the long-term, they are unable to realize all anticipated synergies (Roll, 1986). Such hubris often involves inadequate Due Diligence as the firm is biased regarding the potential benefits of such transactions and does pay less attention to the objective information available (Hitt et al., 2001). Agency problems are another aspect associated with too high premia paid. In this context, agency theory implies that CEOs try to close a deal due to personal gains. Thus, the CEO is willing to pay more than the potential synergies would allow (Trautwein, 1990).

Besides the paid premium, Hitt et al. (2001) imply that M&A do not lead to superior post-acquisition performance as such transactions often reduce innovation in the acquiring firm. During the post-acquisition phase, a firm's focus shifts from market-related activities, like innovating products or processes, towards integration and financial controls. Another critical issue related to post-acquisition performance is that the integration process is often complicated and represents a significant obstacle to realizing all projected synergies. Both bad integration planning and diverse organizational cultures are the main reasons why post-acquisition integration fails (Haspeslagh & Jemison, 1991). Walsh (1988) provides evidence that M&A lead to an above-average turnover of former target employees. Such turnover reflects a loss of valuable firm and industry knowledge (Cannella & Hambrick, 1993) that might result in less than expected post-acquisition performance.

Besides the reasons why M&A fail in general, scholars focus on two additional challenges of CBMA (Shimizu et al., 2004): more differences in cultural and institutional settings between the acquirer and the target (Hofstede, 1984; House et al., 2002). On the one hand, such differences lead to LOF as the acquirer has to deal with relatively unfamiliar customer preferences, business practices, or governmental regulations (Zaheer, 1995). On the other hand, firms are confronted with 'double-layered acculturation' as they have to bridge

organizational and national cultural differences (Barkema et al., 1996). Based on these two additional challenges, scholars argue that CBMA integration is more complex compared to domestic deals (Hitt et al., 2001).

1.3.4. Predictor variables of cross-border mergers and acquisitions performance

Given the great variance that post-acquisition performance shows, another stream of research focuses on identifying predictor variables. As in previous chapters, this section focuses first on general predictor variables of M&A deals and subsequently describes CBMA specifics.

King et al. (2004) examine the four most researched predictor variables: conglomerate firms, impacts of firm relatedness, method of payment, and prior acquisition experience. The study analyzes the effects of these four variables on financial post-acquisitions measures from the acquiring firm's perspective. However, it does not find statistically significant effects for any of the four variables, thus suggesting that none of them predicts the acquirers' M&A performance.

Due to developments in M&A research, King et al. (2020) published another meta-analysis. Further predictor variables, besides the four previously mentioned, were researched more frequently in recent years. Therefore, the study examines nineteen variables: method of payment (stock vs. cash), acquirer debt, acquisition premium, deal attitude (degree of hostility), relatedness, prior acquisition experience, prior alliance experience, target firm size, acquirer firm size, target prior performance acquirer prior performance, acquirer R&D, geographic distance, national cultural distance, relative size, employee turnover, integration speed, and integration depth. Another difference compared to the previous meta-analysis is that, in addition to the three financial measures, the study also includes two nonfinancial metrics: managerial assessment and firm innovativeness. Therefore, King et al. (2020) analyze the effects of the predictor variables on M&A performance along three financial measures and two nonfinancial metrics.

The study reveals that sixteen out of nineteen variables are statistically significant predictor variables of the acquirer's post-acquisition performance. However, the effects of fifteen of these sixteen variables vary across different performance measures. For instance, the variable 'prior acquisition experience' is significantly and negatively correlated to short-term abnormal stock returns, which aligns with theory suggesting that acquisition experience signals a lack of internal growth capabilities (Moeller et al., 2005). At the same time, 'prior acquisition

experience' has significant positive impacts on the acquirer's long-term accounting performance. This result is congruent with learning theory implying that firms develop acquisition capabilities with growing M&A experience (Levitt & March, 1988). Only 'method of payment (stock)' has significant negative effects on the post-acquisition performance of the acquiring firm across all five measures (King et al., 2020). The remaining three variables, 'deal attitude', 'employee turnover', and 'integration speed', are not correlated with any of the five post-acquisition performance measures. However, King et al. (2020) claim that future research is needed to distinguish between unplanned and planned employee turnover to better separate the implications on an acquirer's post-acquisition performance.

As mentioned earlier, the post-acquisition performance of the acquiring firm based on managerial assessment is getting more attention recently. This trend originates from the idea that such an approach helps to evaluate post-acquisition performance from several perspectives and is not limited to financial dimensions. By surveying and interviewing involved M&A managers, scholars get implicit access to undisclosed information that is crucial in evaluating post-acquisition performance (King et al., 2020). Undisclosed information also represents an information asymmetry between managers and investors, which might help to bridge the differing effects of some predictor variables across stock market measures and managerial assessment (King et al., 2020). Focused on managerial assessment, King et al.'s (2020) meta-study shows that the following variables have a positive impact on the acquirer's post-acquisition performance: 'prior acquisition experience', 'acquirer's firm size', and 'integration depth'. Whereas 'target's firm size' has a negative effect on the acquiring firm's post-acquisition performance.

In conclusion, M&A do not lead to superior post-acquisition performance for the acquiring firm and even destroy value. Several variables correlate with post-acquisition performance. However, the exact effects depend on the analyzed performance measure.

Research suggests that the predictor variables of post-acquisition performance in CBMA and domestic deals are similar. Derived from the additional challenges of greater cultural and institutional differences in international deals, research focuses on the potential effects of cultural distance and institutional distance on the acquirer's CBMA performance (Shimizu et al., 2004). The following further outlines research on those two potential predictor variables.

Effects of cultural distance on cross-border mergers and acquisitions performance

Theory provides two opposing approaches to explain the potential influence of cultural distance on post-acquisition performance. On the one hand, some scholars argue that with an increasing cultural distance between two firms, the potential value creation and learning opportunities increase and lead to superior post-acquisition performance. They claim that cultural distance increases post-acquisition performance: the greater the differences, the more diverse and valuable the acquired resources and knowledge (Morosini et al., 1998). On the other hand, Hofstede's (1984) cultural distance hypothesis suggests that with increasing cultural difference, costs and risks associated with cross-cultural interaction increase and diminish post-acquisition performance (Stahl & Voigt, 2008). Such increased costs and risks are partly attributed to the acquirer's lack of organizational legitimacy in the host country. This lack of legitimacy refers to the idea that the acquirer does not have the recognition and acceptance of the firm's various stakeholders in the host country (Suchman, 1995). Theory suggests that firms need to comply with their stakeholders' expectations to get their support (Xu & Shenkar, 2002) as otherwise, the lack of stakeholders' support, like customers, suppliers, or employees, results in negative organizational performance (Rosenzweig et al., 1991). Scholars believe that greater cultural distance makes it more difficult for the acquirer to understand the corresponding stakeholders' expectations and results more likely in a lack of organizational legitimacy (Kostova & Zaheer, 1999).

Given the inconclusive results described above, Stahl and Voigt (2008) initiated a meta-analysis to examine the relationship between cultural difference and post-acquisition performance from an acquiring firm's perspective. The study focuses on three financial metrics: short-term abnormal stock returns, long-term abnormal stock returns, and accounting performance. Stahl and Voigt's (2008) results imply that cultural distance neither significantly impacts an acquirer's short-term abnormal returns nor accounting performance. However, cultural distance is significantly and negatively correlated with an acquirer's long-term abnormal stock returns.

Furthermore, Stahl and Voigt (2008) differentiate between organizational cultural distance and national cultural distance. The former is approximated by the management's compatibility (Datta et al., 1991), whereas the latter is based on the Kogut and Singh's index (1988), which refers to Hofstede's cultural dimensions (1984) and aggregates these dimensions into a single value. A subsequent analysis shows evidence that national cultural difference has positive impacts on an acquirer's accounting performance. However, this effect is offset by organizational cultural distance, which explains the insignificance on the aggregated level of

cultural distance. These positive implications of national cultural distance are confirmed by King et al. (2020), suggesting that greater national cultural distance results in the acquisition of more valuable resources and knowledge. Stahl and Voigt (2008) could not provide evidence that national cultural difference is less negatively related to an acquirer's long-term abnormal stock returns than organizational cultural difference.

Effects of institutional distance on cross-border mergers and acquisitions performance

While the definition of institutional distance evolved over time, current research differentiates between formal and informal institutional distance. The latter illustrates the differences between non-mandatory constraints like cultural traditions, routines, or customs. This measure is based on Kogut and Singh's index (1988) and can also be interpreted as national cultural difference. Formal institutional distance refers to mandatory constraints like laws, regulations, or administrative orders (Peng, 2014). For the subsequent sections, the thesis uses the term institutional distance as an equivalent to formal institutional distance since the previous section already focuses on cultural distance.

Similar to the theoretical implications of cultural distance on post-acquisition performance in CBMA, institutional distance has two opposing streams of research.

One group of scholars argues that greater institutional distance between acquirer and target leads to greater post-acquisition performance due to institutional arbitrage and knowledge accumulation (Li et al., 2020). Institutional arbitrage describes a firm's exploitation of different institutional settings. Such settings often define transaction costs (North, 1990) for specific activities, and firms try to put their different activities in different institutional settings to benefit from these differences (comparative institutional advantage) (Jackson & Deeg, 2008). With increasing institutional distance, arbitrage opportunities increase. Knowledge accumulation refers to the opportunities to acquire broader and more diverse knowledge given by greater differing institutional settings (Li et al., 2020). Von Hippel (1994) argues that knowledge is significantly influenced by the surrounding institutional environment. Thus, institutional distance grants access to new knowledge and serves as a source for competitive advantage (Kogut & Zander, 1992).

The opposing theory suggests that greater institutional difference leads to lower post-acquisition performance. Similar to cultural distance, a lack of organizational legitimacy in the host country results in higher transaction costs. However, here the government is the crucial stakeholder whose expectations need to be understood and met to receive support and prevent lower organizational performance (Xu & Shenkar, 2002).

No conclusive evidence regarding the linkage between institutional distance and post-acquisition performance in CBMA exists (Li et al., 2020). Du et al. (2016) suggest that greater institutional distance leads to a superior post-acquisition performance in CBMA for the acquiring firm. However, Li and Wan (2016) argue that an inverted u-shaped relation expresses the linkage. However, most studies imply that institutional distance negatively impacts post-acquisition performance for acquiring firms engaging in CBMA (Li et al., 2020).

1.4. Nonmarket strategies

Baron (1995) defines nonmarket strategy as a firm's "concerted pattern of actions taken in the nonmarket environment to create value by improving its overall performance" (p. 47). Also, he outlines that the nonmarket environment "includes those interactions that are intermediated by the public, stakeholders, government, the media, and public institutions" (Baron, 1995, p. 47). Thus, a firm's actions outside of the market are influenced by social, political, and legal factors. Due to these factors, research focuses on two streams of activities in the context of nonmarket strategy: Corporate Social Responsibility and Corporate Political Activity (Mellahi et al., 2016).

In contrast, the market environment contains all interactions between a firm and other actors that are moderated by markets and usually includes economic transactions and the exchange of property. All coordinated activities taken by a firm in the market environment to enhance the economic performance and create value are summarized as market strategy (Baron, 1995).

Scholars distinguish between two mechanisms through which firms engage in nonmarket strategies: bridging and buffering (Meznar & Nigh, 1995). Firms react to influences from nonmarket actors either by adapting "organizational activities so that they conform with external expectations" (bridging) or by "trying to keep the environment from interfering with internal operations and trying to influence the external environment" (buffering) (Meznar & Nigh, 1995, p. 976). By engaging in bridging activities, a firm accepts and complies with the nonmarket actors' expectations to gain reputation, whereas an engagement in buffering activities describes an active approach to shape the nonmarket environment.

Mellahi et al. (2016) differentiate between external and internal drivers that motivate firms to engage in nonmarket strategies. External motives are divided into three underlying reasons. Firms apply nonmarket strategies to obtain legitimacy from institutions present in the nonmarket environment, get support from salient stakeholders, and ensure the flow of critical

resources in external control. Internal motives are based on the ideas of developing valuable nonmarket resources and capabilities and satisfying managers' philanthropic self-interests to enhance social good.

In the last decade, CSR gained relevance, and firms significantly increased CSR-related expenses (Mellahi et al., 2016). CSR refers to a firm's actions that try to advance the social good and enable firms to enhance their organizational performance, regardless of the underlying motive (McWilliams et al., 2006). The general motives of why firms engage in nonmarket strategies are explained in the previous section. However, firms use CSR in particular to address nonmarket actors like activist groups, local communities, or the media. CSR includes a broad array of activities, for instance, voluntarily implementing additional environment protection initiatives or financing the education of underprivileged children in the company's local community.

CPA summarizes a corporation's attempts to manage and influence political actors, like governments or regulatory authorities, in ways beneficial to the company. Firms engage in CPA as they try to minimize unwanted political interferences, like new unfavorable legislation, that could harm future organizational performance. As governments are one of the most influential external dependencies to control, CPA has significant importance in the nonmarket environment (Hillman et al., 2004). Several initiatives in the context of CPA are taken, of which lobbying is one common example. Firms try to establish a relationship with politicians through stimulation and communication, as well as to get their trust and support. Such relationships might indirectly influence the future decisions of the politicians (Milbrath, 1963). Another initiative based on political ties is the appointment of former politicians to the firm's top management or a former manager who starts a political career afterward. The underlying theory is that the firm obtains privileged access to information concerning upcoming regulations. Another reason why firms engage in such political ties is that former politicians can provide detailed knowledge regarding the specifics of the policy-making process (Hillman, 2005). CPA also often includes financial campaign contributions when a firm donates money to election campaigns of a specific party or politician. Scholars suggest that firms engage in financial campaign contributions based on the quid pro quo principle (Stratmann, 1998).

1.4.1. Effects of nonmarket strategies

Baron (1995) claims that the active management of the nonmarket environment results in greater legitimacy of stakeholders and ensures the flow of critical resources controlled by

external actors, and ultimately increases organizational performance. He argues that nonmarket strategies help to establish a competitive advantage or offset a competitive disadvantage. In nonmarket literature, the possible outcomes of nonmarket strategies are commonly distinguished between external and internal outcomes. The former describes outcomes that mainly affect external stakeholders like customers (e.g., increased customer loyalty), and the latter refers to outcomes related to shareholders and internal stakeholders like employees (e.g., financial performance or increased employee commitment) (Mellahi et al., 2016).

Several studies examined the relationship between nonmarket strategies and organizational performance (related to any of the aforementioned outcomes). Mellahi et al. (2016) summarize 163 empirical studies conducted between 2000 and 2014 and provide an overview regarding the effects of nonmarket strategies on subsequent organizational performance (see Table 1). 63% of the analyzed studies indicate a positive relationship. However, the remaining 37% of studies do not prove a positive relationship. 26% of the studies reveal a mixed, 7% an insignificant, and 4% a negative relationship between nonmarket strategies and organizational performance. The authors also distinguish between the effects of CSR and CPA on organizational performance, respectively. In the context of CSR, the majority of the analyzed studies (65%) examine a positive relationship, whereas 25% show mixed results. The remaining studies indicate an insignificant (9%) or negative (2%) relationship. The results for CPA are similar since 59% of the studies reveal a positive relationship, 27% a mixed, and 2% an insignificant one. However, 11% indicate that CPA harms organizational performance. A closer look at more recent studies (2010–2014) analyzed in Mellahi et al.'s (2016) work shows that more than 56% of the studies do not find a positive relationship between CPA and organizational performance. The results mentioned above indicate an equivocal relationship between nonmarket strategies and organizational performance. However, the majority of the analyzed studies assume a positive relationship.

Table 1. Number of studies discovering certain correlations between nonmarket strategies and organizational performance

	Positive Relationship	Mixed Results	Insignificant Relationship	Negative Relationship	Total
CSR	76	31	11	1	119
CPA	20	11	1	4	36
CSR / CPA	6	1	0	1	8
Total	102	43	12	6	163

Source: Mellahi, K., Frynas, J. G., Sun, P., & Siegel, D. (2016). A review of the nonmarket strategy literature: Toward a multi-theoretical integration. *Journal of Management*, 42(1), 143-173, p. 4.

Due to the mixed results revealed by several studies, research also focuses on identifying moderating factors. Scholars distinguish between environmental, organizational, and individual variables (Mellahi et al., 2016). One major environmental factor influencing the relationship between nonmarket strategies and organizational performance is the degree to which an industry is regulated since regulations determine a firm's dependence on governmental decisions (Hillman, 2005) and the degree to which a firm depends on critical resources controlled by external actors (Baron, 1995). Also associated with environmental factors are the institutional stability and strength of the legal system (Arya & Zhang, 2009). Scholars argue that a strong institutional system limits politicians' abilities to grant favors to politically connected groups due to monitoring and control mechanisms (La Porta et al., 1998).

Moderating factors on an organizational level are firm size, status, the reputation of the firm, and the visibility of a firm's nonmarket initiatives (Mellahi et al., 2016). Also, the pace, relatedness, and consistency of a firm's nonmarket strategies are crucial factors moderating the relationship between nonmarket strategies and organizational performance (Tang et al., 2012). An additional moderating variable on the organizational level is a firm's capacity to influence stakeholders. This concept is based on a firm's ability to identify and realize opportunities to influence and ultimately improve stakeholder relationships (Barnett, 2007).

On an individual level, the degree to which nonmarket initiatives are motivated by managerial opportunism influences the linkage between nonmarket strategies and organizational performance (Mellahi et al., 2016). On the one hand, CPA initiatives like lobbying or financial campaign contributions are often driven by a manager's desire to establish political connections that might benefit him in later stages of his career (Sun et al., 2012). On

the other hand, CSR activities are sometimes initiated by managers' self-serving philanthropic interests to get external legitimacy (Wright & Ferris, 1997). Both examples illustrate that personal reasons might also trigger the usage of nonmarket strategies and thus represent agency problems. Such agency problems often involve additional costs and harm organizational performance.

More recent research focuses on another aspect of nonmarket strategies and organizational performance. Scholars analyze the effects of an integrated usage of CSR and CPA on organizational performance. However, limited knowledge exists whether both aspects are complements, substitutes, or distinct areas (Mellahi et al., 2016). Den Hond et al. (2014) argue that a combined application leads to complementary effects and positively influences organizational performance. Meanwhile, Marquis and Qian (2014) claim that such positive effects are not generally valid and that the implications depend on the firm's environmental settings. They indicate that the integration of CSR and CPA might be beneficial if the government controls critical resources the firm depends on.

The integration of market and nonmarket strategies and its effects on organizational performance is another perspective that recent scholarship emphasizes. Baron (1995) claims that both kinds of strategies need to be combined. However, more recent research lacks sufficient empirical evidence whether an integrated usage of nonmarket and market strategies is beneficial, neutral, or even harmful to organizational performance (Mellahi et al., 2016).

1.4.2. Nonmarket strategies in cross-border mergers and acquisitions

This chapter focuses on nonmarket strategies in the context of CBMA. The motives why firms engage in nonmarket strategies in CBMA transactions are outlined before continuing with the effects of nonmarket strategies on CBMA performance.

Motives

The underlying motives behind firms applying nonmarket strategies are obtaining legitimacy from the institutions involved in the CBMA process, getting support from salient stakeholders, and ensuring the flow of critical resources controlled by external actors (Mellahi et al., 2016). Ahammad et al. (2017) also refer to these general motives in the context of CBMA.

In CBMA several stakeholders are involved. The media and public reputation of a firm is a crucial factor influencing the firm's success. Thus, firms try to pro-actively shape a favorable public opinion during the CBMA process through external communication and CSR activities (Ahammad et al., 2017).

Furthermore, Aguilera et al. (2008) imply that the success of M&A significantly depends on critical resources provided by the employees. CSR scholars see an ethical M&A conduct as one essential means to create employee commitment that leads to superior post-acquisition performance (Edwards & Edwards, 2013). In general, CSR tries to manage stakeholders and the theoretical rationale that CSR initiatives have a positive relationship with CBMA performance bases on the stakeholder value maximization view (Jensen & Meckling, 1976). The underlying idea of this theory is that firms also consider non-shareholder stakeholders' interests through CSR activities. This increases stakeholder support of the firm's operations, and this support ultimately increases shareholder wealth. The stakeholder value maximization view is based on contract theory (Coase, 1937) and describes that firms have explicit (e.g., working contracts) and implicit contracts (e.g., employer's promise of job security) with their stakeholders. However, implicit contracts are informal and have low legal power. Therefore, the value of implicit contracts depends on the stakeholders' expectation that the firm fulfills these contracts (Cornell & Shapiro, 1987). Scholars assume that high CSR firms have a better reputation of fulfilling implicit contracts and this reputation provides stakeholders with a greater incentive to support the firm with critical resources. In the context of M&A, firms often tend to unsettle some of the contracts or re-negotiate them. Intensive CSR activities and the resulting reputation might help to get support from involved stakeholders as they are more confident that the firm will fulfill its implicit contracts after the M&A. A McKinsey study confirms this rationale since they claim that bad stakeholder management during the M&A process could lead to customer and employee turnover and diminish post-acquisition performance (Bekier et al., 2001). In conclusion, high CSR firms are more likely to fulfill their implicit contracts, also in the context of M&A, and this results in greater stakeholder support, which ultimately leads to greater post-acquisition performance.

However, some scholars claim an opposing view, the shareholder expense view. The assumption is that firms engage in CSR activities at the expense of shareholders (Friedman, 1998). Researchers argue that a firm's resources are used for non-productive CSR actions and cannot be used for productive activities. This leads to competitive disadvantages and lower profitability, and ultimately to lower shareholder wealth. This represents a wealth transfer from shareholders to other stakeholders and results in lower post-acquisition performance (Deng et al., 2013).

In the context of M&A, one especially relevant stakeholder is the government. Governments are often involved in M&A and CBMA since they want to protect their national industries, create national mega-firms that can successfully compete globally, avoid national

monopolies and subsequent consequences for consumers, or prevent major layoffs (Gomes et al., 2010). Thus, M&A often involve a regulatory approval process initiated by public authorities (Ahammad et al., 2017). This approval process is particularly relevant in highly regulated industries, like utilities (Holburn & vanden Bergh, 2014). CBMA add more complexity to the regulatory process compared to domestic M&A as at least two antitrust authorities are involved (domestic and host market). Such an approval process has three different possible outcomes: approval, denial, or approval with conditions (e.g., merging firms can be forced to share benefits of the transaction through lowering the consumer prices or firms need to divest some of their business units to avoid a national monopoly) (Clougherty, 2005). Another problem associated with antitrust approval processes is that they are not standardized and represent uncertainty for CBMA. Such uncertainty results in costs and risks. Occurring costs might be direct ones like hiring lawyers or break-up fees, whereas an example for indirect costs is keeping the financing in place if the approval processes are lengthy (Holburn & vanden Bergh, 2014).

Due to the risks mentioned above, firms engage in CPA to increase the speed and success of antitrust approval processes and reduce the uncertainty that should ultimately lead to increased post-acquisition performance (Frynas et al., 2006).

The prior section explains the rationale why firms might engage in CPA in the context of CBMA. Holburn and vanden Bergh (2014) additionally provide evidence that firms use financial campaign contributions as a nonmarket activity in M&A. They show that firms increase their financial campaign contributions in the 12-month period before a merger announcement by 14%. Firms seek political support for the regulatory approval process of the upcoming M&A transaction. Another finding is that firms also increase their financial campaign contributions during the actual antitrust approval process. However, the firms decrease contributions after the approval process is completed. This timing of financial campaign contributions indicates that firms apply CPA to influence the antitrust approval process and ultimately increase the speed and success probability of the review process. However, Holburn and vanden Bergh's (2014) study focuses on M&A conducted by utility firms in the US. Thus, the results are not necessarily applicable to other industries and regions.

Performance of nonmarket strategies in cross-border mergers and acquisitions

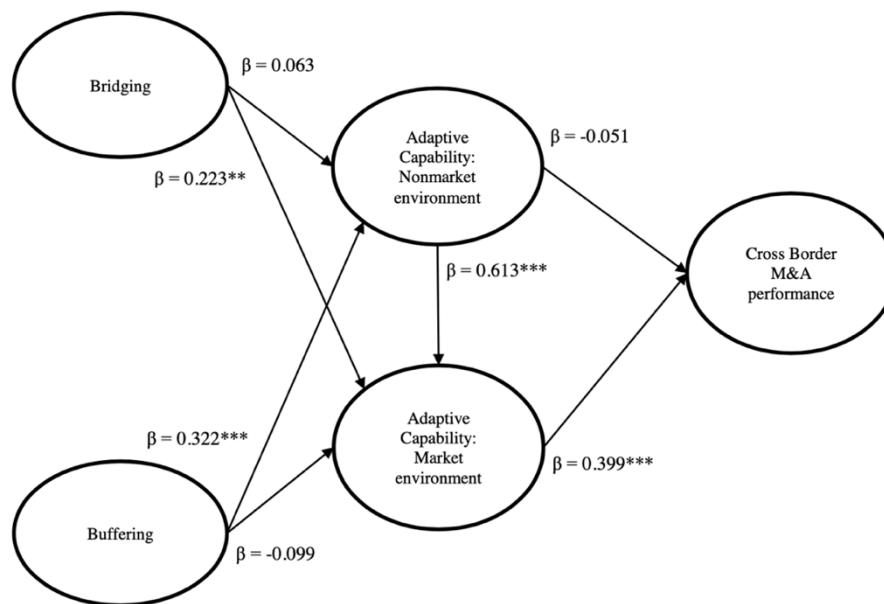
Prior research on CBMA had limited focus on the effects of nonmarket strategies on post-acquisition performance (Ahammad et al., 2017). However, more scholars analyzed these effects in the context of domestic M&A. Therefore, this section will use both the limited

research on CBMA (mainly Ahammad et al., 2017) and the research on domestic deals. As previously outlined, CBMA can be approximated with domestic M&A since most domestic deals also involve several global components.

Ahammad et al. (2017) analyze the relationship between nonmarket strategies and post-acquisition performance of CBMA. Their research focuses on adaptive capabilities in the market and nonmarket environment. Adaptive capabilities in the market environment are a firm's ability to identify evolving market opportunities (Hooley et al., 1992) and react accordingly (Chakravarthy, 1982). Thus, adaptive capabilities reduce uncertainty in the foreign market environment and help to compete for resources and profits after a CBMA transaction. Adaptive capabilities in the nonmarket environment are the equivalent in the nonmarket context (Ahammad et al., 2017). The authors do not find any evidence that adaptive capabilities in the nonmarket environment impact CBMA performance (see Figure 3). However, they reveal a significant positive correlation between adaptive capabilities in the nonmarket and market environment. Adaptive capabilities in the nonmarket environment help to develop adaptive capabilities in the market environment. Furthermore, the scholars reveal that those adaptive capabilities in the market environment positively correlate with CBMA performance.

Furthermore, Ahammad et al. (2017) identify a positive and significant relationship between buffering strategies and adaptive capabilities in the nonmarket environment. Contrarily, the scholars do not find a correlation between bridging strategies and adaptive capabilities in the nonmarket environment. They argue that CBMA can lead to a public controversy that might undermine the deal, whereupon bridging strategies are not powerful enough to tackle this challenge.

Figure 3. Correlations between nonmarket strategies, adaptive capabilities and cross-border M&A performance



*p < 0.1, **p < 0.05, ***p < 0.01, N = 111; p-values for 1-tailed test

Source: Ahammad, M. F., Tarba, S. Y., Frynas, J. G., & Scola, A. (2017). Integration of non-market and market activities in cross-border mergers and acquisitions. *British Journal of Management*, 28(4), 629-648, p. 14.

Several studies have focused on the implications of CSR on domestic M&A. Deng et al. (2013) analyze the effects of CSR activities on the post-acquisition performance of US firms. They examine a positive and significant relationship between a high CSR score of the acquirer and the acquirer's announcement stock returns, the long-term stock returns, and the long-term operational performance. While high CSR score firms do not show significant changes in the post-acquisition operational performance, low CSR score firms experience a significant negative performance. Furthermore, the scholars reveal that M&A transactions of an acquiring firm with a high CSR score, on average, take less time for completion and are more likely to be completed successfully compared to transactions initiated by an acquirer with a low CSR score. Deng et al. (2013) also provide evidence that, besides shareholders, other stakeholders benefit from M&A if the acquiring firm has a high CSR score (e.g., fewer layoffs). All these findings support the stakeholder value maximization view.

Krishnamurti et al. (2019) argue that socially responsible acquirers pay, on average, a lower premium in M&A transactions. This lower premium increases the probability that M&A create rather than destroy value. As Hill et al. (2009) show, this is especially relevant because a too high premium paid is one of the major reasons why M&A fail to create value.

Other scholars focus on the linkage between ethical M&A conducts of acquiring firms and post-acquisition performance. They show evidence that an ethical M&A conduct is positively and significantly correlated with employees' job performance. They reveal that promises regarding job security and the application of caring practices during the M&A process have a great positive influence on employees' organizational commitment. Such commitment, in turn, positively affects the employees' job performance. Thus, greater organizational commitment leads to greater job performance (Lin & Wei, 2006). These insights are supported by earlier studies claiming that unethical M&A practices lower employees' organizational commitment and might even result in dysfunctional behavior (Bastien, 1987). Ultimately, Wilde (2004) links the acquired firms employees' organizational commitment and job performance to M&A success.

Walters et al. (2019) also reveal a positive and significant relationship between a firm's CSR activities and target executive retention as well as M&A performance. They show that target executive retention serves as a mediating factor between CSR activities and M&A performance. To sum it up, the studies mentioned above imply that an acquirer's engagement in CSR activities and the presence of an ethical M&A conduct have a positive influence on post-acquisition performance.

Brockman et al. (2013) provide evidence that engagement in CPA helps to gain regulatory approval and increases M&A performance. Croci et al. (2017) also show that if the acquirer is less politically connected, the target asks for higher premiums, on average, which decreases the likelihood of value creation through M&A. The established political connections are why regulatory approval processes are impacted by CPA since private self-interests are essential factors influencing a politician's behavior (Eisner & Meier, 1990). Ferris et al. (2016) argue that hiring former politicians, as a particular CPA, decreases the likelihood of regulatory denial of a proposed M&A transaction and leads to superior long-term abnormal stock returns and operational performance.

However, the effectiveness of CPA and the impacts on post-acquisition performance depend on the institutional settings in the countries the M&A transaction is taking place (Clougherty, 2003). Brockman et al. (2013) indicate that, in countries with strong legal systems and low levels of corruption, politically connected acquirers have 15% lower abnormal stock returns in the three years after the acquisition than politically unconnected acquirers. However, in countries with weak legal systems and high levels of corruption, politically connected acquirers outperform unconnected acquirers by 20% based on the 3-year abnormal stock returns. The scholars claim that a strong legal system leads to inferior post-acquisition

performance since such systems involve stricter monitoring of politicians. Thus, politicians have fewer opportunities to grant favors to connected firms. Additionally, politically connected firms tend to keep excess employment or above-average wages after the completion of an M&A transaction, as they want to sustain political support. These aspects partly explain the inferior post-acquisition performance of politically connected firms in strong legal systems. Contrarily, in weak legal systems, politicians can apply more relaxed antitrust approval standards or provide the connected firm with privileged information that, in turn, might lead to superior post-acquisition performance. Brockman et al. (2013) also reveal that post-acquisition performance differences between connected and unconnected firms are smaller in CBMA than in domestic deals since politicians have greater incentives and abilities to interfere with M&A transactions on a national level.

Holburn and vanden Bergh (2014) show evidence that firms increase their financial campaign contribution in the 12 months before an M&A announcement. A subsample of successfully approved transactions shows even greater increases in financial campaign contributions than the overall sample. However, the study does not explicitly analyze the relationship between campaign contributions and the success probability of antitrust approval processes.

CPA thus seems to be a double-edged sword in the context of M&A, since the effects of CPA on an acquirer's post-acquisition performance depend significantly on the strength of the legal system and the level of corruption in the countries where the transaction takes place. However, differences between politically connected and unconnected firms are smaller in CBMA compared to domestic deals.

In conclusion, Ahammad et al. (2017) do not find a direct relationship between adaptive capabilities in the nonmarket environment and CBMA performance. However, the engagement of firms in nonmarket strategies (i.e., buffering strategies) supports the development of adaptive capabilities in the nonmarket environment. These capabilities are, in turn, positively and significantly correlated with adaptive capabilities in the market environment. Ultimately, adaptive capabilities in the market environment decrease uncertainty and increase CBMA performance. These findings imply an indirect positive relationship between nonmarket strategies (i.e., buffering strategies) and CBMA performance. Ahammad et al. (2017) argue that this indirect relationship might be based on increased stakeholder support. The increase in stakeholder support is obtained through the engagement in nonmarket strategies, which, in turn, helps to shape a more favorable environment for the firm and reduces the uncertainty associated with the CBMA transaction (Ahammad et al., 2017). However, more research needs to be

conducted to confirm the implied indirect positive relationship between nonmarket strategies and CBMA performance. Since no particular research focuses on the relationship between CSR or CPA and post-acquisition performance in CBMA, domestic transactions are used as an approximation. Scholars suggest that an engagement in CSR has a significant and positive correlation with post-acquisition performance. The results concerning CPA depend on the strength of the legal system and the level of corruption in the countries involved.

Chapter 2. Research methodology

This study's objective is to examine how and why nonmarket strategies are used and affect the performance of CBMA. The following research questions provide guidance to fulfill this thesis's aim:

***RQ 1:** What factors and how have shaped the case company's cross-border M&A performance, as revealed by the interviewees?*

***RQ 2:** How and why the case company engages in nonmarket strategies in the process of cross-border M&A?*

***RQ 3:** How and why do nonmarket strategies affect the case company's cross-border M&A performance, as revealed by the interviewees?*

2.1. Research design

The research questions are studied based on an explorative single case study (Yin, 2018). The case company is a multinational telecommunication operator located in Europe. Primary data is collected through individual interviews with six M&A managers of the case company. Secondary data is used to complement the interviews and includes online publications to identify the firm's engagement in nonmarket strategies in CBMA. The search was done using keywords like CSR, CPA, M&A, and the company's name. This usage of different data sources, namely expert interviews and desk research, complies with triangulation, an essential foundation of case study research (Yin, 2018).

Yin (2018) argues that a case study is the appropriate research method if the research focuses on a how or why question, the researcher does not have any control over the event, and the study analyzes a contemporary event. Since all three criteria are fulfilled, the use of a case study is appropriate. Since CBMA is a typical corporate strategy and the chosen company has neither extreme nor unusual circumstances, a single case study is conducted (Yin, 2018). Based on the accessibility to top management, the specific case company is defined.

The thesis uses expert interviews to get detailed insights into how and why nonmarket strategies impact the studied firm's CBMA performance based on the experts' evaluations (Yin, 2018). Since the experts are M&A managers, interviewing them is in line with the performance evaluation method 'managerial assessment' which recent M&A performance research uses more commonly (King et al., 2020). Scholars claim that such a qualitative assessment is better suited to evaluate post-acquisition performance than quantitative methods since 'managerial

assessment' also incorporates nonfinancial information and provides a broader perspective (King et al., 2020). Additionally, by asking involved managers, scholars might access undisclosed information, which is not incorporated in stock returns (King et al., 2020).

M&A and CPA are confidential topics. Therefore, the study neither discloses the company's nor the interviewees' names since it should be ensured that they answer openly.

2.2. Data collection

Expert interviews are one essential part of this case study. The aim is to extract the experts' knowledge concerning the effects of nonmarket strategies on the case company's CBMA performance, where the latter is evaluated in terms of a 'managerial assessment'. The interviewer outlines the following definition of CBMA performance to all interviewees before each interview to establish a common understanding. Prior research that focuses on 'managerial assessment' uses eight categories to evaluate CBMA performance: sales growth, growth in market share, customer retention, product/service diversification, talent acquisition and retention, cost reduction via synergies, return on capital, and company share price (Ahammad et al., 2017).

The interviews follow a semi-structured approach since it provides the interviewer a guide while still allowing certain flexibility to add contextual questions. This flexibility might result in extraordinary insights. During the development of the interview protocol, particular emphasis is put on open and non-judgmental questions. Since the purpose of the interviews is to extract as much information as possible, such open-ended questions encourage interviewees to answer in great detail.

An interview protocol is developed based on the research questions, the research goal, and existing literature (see Appendix 1). Following the three research questions, the interview protocol is categorized into three topics (Kvale, 2008): factors shaping CBMA performance, motives to apply nonmarket strategies in CBMA, and the effects of nonmarket strategies on CBMA performance. The third aspect focuses on two factors: the magnitude of performance effects and the mechanisms explaining the effects of nonmarket strategies on the performance of international M&A.

Besides the interview protocol, the identification and selection of suitable experts are crucial in the data collection process. This dissertation follows Gordon (1975), who established four questions that help to identify the most suitable experts. These four questions serve as guidelines during the expert selection process:

1. Who has the relevant information?
2. Who is most likely to be able to provide precise information?
3. Who is most willing to give information?
4. Who is available from the informants?

Such a purposive sampling technique (Saunders et al., 2016) aims to identify interviewees who provide the best insights into the researched topic.

The interviews were conducted between the 15th and the 23rd of April, an overview is provided in Table 2. Due to the Covid-19 pandemic, all interviews took place over phone or video platforms. The interviews lasted between 14 and 44 minutes. All six interviewees work for the case company and have significant experience, ranging between eight to 20+ years, in the field of M&A; one of them is the global head of M&A of the studied firm. Three of the interviewees are general M&A experts. One expert has a particular focus on social, and the remaining two on political topics in the M&A process.

Table 2. Interviewees' characteristics

Interviewee (IP #)	Organizational position	M&A experience	Field of expertise	Date of interview	Duration interview
IP 1	M&A Manager Europe	8 years	M&A – general	15.04.2021	44 min.
IP 2	Senior M&A Manager	13 years	M&A –social	19.04.2021	37 min.
IP 3	Global Head of M&A	16 years	M&A – general	20.04.2021	24 min.
IP 4	Vice President M&A	21 years	M&A – political	20.04.2021	14 min.
IP 5	Head Investor Relations	21 years	M&A – general	21.04.2021	29 min.
IP 6	Senior M&A Manager	14 years	M&A – political	23.04.2021	41 min.

Source: Own work.

2.3. Data analysis

The study uses Mayring’s qualitative content analysis. Mayring distinguishes between three kinds of qualitative content analysis: summarization, explication, and structuring (Mayring & Fenzl, 2014). In structuring qualitative content analysis scholars analyze given material based on previously defined categories (Mayring & Fenzl, 2014). Researchers also label this approach as deductive category application due to the categorization building before the analysis. Since existing literature provides the possibility to define relevant categories beforehand, this dissertation uses the structuring qualitative content analysis. Figure 4 illustrates the steps taken within the structuring qualitative content analysis. They include, among others, the definition of categories or the development of a coding guide. The following discusses the different steps in detail.

After deriving categories from the existing literature, the researcher develops a coding guide that includes an explicit definition of the specific categories, illustrative examples, and coding rules (see Appendix 2). In the subsequent step, the researcher goes through the entire material and matches specific parts with the defined categories. Ultimately, the gathered results are analyzed. This approach helps to systematically extract the relevant information from the material (Mayring & Fenzl, 2014).

Table 3 shows the defined categories that the study uses to analyze the material (interviews and desk research). Besides the five main categories derived, one other category is added, “Additional information provided by respondents”, since the interviews aim to extract as much information as possible through a semi-structured approach and open-ended questions. Thus, interviewees might provide relevant information that does not fit into one of the main categories.

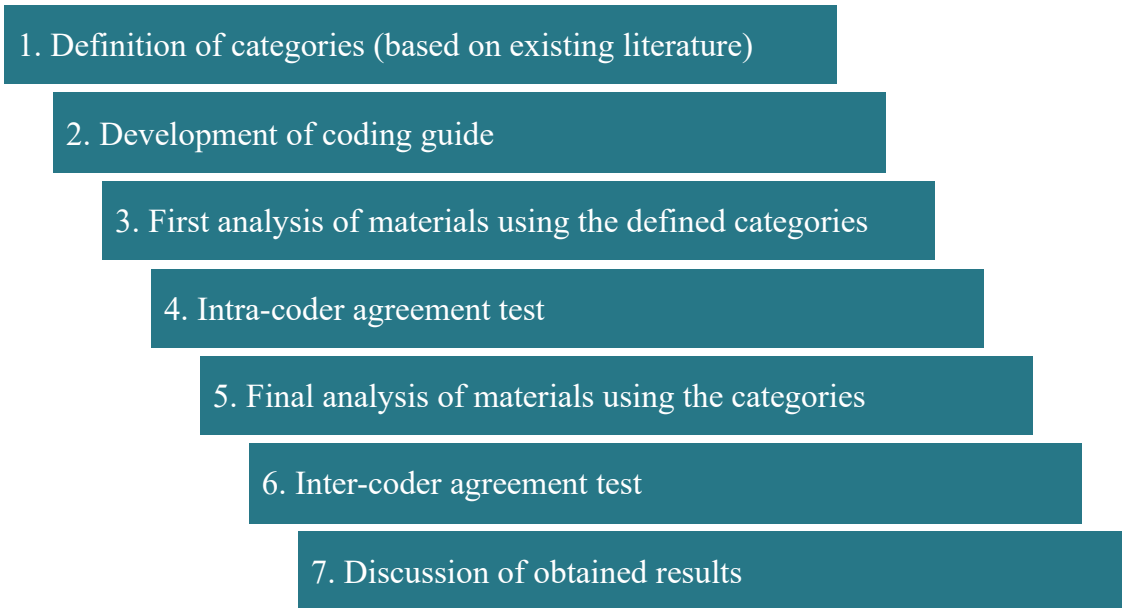
Table 3. Derived categories for the qualitative content analysis

#	Category name
1	Factors shaping cross-border M&A performance
2	Applied nonmarket strategies in cross-border M&A
3	Motives for engagement in nonmarket strategies in cross-border M&A
4	Implications of nonmarket strategies on cross-border M&A performance
5	Mechanisms between nonmarket strategies and resulting cross-border M&A performance
6	Additional information provided by respondents

Source: Own work.

The study follows Mayring's (2014) recommendation to conduct an intra-coder and inter-coder agreement test. The former includes a second review of the material by the researcher without checking the matching results from the first run. This test increases the reliability of the analysis. The latter involves a second reviewer who also matches parts of the material with the defined categories. Such an inter-coder agreement test increases the objectivity of the approach.

Figure 4. Mayring's structuring qualitative content analysis process



Source: Own work based on Mayring, P., & Fenzl, T. (2014). Qualitative Inhaltsanalyse. In Baur, N., & Blasius, J. (Eds.), *Handbuch Methoden der empirischen Sozialforschung* (pp. 543-556). Springer.

Chapter 3. Case study research findings

3.1. Company's profile

Since mergers and acquisitions and Corporate Political Activity are usually sensitive topics, the study does not disclose the case company's name. The resulting anonymity ensures open answers of the respondents. Nevertheless, this chapter outlines some general information about the company to illustrate the relevant context.

The firm is a large European telecommunication service provider and publicly traded. It offers broadband, mobile communications, and TV services to consumers. Additionally, it provides information and communication technology solutions to business customers. The analyzed firm is an MNE operating in more than 50 countries globally. The corporate headquarter is located in Europe, whereas the foreign operations are dispersed over Europe, North America, South America, Africa, and Asia. Due to this international footprint and the incessant need to grow further, the firm engages continuously in CBMA. Such transactions include small and large deals. Given the high concentration in telecommunication markets, most of the firm's international M&A deals involve antitrust review processes.

The firm has established a CSR and CPA department, thus allowing the conduct of CSR initiatives and CPAs.

3.2. Nonmarket strategies in cross-border mergers and acquisitions

This chapter outlines the results from the case study, including insights from the interviews and desk research. The subsequent sections follow the structure given by the three research questions as outlined in the Introduction. If a specific reference is drawn from interviews, the corresponding interview partner's number is shown in the following way: paraphrased reference (IP #) and a direct quotation [IP #].

3.2.1. Factors shaping cross-border mergers and acquisitions performance (as revealed by the interviewees)

This section summarizes the case study's results concerning RQ 1. The aim is to examine what factors shaped the case company's CBMA performance and how these factors impacted the performance. In the analysis process, the previously defined category '*Factors shaping cross-border M&A performance*' was matched with RQ 1.

The interviews identify several factors concerning the case company's CBMA performance. Three respondents acknowledge the effects of cultural distance on the

performance of international M&A transactions (IP 1–3). One interviewee argues that cultural distance has two dimensions: national cultural distance and organizational cultural distance:

In CBMA, we often face two kinds of cultural differences. Cultural distance between two nations and differing organizational cultures between the acquirer and the target.
[IP 3]

The three experts indicate that greater cultural differences result in lower CBMA performance since such differences often lead to misunderstandings between acquirer's and target's managers. Additionally, two respondents claim that in different countries, different M&A practices are standard, and often the home-country managers apply their home country practices to the foreign market even though the home country practices are inappropriate in the foreign setting (IP 1, IP 3). According to the respondents, the described misunderstandings and the application of inappropriate M&A practices in foreign markets lead to inefficiencies in the actual negotiation process and the post-merger integration process. The latter limits the firm's ability to generate synergies and results in lower CBMA performance:

Differing cultures often lead to misunderstandings between the two negotiating parties. Another factor is that home country managers often try to apply M&A practices they are used to apply in a domestic context also in the host country. Even though the settings in the host environment are different. This results in inefficiencies during the integration process of the two firms. We experienced that both aspects often delayed the M&A process by months and harmed our M&A performance. [IP 1]

Two experts imply that a firm's intercultural competencies influence the performance implications of cultural distance (IP 1–2). Such competencies help to bridge cultural differences and support managers to understand each other:

However, in more recent years, we focused on developing intercultural skills. We tried to understand cultural differences between nations better and adjust our behavior as home country M&A managers accordingly. I noticed that whenever such trained managers are involved in M&A deals, the downsides of differing cultures are minimized.
[IP 1]

Another factor shaping CBMA performance is the premium paid (IP 1, IP 3). The premium paid for a target defines the acquirer's ability and the degree to which a positive post-acquisition performance can be achieved. If a firm overpays a target, it is often impossible to earn the premium back through subsequent synergies. Thus, the greater the premium, the lower

the post-acquisition performance. One interviewee identifies an insufficient risk identification and an incorrect valuation of identified risks during the Due Diligence as critical aspects of why firms pay a too high premium (IP 3):

A primary reason why some M&A fail to create value is simply that the acquiring firm pays too much for the target. If a firm pays a premium higher than the subsequently realized synergies, M&A performance is negative. In past deals, that happened to us since we did not identify some risk or wrongly valued risks during our Due Diligence.
[IP 3]

One respondent claims that an acquiring firm's prior M&A experience is not sufficient to increase M&A performance (IP 1). He argues that every transaction is different. Thus, a firm needs to adapt its M&A practices to the corresponding situation. Therefore, the interviewee explains that M&A performance is not affected by the pure fact that the acquirer engaged in M&A before, but rather by the firm's abilities to extract the learnings from each M&A transaction and adapt these learnings to subsequent deals:

The firm's prior M&A experience does not necessarily help since every transaction is different from the ones done before. A firm must be able to use the gained experience and adapt it to the new transaction. Such adaptation helps to get better and better from every deal, which is also positively reflected in M&A performance. [IP 1]

According to one respondent, a country's degree of economic development shapes the performance of CBMA, too. He subdivides the effect into two components. First, he argues that antitrust authorities, which often need to approve an international merger, have less experience in developing countries. Hence, they often act inconsistently. This inconsistency adds uncertainty to the transaction and is harmful to CBMA performance. Second, in developing countries, the antitrust authorities are often less independent from the government than in developed countries. This interconnection usually includes that the antitrust authorities follow the political agenda of the government. In developing countries, such an agenda regularly includes creating a national champion who competes successfully in global markets. Thus, antitrust authorities often block CBMA when a foreign investor wants to acquire a local firm since the government prefers domestic M&A deals (IP 1):

We experienced lower M&A success in developing countries compared to developed countries. In developing economies, antitrust authorities often lack experience and act inconsistently, representing a huge risk for firms since it limits the predictability of the

authorities' decisions. Another aspect in developing countries is that the authorities are more often closely interconnected with the local government. This connection and the fact that many governments in developing countries aim to create national champions often leads to a denial of M&A transactions involving large foreign investors. [IP 1]

One expert suggests that the focus of the antitrust authorities also affects CBMA performance (IP 1). He outlines that authorities are either consumer- or operator-oriented. A strong focus on consumers often leads to a denial of proposed M&A transactions or significant remedies. Such remedies might include the forced sale of particular business units to competitors. Remedies influence the financial viability of foreign operations and thus CBMA performance. If antitrust authorities are operator-oriented, the deal is more likely to be approved, and remedies are limited (IP 1):

Another essential factor that influences the viability of our cross-border M&A deals is the degree to which the antitrust authorities are focused on consumers. Let me illustrate that with a recent example from Italy. One of the three Italian [telecommunication] operators was acquired by a foreign telecommunication firm. The local authorities argued that they would only approve the proposed transaction if the combined firm sold valuable spectrum licenses since the combined spectrum of both firms would give them monopolistic power, which, in turn, harms consumers. [IP 1]

3.2.2. The case company's motives to engage in nonmarket strategies in cross-border mergers and acquisitions

This section outlines the results associated with RQ 2, which focuses on the case company's specific nonmarket strategies applied and the underlying motives to engage in these strategies in CBMA. First, this chapter presents the identified nonmarket activities that the case company uses in CBMA. Second, the motives for these specific activities are summarized. The categories '*Applied nonmarket strategies in cross-border M&A*' and '*Motives for engagement in nonmarket strategies in cross-border M&A*' were matched with RQ 2.

The case company's nonmarket strategies in cross-border mergers and acquisitions

All six experts state that the case company applies nonmarket strategies in the context of CBMA. They specify that the analyzed firm engages in both CSR and CPA (IP 1–6).

Corporate Political Activity

Five respondents explain that the studied firm uses lobbying in connection with CBMA (IP 1, IP 3–6). However, the studied firm does not engage in lobbying in every CBMA transaction. The usage of that specific political strategy depends on the expected resistance of the antitrust authorities towards the proposed deal. In general, the expected resistance is more significant in large transactions. Thus, the firm usually does not engage in lobbying in relatively small international deals (IP 4). All five respondents refer to two recent CBMA examples where the company intensively used lobbying:

One of our main nonmarket strategies in cross-border M&A is lobbying. However, we do not engage in lobbying in every transaction. In small acquisitions, we usually do not expect great resistance from the antitrust authorities. Therefore, we do not lobby in such deals. However, in two recent examples, when we proposed to acquire two large telecommunication operators in foreign markets, we used lobbying as a nonmarket strategy. To sum it up, depending on the degree of expected resistance from antitrust authorities, we decide whether to engage in lobbying or not. [IP 4]

In subsequent sections, the study refers to the two mentioned transactions as follows: deal A and deal B. Both deals happened in two different geographical regions. Both regions belong to the economically most developed regions worldwide. In deal A the case company lobbied the home and host country government (IP 6). Additional data shows that the firm lobbied one of the two central antitrust authorities in the host country. These lobbying efforts started in the year of the deal announcement and lasted for the subsequent two years when the merger was still under antitrust review. The firm did not lobby this specific authority during the five years before the deal announcement (The Center for Responsive Politics, n.d.-b). Furthermore, the firm's lobbying expenditures in the host country stabilized in the years before the deal announcement. However, these expenses increased continuously from the year of the deal announcement until the final antitrust decision (see Figure 5). In the host country, the case company hired 19 additional lobbyists during the final year of the antitrust review process (The Center for Responsive Politics, n.d.-b). One respondent explains that the firm, besides the employed lobbyists, also hired legal advisory firms to support lobbying activities (IP 6):

Besides lobbyists, we also hire legal advisory firms supporting us with all aspects of the regulatory approval process. [IP 6]

In deal A, rather than the corporate headquarter, the local subsidiary was the active lobbying party towards the local antitrust authorities (IP 6).

Figure 5. Case company’s lobbying expenditures in host country of deal A (in million USD)



Source: The Center for Responsive Politics. (n.d.-b). *Company name*. Retrieved May 29, 2021, from <https://www.opensecrets.org>.

In deal B the firm also lobbied the antitrust authorities in the home and host country. Additionally, the firm focused its lobbyism efforts on a transnational antitrust authority. Furthermore, the case company contacted the home country’s ambassador in the host country and the home country’s president personally and provided them with information concerning the proposed transaction (IP 3–4):

After the announcement, we contacted the ambassador in the host country and the firm’s home country president and briefed them regarding the proposed transaction. [IP 4]

Additional data shows that the studied firm increased its lobbying expenditures in the geographic region of deal B during the year of the deal announcement and the year of the pending antitrust review process. After the antitrust authorities ruled, the lobbying expenditures decreased again (The Center for Responsive Politics, n.d.-b).

Concerning the second major CPA, all respondents outline that the studied firm does not use financial campaign contributions to political parties or individual politicians connected with CBMA (IP 1–6). Financial campaign contributions are associated with significant reputational risk in the firm's domestic market since consumers perceive such donations as highly unethical. In contrast, such contributions are common in deal A’s host country and the population accepts such donations (IP 6):

No, we as a company do not actively donate money to political parties. You need to consider that such monetary contributions are seen as highly unethical in the firm's home country. The involvement in such donations would cause reputational issues. However, in other countries, including the host country of deal A, such contributions are accepted by the population. [IP 6]

Data concerning financial campaign contributions in deal A's host country shows a substantial increase during the election cycles of 2018 and 2020 (see Figure 6). This is a significant increase starting in the year before the deal announcement and lasting until the final decision of the antitrust authorities. Campaign contributions increased, especially in the election cycle 2020. This cycle includes 2019 and 2020 and represents the entire antitrust review period. However, one respondent explains that no direct connection between the financial campaign contributions and the M&A approval process exists. He argues that the seen increase is due to the system of campaign contributions itself. The system in the host country works the following: employees donate their private money to political parties or individuals, and they can choose if they want to use their name or the name of the firm they are working for (IP 6):

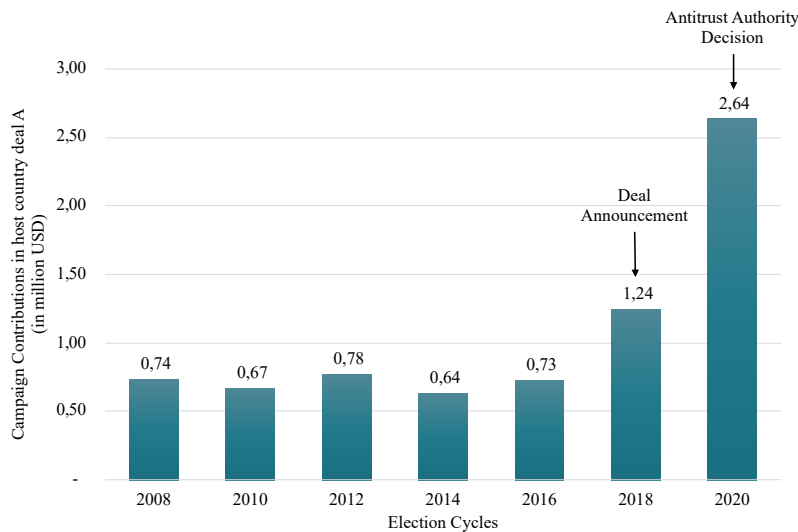
We do not engage in campaign contributions in M&A transactions. The increase of donations to political parties, timely associated with deal A, results from the system in the host country. Employees donate their private money to political parties. However, they can choose to use their employer's firm name as the official donor's name. [IP 6]

The experts also mentioned the third major CPA by expressing that the case company neither hires former politicians nor places former managers in political positions in connection with CBMA (IP 4, IP 6):

In the context of cross-border M&A, our firm does not hire former politicians. We also do not actively place our managers in high political positions. [IP 4]

As aforementioned, the case company does hire legal advisory firms to support the firm with lobbying. Additional data implies that the firm hired legal firms in the context of deal A which, in turn, employed former politicians, including a former commissioner of one of the two antitrust authorities involved in the review process (Hale, 2019).

Figure 6. Case company's financial campaign contributions in host country of deal A (in million USD)



Source: The Center for Responsive Politics. (n.d.-b). *Company name*. Retrieved May 29, 2021, from <https://www.opensecrets.org>.

Corporate Social Responsibility

All six experts explain that the studied firm applies CSR initiatives in the context of CBMA (IP 1–6). Four of the experts further distinguish between two categories of CSR initiatives. First, CSR initiatives that are timely related to the deal announcement and unconditional to the actual M&A approval and success. In subsequent sections, the study refers to this category as unconditional CSR initiatives. Second, the studied firm engages in social initiatives that are also timely related to the deal announcement but depended on the approval and success of the M&A. This thesis refers to such initiatives as social campaigning, which represents the wording used by the four experts (IP 3–6). Figure 7 visualizes this distinction between CSR categories:

You need to distinguish between two kinds of CSR initiatives in M&A transactions. On the one hand, we use classical CSR initiatives that are released close to the deal announcement. However, such initiatives are independent of the success of the announced deal. On the other hand, we also engage in so-called social campaigning. Such campaigning is also released close to the deal announcement, but it includes social promises that can only be fulfilled if the deal is successful. That also includes a successful approval by the antitrust authorities. [IP 5]

Illustrative examples are provided below based on the studied firm’s initiatives. If no reference to one of the specific CSR categories mentioned above is drawn, the study refers to CSR in general.

Figure 7. Case company’s Corporate Social Responsibility activities in CBMA



Source: Own work.

One example of an unconditional CSR initiative is an ethical M&A conduct (IP 1–2). The experts emphasize that the firm’s guiding principle “Act Responsibly” is the underlying maxim in M&A transactions. In particular, the firm applies its high CSR standards (like protection of resources or good working conditions) in CBMA, resulting in transferring these high standards to the acquired firm. Since the case company is a large MNE from a developed country, this transfer usually implies more ambitious CSR targets and improved working conditions for the acquired firm (IP 1–2). One specific example of deal A is that the acquired firm had to accept more ambitious CO₂ reduction targets after completing the transaction (IP 2). Another aspect of the ethical M&A conduct in deal A is a promised job security towards some departments during the M&A process (IP 3):

In all our M&A deals, no matter if successful or not, we base our actions upon our guiding principle ‘Act Responsibly’. This guideline is also relevant for the targets we acquire since our firm has high environmental, social, and governance [ESG] standards, and whenever a firm gets acquired by us, we transfer our ambitious standards to the target. One example is that we offer excellent working conditions, and usually the target’s employees benefit from these working conditions after the transaction since they represent an improvement compared to the conditions they had before. [IP 2]

Besides an ethical M&A conduct, the studied firm also engages in explicit unconditional CSR initiatives. The firm releases such initiatives promptly after the announcement of an M&A transaction. The experts illustrate these initiatives with two examples from deal A. Shortly after

the deal announcement, the studied firm started an initiative promising to connect 10 million students in the country, who are currently underserved, with fast internet access for free. Additionally, the firm committed to provide these students with laptops or tablets at cost. The firm claimed that it wanted to ensure equal education possibilities for all students (IP 2–3, IP 5). Another explicit CSR initiative promptly after the announcement of deal A was the firm's promise to equip all first responder agencies in the country with free unlimited talk, text, and data within ten years (IP 5). Additional data reveals that the acquirer's philanthropic expenses in the host country of deal A increased in the years of the M&A process (including the announcement and two years of the antitrust review process) by 4.9 times (Company website, n.d.):

We also release classical CSR initiatives close to the M&A announcement. In deal A, we announced that we will provide 10 million students in the host country with free internet access. Also, we promised to offer these students laptops or tablets at cost. We introduced a second initiative related to the deal because we promised to equip all first responder agencies in the host country with free talk, text, and data options. [IP 5]

The case company also frequently uses the second CSR category, social campaigning, in CBMA. When engaging in social campaigning, the case company publicly outlines the benefits of the proposed M&A from several stakeholders' perspectives. However, the firm also underlines that realizing these benefits depends on the transaction's approval and success (IP 3–6). In other words, the firm promises to create societal benefits if the merger will be approved and successful. After the announcement of deal A and before the antitrust review decision, the case company presented several promises publicly (IP 3–6). One expert summarizes these social promises as societal commitments of the acquiring firm (IP 5):

- 1. Deployment of the first nationwide 5G network, which would ensure the global 5G leadership of that country; the deployment would start two years earlier compared to the scenario where both firms continue to operate standalone.*
- 2. The merger would increase the nationwide network coverage, speed, and latency.*
- 3. The firm would be able to roll out broadband to rural and underserved areas.*
- 4. The proposed transaction would create more than 1000 jobs in the country.*
- 5. Promise to keep prices stable for three years if the transaction is approved. [IP 5]*

The studied firm also engaged in social campaigning in deal B. See Appendix 3 for an overview of the specific societal promises made. After the successful approval of deal B, the

management started to update the antitrust authorities every six months to illustrate that the firm kept its promises and created societal benefits (IP 3):

After the favorable antitrust decision [deal B], we started to send an update every half year to the authorities outlining that we fulfill our promises. [IP 3]

Four interviewees explain that social campaigning is a crucial part of lobbyism nowadays (IP 3–6) since societal benefits and promises are the critical information lobbyists try to convey to antitrust authorities (IP 4). In deal A the studied firm outlined its social promises in great detail during hearings with the two central antitrust authorities (IP 4–5; Duffy, 2020):

Social promises are the key information that our lobbyists use when interacting with political actors. [IP 4]

The case company's motives to engage in nonmarket strategies in cross-border mergers and acquisitions

The underlying motive to engage in nonmarket strategies in CBMA is to influence a firm's environment and shape it favorably for the transaction (IP 1):

Generally, we engage in nonmarket strategies during international M&A transactions to favorably shape our firm's environment. [IP 1]

The case company applies CPA in CBMA to get the antitrust authorities' attention and provide them with relevant deal-specific information. These two sub-motives aim to influence the antitrust authorities' decisions favorably for the case company (IP 3–4). Two respondents specify the underlying motive and describe that the firm applies CPA to increase the approval probability of the antitrust review process and limit remedies that the antitrust authorities may put on the proposed deal (IP 1, IP 3). Particular focus is on structured remedies, including the forced sale of valuable business departments (IP 3). As aforementioned, in deal A, rather than the corporate headquarter, the local subsidiary was the leading lobbying party towards the antitrust authorities. The firm decided on this approach since the local subsidiary is perceived as a local firm and the case company believed that it would be harmful to lobby as a large foreign investor instead of using the local reputation of the subsidiary. The firm assumed a higher probability of intervention if a prominent foreign investor would be present during the interactions with political stakeholders (IP 6):

We want to provide the authorities and involved politicians with all relevant information necessary to evaluate the proposed transaction. This information aims to shape the

authorities' decisions favorably. In particular, we try to increase the approval probability of our deals. Limited remedies are a second desirable outcome. [IP 3]

The firm engages in CSR initiatives in CBMA transactions to counterbalance possible negative side-effects of the M&A and ultimately to reduce the risk of reputational damages (IP 2). Additionally, the studied firm applies CSR in CBMA to increase its long-term profitability. The transfer of more ambitious ESG standards to the merged firm should realize a profitability increase. The mentioned transfer leads to lower costs due to reduced input resources like energy and higher revenues since high ESG standards are differentiation factors nowadays (IP 2). Another reason the studied firm uses CSR during the M&A process is to improve its employer branding and retain talented employees after the transaction. Also, the firm aims to obtain acceptance of local communities by, for instance, supporting local initiatives (IP 2):

The usage of CSR in cross-border M&A has several motives, including increasing our employer branding and obtaining the support of local communities [...]. Ultimately, we also aim to increase our profitability in the long term. [IP 2]

One expert argues that the firm engages in social campaigning to shape a positive picture of the firm and the transaction in the broad public and to get its support. Another motive of social campaigning is to influence the political environment favorably, which might benefit the antitrust review decision (IP 3). In the context of the political lens of social campaigning, the firm wants to convey to the authorities that the proposed M&A does create synergies and that consumers will subsequently benefit from these synergies (IP 4):

Social campaigns have two motives. We try to shape a positive attitude in the population and influence the involved politicians' decisions concerning our transaction. [IP 3]

3.2.3. Nonmarket strategies and the case company's cross-border mergers and acquisitions performance (as revealed by the interviewees)

This chapter compiles the case study's results regarding RQ 3. The question focuses on 'how nonmarket strategies affect the case company's cross-border M&A performance' as well as 'why nonmarket strategies affect the case company's cross-border M&A performance'. This section starts with outlining the identified performance effects and continues with the underlying mechanisms bridging the applied nonmarket strategies with the identified performance effects. The categories 'Implications of nonmarket strategies on cross-border

M&A performance’ and *‘Mechanisms between nonmarket strategies and resulting cross-border M&A performance’* were matched to RQ 3.

The implications of nonmarket strategies on the case company’s cross-border mergers and acquisitions performance (as revealed by the interviewees)

One expert outlines that the upfront commitment through nonmarket strategies has a positive effect on CBMA performance. Such upfront commitment includes explicit CSR initiatives, social campaigning, or lobbying before the deal announcement and during the antitrust approval process. Also, the subsequent fulfillment of the promises has long-term beneficial impacts on the post-acquisition performance. In deal B, the CEO of the merged company sends an update to relevant politicians every six months to illustrate how the firm keeps its promises made during the antitrust approval process. The expert explains that it is crucial to fulfill the promises made since the merged firm will have future contact with politicians concerning several topics, and a positive attitude towards the new firm will remain essential to ensure long-term post-acquisition performance (IP 3). However, he also argues that nonmarket strategies do not lead to a better deal per se, i.e., a lower premium to pay. Instead, such strategies create a positive attitude of stakeholders towards the deal. Therefore, the direct performance effects of nonmarket strategies are difficult to measure (IP 3):

Nonmarket strategies, namely CSR and CPA, have a positive influence on our M&A performance. Such strategies do not help to negotiate a lower acquisition premium; however, they help to establish a positive attitude of several stakeholders towards the deal, which helps to increase M&A performance. From my point of view, the positive implications of nonmarket strategies have two components. On the one hand, the promises that we make before the final closing. On the other hand, the subsequent fulfillment of these promises also positively impacts our long-term performance. [IP 3]

Corporate Political Activity

The subsequent section outlines the performance effects of the three major CPAs, namely lobbying, financial campaign contributions, and hiring former politicians.

Four respondents claim that lobbying has positive implications on the case company’s CBMA performance. However, all four emphasize that the effectiveness of lobbying in CBMA depends on the region where it is applied. They argue that the interaction between corporations and politicians is accepted in the US and more likely to be effective. However, such interaction is seen critical from the broad public, including current and potential customers, in most

European countries. Thus, lobbying bears reputational risks, which negatively impact the effectiveness of lobbying in countries where the population does not accept lobbying (IP 1, IP 3, IP 4, IP 6):

Lobbyism proved to be beneficial in terms of cross-border M&A performance. However, the effectiveness of this particular strategy depends on the degree to which a country's population accepts interactions between managers and politicians. The lower this acceptance, the less effective lobbying is since it bears reputational risks. The population's acceptance of lobbying varies across different countries. [IP 4]

Furthermore, the lobbyist's contacts to relevant political decision-makers influence the performance effects of lobbying (IP 4, IP 6). Also, the lobbyist's capabilities to persuade these decision-makers affect the CBMA performance implications (IP 4, IP 6):

The lobbyist needs to have contact with relevant political decision-makers and the capabilities to influence these decision-makers. Both components impact the effectiveness of lobbying on cross-border M&A performance. [IP 6]

One expert specifies that the lobbyists' influence on decision-makers depends on the lobbyists' and decision-makers' personal relationships. The expert argues that a good personal relationship is crucial since it creates trust. This trust is essential since it helps politicians believe the lobbyists' claims and promises (IP 6). The interviewee outlines that an excellent personal relationship relies on transparency in communication and empathy in personal interactions. However, the expert believes that the effects of an excellent personal relationship on CBMA performance are not quantifiable (IP 6). Another respondent claims that the success of lobbying also depends on the lobbyist's general credibility (IP 4).

As mentioned before, the case company does not engage in financial campaign contributions in connection with CBMA. However, one interviewee argues that such contributions have somewhat positive effects on CBMA performance and that adverse effects are rare. He also emphasizes that the effectiveness of financial campaign contributions depends on the region where they are used (IP 4). The underlying logic is the same as described in the context of lobbying above:

Financial campaign contributions have positive effects on a firm's M&A performance. However, similar to lobbying, the degree to which a country's population accepts this particular strategy impacts the effectiveness of campaign contributions. [IP 4]

The case company does not directly hire former politicians in the context of CBMA. Correspondingly, one respondent argues that the employment of former politicians has no positive effects on CBMA performance. He claims that this political strategy has neutral effects and explains that the loss of connections to decision-makers after the politician's active career decreases its value. Furthermore, global transparency standards increase and diminish possible positive effects. Active politicians get more cautious about whom they meet as they need to disclose such meetings in several developed countries nowadays (IP 4):

I neither see upsides nor downsides of that political strategy [hiring former politicians] in the context of cross-border M&A. After leaving politics, politicians partly lose their contacts to decision-makers and have limited possibilities to influence still active actors.
[IP 4]

Corporate Social Responsibility

First, this section outlines the performance effects of unconditional CSR initiatives, differentiated between explicit ones and ethical M&A conduct. Second, the chapter continues with the performance implications of social campaigning.

Three respondents argue that unconditional explicit CSR initiatives positively impact the firm's CBMA performance (IP 2–3, IP 5). Such initiatives often help to reduce the risks associated with the transactions, especially reputational risks (IP 2). Besides minimizing risks, the initiative to provide students with free internet, connected with deal A, explicitly helped to obtain the approval of one of the two antitrust authorities (IP 3). However, the exact performance effects of such explicit CSR initiatives are difficult to quantify (IP 2, IP 5):

We saw positive impacts of such [explicit CSR] initiatives on our M&A success in past deals. Let me give you an example from deal A: our promise to connect 10 million students for free explicitly helped to obtain a favorable decision from one of the antitrust authorities. [IP 3]

The second stream of unconditional CSR initiatives, an ethical M&A conduct, increases the employees' organizational commitment. In particular, promising job security and the transfer of better working conditions from the acquirer to the target are relevant aspects of an ethical M&A conduct (IP 1, IP 2). One expert specifies that the transfer of working conditions from the acquirer to the target is especially relevant when the acquirer is located in a developed country, whereas the target is in a developing country (IP 1):

Often M&A are associated with organizational uncertainty concerning layoffs or restructuring. Therefore, in deal A we promised job security to our employees, and they told us that this security was essential to them. They argued that such caring practices further increase the responsibility they feel towards the firm. [IP 2]

As the second aspect of CSR in CBMA, social campaigning has positive effects on the performance of international M&A transactions (IP 3–6). The experts claim that social campaigning is especially beneficial in the political process of M&A, mainly during the antitrust review process (IP 3–6). One respondent argues that lobbying through social campaigning by conveying the societal benefits of a proposed deal to politicians is more effective than lobbying solely with hard facts. Such hard facts usually include suggestions concerning the appropriate market definition in the context of the proposed M&A transaction (IP 4):

The use of social campaigning in cross-border M&A is highly beneficial since it helps to convince the antitrust authorities that a deal has several advantages for the local community and the entire country. Nowadays, social campaigning is way more successful than classical lobbyism since regulators care more about the societal benefits than the correct market definition of an industry. [IP 4]

Social campaigning in deal A included the social promises to roll out broadband to rural areas and cover 97% of the nation with 5G within three years. These promises helped to obtain antitrust approval (IP 5; Horwitz, 2019). However, one expert raises concerns regarding social campaigning. He argues that it is a thin line between perceived extortion and the simple act of conveying potential societal benefits of a proposed M&A. Thus, very aggressive social campaigning might have adverse implications on the antitrust review process (IP 6):

However, engagement in social campaigning bears risks. It is crucial to convey the message carefully since otherwise politicians might get the impression that we bully them to approve the deal. We have to show all the upsides resulting from a successful deal and must not imply that it is the politicians' fault that such benefits are not realized if they deny the transaction. [IP 6]

Besides the two aforementioned aspects of CSR, one respondent emphasizes an additional factor. He claims that the studied firm's social reputation prior to a deal announcement significantly influences the effectiveness of unconditional explicit CSR initiatives and social campaigning (IP 5). He argues that in deal A and B, the studied firm had

developed a reputation to create societal benefits. This reputation resulted from the firm's continuously introduced initiatives favoring consumers and local communities. This reputation resulted in trust. The public and politicians were convinced that the firm would fulfill its social promises (either explicit CSR initiatives or social campaigning) made during the M&A process. Such trust is crucial since none of the promises in CBMA are legally binding (IP 5):

Our social reputation developed before the two deals [A and B] was crucial in terms of M&A success. Our social promises are not legally binding, however, our social reputation convinced the population and the politicians that we will fulfill our promises.

[IP 5]

In both deals, the final antitrust decision states that the authorities believe that the firm will fulfill its promises since it has consistently created societal benefits during the past years (Host government v. Acquiring firm, 2020; IP 5).

Besides the influence on the effectiveness of CSR initiatives, social reputation itself positively affects CBMA performance (IP 5). Social reputation developed before the deal announcement made the public and the antitrust authorities believe that the firm would continue its pro-society strategy after the transaction (Host government v. Acquiring firm, 2020; IP 5). Such a pro-society strategy includes great offerings for customers and social projects supporting local communities, for instance. The expert claims that social reputation was a critical success factor in deal A and B (IP 5). However, he outlines that the influence of social reputation on the CBMA performance depends on the relevance that the firm's industry has on society. The telecommunication industry is crucial for society. Thus, social reputation is more effective than in less relevant industries (IP 5):

Social reputation does not only increase the trustworthiness that we will fulfill our promises, but it also has a standalone effect. In both markets [where deal A and B took place], we developed a reputation that we disrupt the market in favor of customers and society. Therefore, people believed that we would continue this pro-society approach after the completed M&A transaction. To conclude, the twofold effect of our social reputation was a critical factor why both deals [A and B] have been so successful. [IP

5]

One respondent illustrates the negative implications on CBMA performance when no social reputation exists and the firm does not engage in CSR initiatives. Prior to deal A, the case company had years of controversies with its labor unions. Thus, the firm lacked a social reputation concerning this specific stakeholder. Additionally, the firm did not initiate any CSR

activities which particularly focused on labor unions. These facts resulted in a lawsuit initiated by the labor unions to block the proposed merger. In the end, the deal was approved. However, the lawsuit delayed the approval by months and created severe uncertainty. The expert claims that if the case company had established a social reputation towards labor unions and had applied some stakeholder-specific CSR initiatives, the lawsuit would have been avoided (IP 5):

As described, most stakeholders perceived us as a social company enhancing social good. However, we lacked this reputation in connection with labor unions. They were afraid that the deal [A] would harm our employees. Thus, they tried to block the proposed acquisition and initiated a lawsuit. In the end, the authorities approved the transaction, but this lawsuit delayed the successful transaction by months and harmed M&A performance. [IP 5]

Linkages between nonmarket strategies and the resulting cross-border mergers and acquisitions performance (as revealed by the interviewees)

This section summarizes the case study's results to describe the underlying mechanism between nonmarket strategies and the CBMA performance implications. One expert argues that nonmarket strategies do not have a direct influence on CBMA performance. He describes the linkage as indirect since nonmarket strategies shape and enhance the attitude of several stakeholders towards the deal and firms involved (IP 3):

Direct performance implications are difficult to measure, but they [nonmarket strategies] influence stakeholders and help to shape a positive sentiment towards the merging firms and the deal. [IP 3]

The other experts describe the underlying mechanism between nonmarket strategies and the subsequent CBMA performance implications on the level of CPA and CSR, respectively.

Corporate Political Activity

Three experts agree that CPA enhances the attitude of politicians towards the proposed deal and the merging firms. This is especially relevant for antitrust authorities as they are the key political stakeholders in M&A transactions (IP1, IP 4, IP 6):

Corporate political strategies support the political process. They shape the politicians' opinions about the transaction in a favorable way. [IP 6]

One respondent outlines that this positive attitude is often a result of trust and sympathy, which lobbying creates (IP 6). The established positive attitude towards the proposed M&A

does not result in a shorter antitrust review process (IP 4). However, an increased antitrust approval probability and fewer remedies follow a favorable attitude of antitrust authorities towards the proposed transaction (IP1, IP 4, IP 6). Two of the experts specify that the positive effects of increased antitrust approval probability and fewer remedies are only valid for lobbying and financial campaign contributions, while the employment of former politicians has neutral effects (IP 4, IP 6):

The enhanced sentiment towards the deal is usually reflected in two ways. The probability that the proposed transaction will be approved increases, and the authorities put fewer remedies on an approved merger. However, these beneficial outcomes are only valid for lobbying and campaign contributions. [IP 4]

The increased approval probability leads, on average, to greater CBMA performance: if a deal is not approved, synergies cannot be achieved. Additionally, the acquirer often has to pay break-up fees to the target if the authorities deny the merger. These fees burden the acquirer's future organizational performance (IP 4, IP 6). Fewer remedies increase CBMA performance since they are harmful to the newly combined firm. Remedies often include a forced sale of profitable business units, valuable assets, or a prohibition to raise prices for a certain period (IP 4, IP 6):

Both the increased probability of deal approval and limited remedies increase M&A performance. A deal approval is a prerequisite that a transaction can realize the identified synergies, and remedies reduce the financial viability of M&A. [IP 4]

The described mechanisms are only valid in countries where CPAs are commonly accepted. However, in geographical regions where the population considers such activities unethical, the engagement in CPA often results in harmful effects since the firm loses its consumers' support (IP 1, IP 4, IP 6).

Corporate Social Responsibility

CSR as a nonmarket strategy, irrespective of whether unconditional CSR initiatives or social campaigning are used, helps to decrease the risks associated with the deal. The reduced risk, in turn, helps to avoid negative CBMA performance (IP 2). In addition, CSR leads to positive CBMA performance since it improves the relationships between the merged firm and several groups of stakeholders (IP 2, IP 3, IP 5):

All forms of CSR help to positively influence our relationships with different stakeholders. [IP 5]

CSR in M&A helps consumers keep or even build trust towards the merged firm. Furthermore, NGOs and the press get confirmation that the new firm respects specific values and guiding principles after the M&A. Also, suppliers interpret CSR activities in CBMA as a sign that the newly merged company remains a reliable partner (IP 2). CSR in connection with CBMA also positively influences the relationship with politicians. The experts believe that unconditional CSR initiatives and social campaigning increase the antitrust approval probability and limit remedies (IP 2, IP 5):

The described enhanced relationship with stakeholders also includes political actors. CSR improves such relationships, which ultimately increases the deal's approval probability and limits potential remedies. [IP 5]

Two experts further elaborate on the mechanisms of an ethical M&A conduct. They argue that an ethical M&A conduct, including job security or the transfer of better working conditions to the target's employees, increases the employees' organizational commitment. Furthermore, an ethical M&A conduct involving caring practices concerning the environment or the local communities increases the employees' motivation. The increased motivation results from a greater consistency between the employees' values and the firm's values induced by the ethical M&A conduct. (IP 1–2).

One respondent elaborates on the mechanisms of how social reputation leads to greater CBMA performance. He argues that a firm's social behavior prior to the M&A helps to establish a social reputation. This reputation results in twofold credibility. The credibility that the firm will continue to create societal benefits after the transaction and that the firm will keep its promises made through explicit CSR initiatives or social campaigning during the M&A process. This credibility, in turn, leads to an increased antitrust approval probability, fewer remedies, or a more positive sentiment from the consumers' perspective (IP 5):

Our pro-society behavior prior to the deal resulted in credibility, which helped us increase the antitrust approval probability, limit potential remedies, and enhance consumers' attitudes towards the merged firm. They all believed that we would keep our made societal promises and continue our pro-society strategy after the transaction. [IP 5]

Chapter 4. Discussion of research findings

This study analyzes how and why nonmarket strategies are used and affect the case company's CBMA performance. With this objective, three research questions are elaborated on, which are answered in the following section by synthesizing the insights from the literature review and case study.

4.1. Factors shaping the case company's cross-border mergers and acquisitions performance

One research question aims to identify which factors shape the case company's CBMA performance. Also, the question focuses on how these factors affect CBMA performance.

***RQ 1:** What factors and how have shaped the case company's cross-border M&A performance, as revealed by the interviewees?*

Cultural Distance

This study reveals that cultural distance between the acquirer and the target is a factor affecting the case company's CBMA performance. The greater the cultural distance, the lower the CBMA performance. Stahl and Voigt's (2008) meta-analysis focuses on financial metrics and provides evidence that the relationship between cultural distance and both short-term abnormal stock returns and long-term accounting performance is insignificant. However, the scholars identify a significant negative correlation between cultural distance and CBMA performance when measured through long-term abnormal stock returns. This result is in line with the insights gathered by the conducted case study. The negative relationship identified by Stahl and Voigt (2008) and the conducted interviews of this study are consistent with Hofstede's (1984) cultural distance hypothesis. This hypothesis claims that with greater cultural distance, the costs and risks associated with cross-cultural interaction increase. In turn, these increased costs and risks diminish CBMA performance (Stahl & Voigt, 2008). The case study specifies the mentioned problems. It outlines that cultural distance is reflected in misunderstandings between home and host country managers as well as the application of inappropriate M&A practices in the host country. The latter refers to the fact that home country managers try to apply M&A practices from the home country in the host country, even though the circumstances are different. These two outcomes resulting from cultural distance lead to inefficiencies during the negotiation and post-merger integration process. Inefficiencies during the post-merger integration limit the merged firm's ability to achieve synergies and affect CBMA performance negatively. These

findings are in line with Haspeslagh and Jemison (1991), who argue that cultural distance and the associated obstacles during the integration process are major reasons why M&A do not lead to superior value creation.

The results mentioned above contrast the stream of research claiming that greater cultural distance leads to superior CBMA performance. This stream argues that greater cultural differences provide greater learning opportunities. Furthermore, some scholars indicate that greater cultural distance involves more diverse assets and knowledge. Ultimately, they conclude that such diverse assets and knowledge are more valuable to the merged firm since they are more likely of complementary nature (Morosini et al., 1998).

The case study reveals that cultural distance has two components: national and organizational cultural distance. Both components of cultural distance negatively shape the case company's CBMA performance. The negative linkage between national and organizational cultural distance and CBMA performance complies with the concept of double-layered acculturation. This concept describes that post-merger integration is more difficult when national and organizational cultures differ significantly at the same time (Barkema et al., 1996).

A firm's intercultural competencies can limit the adverse effects of cultural distance. Such competencies help to bridge the gap between two different cultures and restrain the negative implication of great cultural distance. Therefore, the greater a firm's intercultural competencies, the lower the negative CBMA performance impacts of cultural distance.

Premium paid

The case study provides evidence that the premium paid for the target is a major factor shaping the case company's CBMA performance. The experts even claim that a high premium paid is the key reason why M&A fail to create value. Hitt et al. (2009) also suggest that a high premium paid causes low, or even negative, CBMA performance. The respondents explain that the premium paid defines a merged firm's ability and degree to which CBMA performance can be positive: the greater the premium, the higher the threshold of positive CBMA performance. King et al. (2020) analyze the effects of the factor 'acquisition premium' on M&A performance. No effect has been identified in the context of managerial assessment. However, the scholars reveal a negative correlation between short-term abnormal stock returns and the premium paid (King et al., 2020).

This dissertation shows that a too high premium paid is often due to an insufficient Due Diligence. Mainly poor risk identification and a wrong valuation of risks associated with the possible transaction cause a too high premium. This insight is consistent with literature.

Scholars claim that an insufficient Due Diligence often leads to high acquisition prices (Hitt et al., 2001). Management hubris and agency problems are two additional reasons why acquiring firms pay too high premia (Roll, 1986).

Absorptive & adaptive capabilities

King et al. (2020) reveal a positive effect of prior acquisition experience on M&A performance. This impact is consistent with learning theory arguing that firms develop acquisition capabilities with growing M&A experience (Levitt & March, 1988). However, this case study shows that pure prior M&A experience is not sufficient to increase M&A performance. Since every transaction is different, firms need capabilities to extract the key learnings from every M&A and to adapt and apply these learnings in subsequent transactions accordingly. The case study's results are in line with Hitt et al.'s (2009) reasoning. They label the competencies mentioned above as absorptive and adaptive capabilities and claim that these capabilities are crucial for the success of M&A transactions. Both this case study and Hitt et al. (2009) indicate that a positive relationship between absorptive as well as adaptive capabilities and CBMA performance exists. Finkelstein and Halebian (2002) reason that the lack of absorptive and adaptive capabilities often leads to a generalization of M&A practices. In such cases acquiring firms tend to generalize their prior M&A experience and use the previously applied practices also to a new transaction, even though the context is different.

Degree of host country's economic development

The case study indicates that the degree of the host country's economic development affects CBMA performance. CBMA performance is often lower in countries with a low level of economic development. The relationship has two components. First, in developing countries, antitrust authorities have less experience and act more inconsistently. In general, inconsistency in the antitrust approval process adds uncertainty to the deal. These insights are in line with Holburn and vanden Bergh (2014), who argue that an unstandardized regulatory approval process results in uncertainty for the merging parties. Furthermore, Katz and Kahn (1978) claim that complex transactions, like CBMA, need predictability and that uncertainty threatens the entire transaction. Ultimately, Clougherty (2005) implies that uncertainty in CBMA leads to increased costs and diminishes CBMA performance.

The second component of the relationship is as follows: in developing countries, antitrust authorities often depend on the national government. Thus, authorities follow a specific political agenda which usually includes the creation of a national champion. To

establish a national champion, antitrust authorities often block proposed acquisitions, including a foreign acquirer and a local target. A blocked transaction leads to no CBMA performance since no deal occurs and no synergies can be achieved. Additionally, if authorities block a merger, the acquirer often has to pay break-up fees to the target. These fees harm the firm's future organizational performance. In line with the case study's findings, Gomes et al. (2010) also indicate that governments are usually closely involved in preventing CBMA since they want to build a national champion and prefer domestic M&A transactions.

Focus of antitrust authorities

Another factor affecting CBMA performance identified in the case study is the involved antitrust authorities' focus. Antitrust authorities either focus on consumers or operators. A consumer focus often leads to a block of a proposed deal or significant remedies that the merging firms have to accept if they want the deal to be approved. The antitrust authorities are concerned that the proposed M&A limits competition and subsequently harms consumers. Therefore, remedies often include the forced sale of valuable business units to competitors or the obligation to keep consumer prices stable for a certain period. Remedies usually negatively impact the financial viability of foreign operations and thus diminish CBMA performance. These insights are consistent with theory. Brockman et al. (2013) imply that governments might get involved in M&A transactions and block them if they are concerned that consumers will be harmed. Also, Holburn and vanden Bergh (2014) illustrate that governments intervene with proposed M&A deals by forcing the merging parties to share their potential benefits, like synergies, by reducing consumer prices, for instance. Contrarily, if antitrust authorities have an operator-oriented approach, the probability of antitrust approval is higher, and remedies are less. Thus, CBMA performance is greater compared to the scenario of consumer-focused authorities.

Conclusion: Factors shaping the case company's cross-border mergers and acquisitions performance

Table 4 summarizes the factors affecting the case company's CBMA performance. It also indicates how these factors impact the performance.

Table 4. Factors affecting the case company’s CBMA performance

Factors affecting CBMA performance	Impacts on CBMA performance
Cultural Distance	↓
National Cultural Distance	↓
Organizational Cultural Distance	↓
Intercultural Competencies	↑
Premium Paid	↓
Absorptive & Adaptive Capabilities	↑
Host Country’s Economic Development	↑
Antitrust Authorities’ Consumer Focus	↓

Source: Own work.

4.2. Motives to engage in nonmarket strategies in the context of cross-border mergers and acquisitions

The second research question is concerned with the case company’s used nonmarket strategies (*how?*) and the motives (*why?*) to engage in these strategies in CBMA. The following section starts with CSR, continues with CPA, and concludes with nonmarket strategies in general.

RQ 2: How and why the case company engages in nonmarket strategies in the process of cross-border M&A?

Corporate Social Responsibility as a nonmarket strategy in the case company’s cross-border mergers and acquisitions process

The case company engages in different CSR activities in CBMA: unconditional CSR activities (distinguished between explicit CSR initiatives and ethical M&A conduct) and social campaigning.

The case company engages in unconditional CSR activities to get support from various groups of stakeholders, and employees are one of the groups. The firm applies CSR, in particular an ethical M&A conduct, to increase its employer branding and the employees’ organizational commitment, which ultimately aims to retain more employees. These insights are consistent with Edwards and Edwards (2013), who argue that CSR in M&A increases the employees’ organizational commitment. Additionally, Walsh (1988) provides evidence that M&A result in an above-average target employee turnover, and Cannella and Hambrick (1993) show that such turnover represents a loss of valuable knowledge and usually results in lower

M&A performance. Therefore, the case company's motive to reduce turnover by using CSR appears reasonable to minimize negative implications of employee turnover associated with an M&A transaction.

As the second major CSR category, social campaigning is also used to gain various stakeholders' support. However, this study indicates that the firm's motive concerning social campaigning is twofold. The firm targets both the broad public and politicians. In the following, the two approaches are outlined in detail.

The firm engages in social campaigning to shape a positive sentiment in the broad public and to get its support subsequently. This motive is aligned with Ahammad et al.'s (2017) point of view, who argue that CSR as part of CBMA is used to shape a favorable public opinion. One example from the case company's deal A is that the firm promised to roll out broadband access to rural areas as part of the transaction. This promise aimed to get the corresponding local communities' support.

The firm's second sub-motive to engage in social campaigning is influencing the political environment and shaping the antitrust authorities' decisions. In deal A, the studied company promised that the merged firm would roll out the first nationwide 5G network. The rollout would be completed two years earlier than when the firms would continue to operate separately. The firm also promised that this nationwide 5G network would ensure the country's global 5G leadership. This strategy represents an integration of CSR and CPA since social campaigning is used through lobbying to influence political actors and ultimately increase the deal's approval probability.

Another aspect this case study reveals is that the firm integrates nonmarket and market initiatives within social campaigning. The promise mentioned above regarding the broadband rollout targeted local communities as nonmarket actors. However, in the very same campaign, the firm simultaneously addressed market actors. It assured to keep its prices stable for three years. This commitment directly impacted the market environment with its critical stakeholders of consumers and competitors. While such an integration of nonmarket and market strategies is receiving more attention in recent research, as of now, literature is limited and provides inconclusive results regarding the integration's impacts on organizational performance (Mellahi et al., 2016).

To conclude, the overarching motive of why the case company engages in CSR during its CBMA processes is to get support from various groups of stakeholders. This motive can be translated into another motive concerning CSR activities in CBMA identified by this study: improving the firm's long-term profitability. The increased support of various stakeholders,

including consumers, helps to raise revenues through enhanced differentiation. Furthermore, CSR initiatives help to reduce costs in the longer term due to lower expenditures associated with decreased employee turnover, for instance.

Corporate Political Activity as a nonmarket strategy in the case company's cross-border mergers and acquisitions process

The case company engages in lobbying during its CBMA transactions. While the interviews reveal that the firm does not hire former politicians directly, they do so indirectly by hiring legal advisory firms that, in turn, employ former politicians. For instance, in deal A, a former commissioner of one of the two central antitrust authorities was indirectly employed (Hale, 2019). The respondents deny that the firm engages in financial campaign contributions in CBMA. However, additional data regarding financial campaign contributions in the host country of deal A indicates a substantial increase during the election cycles prior to and during the antitrust approval process (The Center for Responsive Politics, n.d.-b). The indicated increase is in line with Holburn and vanden Bergh's (2014) observations, which provide evidence that firms increase their financial campaign contributions by 14% twelve months before M&A announcements. Aside from the external information, the case study's results indicate that no coordinated campaign contributions took place.

The case study reveals that the firm engages in CPAs to get the relevant antitrust authorities' attention and provide these authorities with deal-specific information. These two sub-motives can be summarized as follows. The firm applies CPA in CBMA to influence the antitrust authorities' decisions favorably for the firm. This motive is consistent with Holburn and vanden Bergh (2014), who also argue that the primary motive of CPA in M&A transactions is to shape the antitrust approval process in favor of the firm. Host country governments are usually reserved in such international deals since they want to protect their national industries, and the antitrust review serves as a means (Gomes et al., 2010). The case study shows that the firm tries to influence the authority's decision in two ways. First, it aims to increase the approval probability of the antitrust review process, which is in line with literature (Frynas et al., 2006). Second, it tries to limit possible remedies.

The studied firm also considers the choice of the lobbying party carefully. In deal A, the firm decided that the host country subsidiary would be the leading lobbying party towards the antitrust authorities to minimize political interference. It is expected that if a large foreign investor led the lobbying efforts, there would be a higher probability of political intervention. This motive is backed by the theory claiming that governments are often closely involved in

preventing M&A since they want to protect their domestic industries and create national champions (Gomes et al., 2010). Against expectations (see Chapter 4.1.), as the host of deal A is a developed country, political considerations regarding national champions seem to be important.

In conclusion, the studied firm applies CPA to obtain the support of political stakeholders and ultimately increase CBMA performance. This conclusion is aligned with Hillman et al. (2004), who argue that firms engage in CPA to get politicians' support which minimizes the governmental interferences and results in greater CBMA performance.

Nonmarket strategies in the case company's cross-border mergers and acquisitions process

The case company engages in nonmarket strategies during its CBMA transactions. The study identifies specific CSR strategies: unconditional CSR initiatives (distinguished between explicit CSR initiatives and ethical M&A conduct) and social campaigning. In addition, three CPAs are revealed by the study: lobbying, financial campaign contributions, and hiring former politicians. Except for financial campaign contributions, the case company engages in the identified nonmarket strategies in CBMA.

The engagement in these strategies during CBMA transactions is mainly motivated by getting support from various groups of stakeholders. CPA focuses on political stakeholders, whereas CSR targets several groups but also includes politicians. The main motive identified can be reconciled with Mellahi et al. (2016) since they argue that nonmarket strategies are applied to obtain organizational legitimacy from various stakeholders. These stakeholders are relevant in both the market and nonmarket environment. They also claim that such organizational legitimacy should ultimately lead to greater organizational performance. Kostova and Zaheer (1999) imply that the development of organizational legitimacy is especially relevant when entering foreign markets, i.e., through CBMA, since the foreign acquirer often lacks reputation and organizational legitimacy in the new local market.

Figure 8 summarizes the key findings associated with RQ 2.

Figure 8. Case company’s motives to use nonmarket strategies in CBMA



Source: Own work.

4.3. Nonmarket strategies and the case company’s cross-border mergers and acquisitions performance

This section discusses the third research question.

***RQ 3:** How and why do nonmarket strategies affect the case company’s cross-border M&A performance, as revealed by the interviewees?*

In the following, the findings regarding the effects of CSR, CPA, and nonmarket strategies in general on CBMA performance are discussed. Furthermore, the underlying mechanisms are highlighted.

Effects of Corporate Social Responsibility on the case company’s cross-border mergers and acquisitions performance

This study reveals that explicit CSR initiatives positively influence CBMA performance. Such activities reduce the risk of reputational losses associated with the transaction.

This dissertation shows that an ethical M&A conduct raises the employees’ organizational commitment. This conclusion is consistent with Lin and Wei (2006), who further provide evidence that increased organizational commitment leads to improved job performance. Ultimately, Wilde (2004) links organizational commitment and job performance with M&A success. The adoption of an ethical M&A conduct thus increases the studied firm’s CBMA performance. In the case company, the promise of job security and the transfer of good working conditions to the target’s employees are crucial aspects of an ethical M&A conduct.

In addition, Walters et al. (2019) show that increased organizational commitment leads to greater target executive retention. Since unplanned employee turnover as a consequence of M&A represents a loss of valuable knowledge (Cannella & Hambrick, 1993) an ethical M&A conduct prevents such negative performance implications.

This case study identifies social campaigning as an essential sub-category of CSR in CBMA. Social campaigning has a positive linkage to the case company's CBMA performance. It is especially relevant during the antitrust review process and is used through lobbying. This integration of CSR and CPA is highly beneficial for CBMA performance and was one critical success factor in the firm's recent deals. This thesis implies that lobbying combined with social campaigning is more effective than classical lobbying, which usually includes discussions regarding the correct market definition of a proposed M&A transaction. However, social campaigning should not be used too aggressively since political stakeholders might perceive it as extortion.

The case company shows that a firm's social reputation influences CBMA performance. The positive effects of social reputation are twofold. First, social reputation standalone increases CBMA performance. This insight is consistent with Deng et al. (2013), who provide evidence that a firm's CSR score is significantly and positively correlated with M&A performance. The CSR score reflects a firm's long-term social behavior and serves as an approximation for social reputation. In the studied case, the firm's continuous pro-society behavior creates a social reputation. This reputation translates into higher credibility and stakeholders' belief that the merging firms will continue their pro-society strategy after the M&A transaction. This dissertation identifies that such credibility leads to a higher antitrust approval probability, fewer remedies, or an increased positive consumer sentiment. Ultimately, these outcomes result in greater CBMA performance. The described mechanism is partly in line with Deng et al. (2013). The scholars argue that M&A transactions initiated by acquiring firms with a high CSR score show an increased completion probability. While they also imply that a high CSR score leads, on average, to shorter completion times of the transactions, this study suggests that the completion time is not impacted.

Second, social reputation affects the effectiveness of explicit CSR initiatives and social campaigning. The greater a firm's social reputation before an M&A deal, the more effective the explicit CSR initiatives and social campaigning that are timely related to the transaction. The underlying mechanism is similar to the one described above in the context of the standalone effects of social reputation. The only difference is that social reputation and the resulting credibility make stakeholders believe that the merging firms will keep their social promises

made during the M&A process. This dissertation reveals that the positive effects of social reputation on CBMA performance are affected by the industry's societal relevance.

In conclusion, this study shows that CSR has positive impacts on the case company's CBMA performance. The dissertation identifies four categories of CSR which all have a positive relationship with CBMA performance: explicit CSR initiatives, an ethical M&A conduct, social campaigning, and a social reputation developed prior to the deal. Additionally, the subsequent fulfillment of social promises also positively affects the merged firm's long-term organizational performance. The fulfillment of the promises made during the M&A process helps further to enhance the relationship between the firm and its stakeholders. Hence, consistency between the promises made during the M&A process and the subsequent behavior is another factor positively influencing CBMA performance. This aspect is aligned with Tang et al. (2012), who claim that consistent social behavior is essential in terms of organizational performance.

The underlying mechanism of each of the categories of CSR in combination with CBMA is that it improves the relationship between the merging firms and several groups of stakeholders, which ultimately increases CBMA performance. However, a holistic consideration and inclusion of all relevant stakeholders are essential to maximizing performance effects. Another critical insight is that a firm's social reputation affects the effectiveness of explicit CSR initiatives and social campaigning. Thus, such social strategies are not only beneficial for the case company's CBMA performance standalone but maximize their positive effects if combined with a great social reputation.

Effects of Corporate Political Activity on the case company's cross-border mergers and acquisitions performance

The case company's engagement in lobbyism during CBMA transactions leads to greater CBMA performance. Lobbyism supports the building of trust between the politicians and the merging firms, which, in turn, enhances the political stakeholders' attitude towards the deal and merging firms. The improved attitude is especially relevant during the antitrust review process and increases the deal's approval probability or limits the remedies put on a proposed deal. Both possible outcomes of lobbyism subsequently lead to greater CBMA performance. However, this study identifies some factors affecting the relationship between lobbyism and CBMA performance. In particular, the degree to which a country's population accepts CPA affects the performance implications of such political strategies. The less accepted political activities are, the lower the subsequent CBMA performance effect is. Furthermore, a lobbyist's

contacts to relevant political decision-makers influence the relationship between lobbying and CBMA performance. The lobbyist's capabilities to influence political decision-makers are a third factor affecting the relationship. This factor is consistent with Barnett (2007). He argues that the potential to influence stakeholders is a crucial aspect shaping the relationship between nonmarket strategies and organizational performance. This study confirms the validity of these findings in the context of lobbying and CBMA.

The case company does not engage in financial campaign contributions in connection with CBMA. However, the study shows that such contributions have positive effects on CBMA performance. The mechanism is as follows. Financial campaign contributions increase a politician's sympathy towards the donating firms. This sympathy leads to an enhanced sentiment towards the merging firms and deal. Ultimately, this sentiment increases the deal's approval probability or limits remedies. Thus, financial campaign contributions lead to greater CBMA performance. This positive relationship provides new insight regarding Holburn and vanden Bergh (2014). The scholars provide evidence that firms increase their financial campaign contributions twelve months prior to a deal announcement. They also find that the subsample of successfully approved M&A transactions increases campaign contributions even more than the entire sample. However, the study does not explicitly analyze the relationship between financial campaign contributions and M&A antitrust approval success. Thus, their study only implies a positive relationship, which this dissertation can confirm. The effectiveness of financial campaign contributions is again affected by the population's CPA acceptance.

In the studied firm's case, indirectly hiring former politicians does not influence CBMA performance. After their active work, politicians lose their network and contact with relevant decision-makers partly. Furthermore, transparency standards in several developed countries constantly increase, making the engagement in such strategies more difficult. The last aspect shows that such practices are seen negatively in some countries and bear risks for the involved firms and in the context of CBMA on the subsequent performance. This insight is in line with the above-identified factor '*population's CPA acceptance*'. However, the study's insights disagree with Ferris et al. (2016), who argue that hiring former politicians reduces the risk of antitrust denial and leads to superior long-term abnormal stock performance and operational performance.

To conclude, this study does not identify a universal linkage between CPA and the case company's CBMA performance. The linkage depends on the specific strategy applied. Lobbyism and financial campaign contributions positively affect CBMA performance, whereas

hiring former politicians has no effects. These findings are partly consistent with Brockman et al. (2013), who argue that CPA has beneficial impacts on M&A performance. However, the scholars do not distinguish between the three aforementioned strategies. Both lobbying and financial campaign contributions increase CBMA performance by enhancing the politicians' sentiment towards the deal and merging firms. This sentiment positively influences the antitrust authorities' decisions. Brockman et al. (2013) confirm these insights by providing evidence that CPA mainly impacts the antitrust review process and helps to shape the authorities' decisions favorably. Several factors affect the relationship between CPA and the firm's CBMA performance. However, in the studied firm's case, especially the degree to which a country's population accepts CPA impacts the effectiveness of political strategies. These insights partly disagree with Clougherty (2003). He argues that the effectiveness of CPA is influenced by the strength of the legal system and the level of corruption in the country where a firm uses CPA. The weaker the legal system and the higher the level of corruption are, the greater the positive effects of CPA on M&A performance. However, in the case of the studied firm, deal A and B took place in countries with strong legal systems and low levels of corruption. The host countries of deal A and B rank among the top 25% and top 1% regarding the strength of the legal system, respectively (PRS Group, 2020). In terms of corruption, deal A's country ranks on position 25 out of 179, and deal B's country on position 8, where position 1 represents the less corrupt country (Transparency International, 2021). Contrary to Clougherty (2003), CPA was highly effective in both deals. This dissertation implies that Clougherty's (2003) insights regarding factors that affect the relationship between CPA and M&A performance need to be extended by an additional aspect, namely the *'population's CPA acceptance'*.

Effects of nonmarket strategies on the case company's cross-border mergers and acquisitions performance

This study reveals that the effects of nonmarket strategies on the case company's CBMA performance vary across the specific nonmarket activities. All CSR activities identified have a positive effect on the firm's CBMA performance. In contrast, in the context of CPA, the relationship depends on the specific activity. Lobbying and financial campaign contributions increase CBMA performance, whereas hiring former politicians has no impact on the case company's CBMA performance.

The mechanisms which bridge CPA and CSR with CBMA performance are concerned with improved relationships and sentiments of several groups of stakeholders towards the M&A transaction and the merging firms. In the studied case, nonmarket strategies influence

stakeholders from both the nonmarket and market environment. CPA focuses on political stakeholders, whereas CSR addresses various stakeholders but also includes political ones. This underlying mechanism is consistent with Baron (1995), who argues that nonmarket strategies help to obtain organizational legitimacy from various stakeholders. To conclude, the combination of this study and existing literature reveals that obtained organizational legitimacy in foreign markets is the connecting factor between the engagement in nonmarket strategies and the resulting CBMA performance.

In prior research, Ahammad et al. (2017) imply a positive indirect relationship between nonmarket strategies and CBMA performance through increased stakeholder support. However, the study does not explicitly analyze this specific relationship. Thus, they cannot prove the implied positive indirect relationship. This dissertation confirms that the engagement in nonmarket strategies supports the case company to obtain organizational legitimacy from various stakeholders. This organizational legitimacy translates into greater CBMA performance. Thus, this study confirms Ahammad et al.'s (2017) implied positive indirect relationship between nonmarket strategies and CBMA performance through increased stakeholder support. Additionally, Ahammad et al. (2017) indicate that buffering activities positively influence CBMA performance. This dissertation confirms this relationship since all identified nonmarket strategies in the studied case are active approaches to influence the nonmarket environment and its stakeholders.

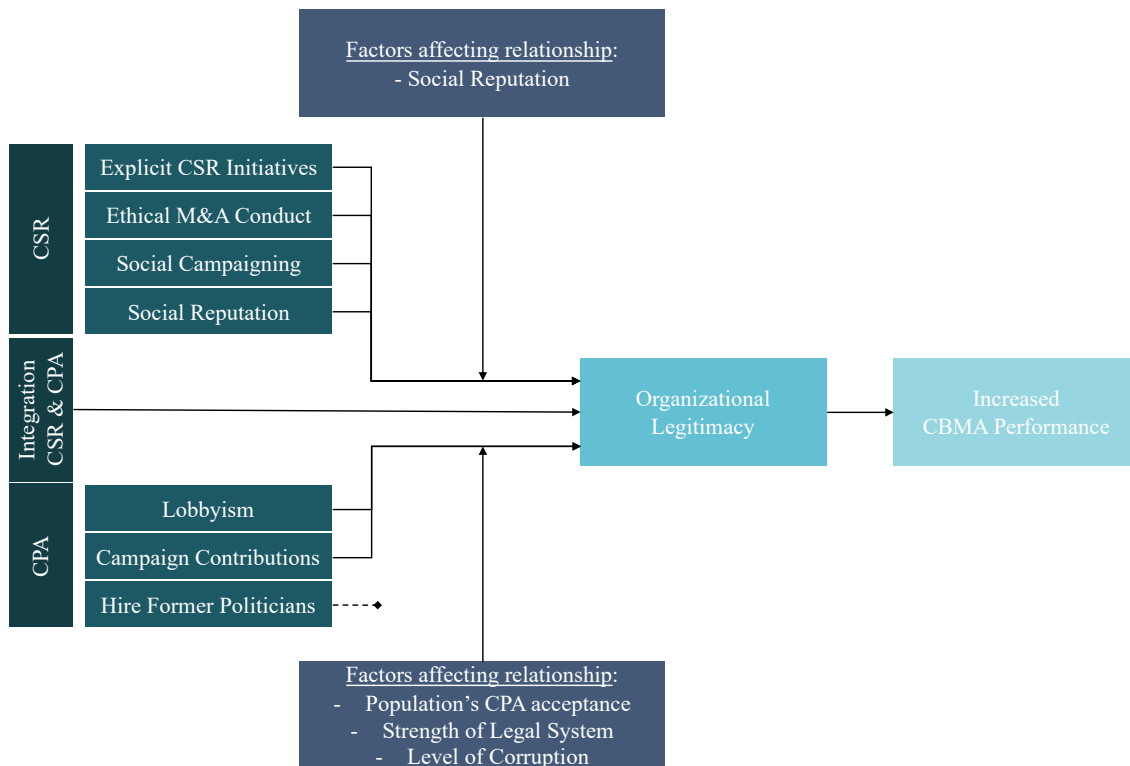
This study identifies several factors affecting the linkage between nonmarket strategies and the case company's CBMA performance. The strength of the legal system, the level of corruption, and the population's CPA acceptance influence the effectiveness of political strategies. All three aspects refer to the country where the specific political strategy is applied. In the context of CSR, a firm's social reputation developed prior to the M&A deal is a relevant factor influencing the effectiveness of CSR strategies that are related to the M&A transaction.

This study identifies that the analyzed firm often uses social campaigning in combination with lobbying. Thus, the firm interacts with political stakeholders and focuses on societal promises. This represents an integration of CSR and CPA. The study shows that this integration has positive effects on the antitrust review process and the firm's CBMA performance. Lobbying with societal promises is more effective than classical lobbying, which includes technical details like the correct market definition concerning an M&A deal, for instance. Only limited mainstream literature regarding the effects of an integrated approach on organizational performance exists. Scholars disagree whether both components are complements, substitutes, or distinct aspects (Mellahi et al., 2016). Thus, literature offers

inconclusive results regarding the relationship between the integration of CSR and CPA and organizational performance (Mellahi et al., 2016). This study thus adds to the body of literature finding that the integration of CSR and CPA leads to greater organizational performance (Den Hond et al., 2014). This dissertation specifies the beneficial effects to CBMA performance.

Figure 9 summarizes the key findings associated with RQ 3.

Figure 9. Relationship between nonmarket strategies and CBMA performance



Source: Own work.

Conclusions

This dissertation aims to examine how and why nonmarket strategies are used and affect the case company's CBMA performance.

The conducted research identifies seven specific nonmarket strategies in connection with CBMA. While the CSR strategies include explicit CSR initiatives, ethical M&A conduct, social campaigning, and social reputation, the CPAs are lobbying, financial campaign contributions, and hiring former politicians. Besides financial campaign contributions, the case company uses all identified strategies with the aim to obtain organizational legitimacy from various groups of stakeholders.

The effects of nonmarket strategies on the firm's CBMA performance vary across the specific nonmarket activities. All identified CSR activities and the two CPAs lobbying and financial campaign contributions have positive effects on CBMA performance. However, as the third CPA identified, hiring former politicians does not affect the firm's CBMA performance.

The case study suggests that all analyzed nonmarket strategies, except hiring former politicians, help to obtain organizational legitimacy of various groups of stakeholders. This legitimacy results in greater CBMA performance. Thus, this dissertation identifies an indirect positive relationship between nonmarket strategies and the case company's CBMA performance through obtaining organizational legitimacy.

Furthermore, this research examines several factors affecting the relationship between nonmarket strategies and CBMA performance. Social reputation established prior to the M&A transaction influences the effectiveness of CSR. The study also reveals that a population's CPA acceptance affects the relationship between CPA and CBMA performance. Also, the integration of CSR and CPA has been identified as highly beneficial in terms of CBMA performance.

Limitations

The methodological approach used helps to extract relevant insights, answer the research questions, and fulfill the overarching goal of this thesis. However, the empirical results should be considered in the light of some limitations.

First, the study is designed to analyze nonmarket strategies in CBMA by focusing on a single company. Thus, the scope of the research is restricted to one firm, one industry, and one home country of the MNE. This focus limits the ability to generalize the results. The emphasis on a single case study is based on limited access to the top management of additional firms and time constraints due to the dissertation's submission deadline.

Second, this thesis solely focuses on the managers' performance assessment. Interviews with other relevant stakeholders regarding their perception of CBMA performance implications from using nonmarket strategies would allow a multidimensional perspective. However, the limited access to relevant groups of stakeholders and time constraints consequently narrow the scope of the interviews and results.

Third, this study's evaluation of CBMA performance is based on managerial assessment, which is a nonfinancial measure. Thus, the evaluation of specific nonmarket strategies is based on the manager's individual judgement. Therefore, the result's generalizability, regarding which the most beneficial nonmarket strategies across different experts are, is limited.

Theoretical and practical implications

Mainstream research regarding the effects of nonmarket strategies on CBMA performance is limited. Therefore, this dissertation extends the existing body of literature with new insights. In particular, this study confirms a positive indirect relationship between nonmarket strategies and CBMA performance through obtained stakeholder support. This relationship had previously been implied by Ahammad et al. (2017) but not yet confirmed.

In CSR, mainstream research focuses on explicit CSR initiatives and ethical M&A conducts. This study identifies social campaigning as an additional CSR category in CBMA and shows that it increases CBMA performance. Furthermore, literature focuses on the standalone impacts of a firm's social reputation on M&A performance. This thesis, however, reveals that a firm's social reputation also affects the linkage between CSR and CBMA performance.

In terms of CPA, this study shows that financial campaign contributions positively impact a deal's antitrust approval probability. As yet, Holburn and vanden Bergh (2014) had only implied, but not confirmed, this impact. In addition to existing literature, this dissertation examines another factor impacting the effectiveness of CPA. In the studied firm's case, the population's CPA acceptance influences the effects of CPA on CBMA performance. Further, this thesis confirms and extends current mainstream research regarding the effects of an integrated application of CSR and CPA. Scholars previously focused on organizational performance in general. This study additionally reveals positive effects of the integration of CSR and CPA on CBMA performance.

Based on these findings, several suggestions for the case company are derived. The case company should continue to engage in nonmarket strategies during CBMA transactions. In the context of CSR, the corporation may continue to use all four categories of activities since they

increase CBMA performance. Additionally, the firm might pay particular attention to its social reputation, given that the effects on CBMA performance are twofold.

In terms of CPA, the firm should sustain its lobbying activities. Particular emphasis might be put on an integrated approach since lobbying through social campaigning is more effective than classical lobbying. In addition, the firm should consider start using financial campaign contributions in CBMA as the study shows that such contributions benefit CBMA performance. Further, the company may stop hiring former politicians indirectly through legal advisory firms as the study indicates that this has no effects on CBMA performance. Another key insight for managers is that CPA cannot be generally applied in all countries since its effectiveness depends on country-specific factors.

Future research

Based on the limited body of research concerning the effects of nonmarket strategies on CBMA and this study's limitations, future research should analyze the effects more broadly to increase the generalizability of the conclusions. Future studies should include a variety of firms from different industries and countries. It should also incorporate the stakeholders' perspectives concerning the effects of nonmarket strategies on CBMA performance and extend this study by using quantitative measures to identify the most effective nonmarket strategies for CBMA.

A third aspect future research should consider is the integration of CSR and CPA in CBMA. While this study reveals that their integration is highly beneficial, remaining research is limited and should be expanded. For instance, factors affecting the effectiveness of this integration could be identified thereby.

Future studies may sharpen the understanding of the CBMA performance implications of integrating nonmarket and market strategies. This study reveals that the case company integrates both strategies. However, it does not provide insights concerning CBMA performance implications, and existing theory offers only inconclusive results (Mellahi et al., 2016).

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Appendix 1: Interview protocol

1) Cross-border M&A:

- a) What factors shaped the case company's performance of cross-border M&A?
 - i) How do these factors shape the case company's cross-border M&A performance?
- b) What are the key success factors of cross-border M&A?
- c) What are the key reasons why cross-border M&A might fail?

2) Nonmarket strategies and cross-border M&A:

Motives:

- a) Does the case company engage in nonmarket strategies in cross-border M&A?
 - a. Can you elaborate on the applied nonmarket strategies in more detail?
- b) What are the case company's motives to engage in nonmarket strategies in the context of cross-border M&A?

Performance:

- c) How do nonmarket strategies affect the case company's cross-border M&A performance?
- d) Could you describe the mechanisms between nonmarket strategies and cross-border M&A performance in more detail?
 - a. Possible follow-up questions:
 - i. What are the effects of nonmarket strategies on cross-border M&A performance?
 - ii. Would you describe the impact of nonmarket strategies on the case company's cross-border M&A performance as indirect or direct?
 1. If indirect, what are the mediating factors?
- e) Deep dive CSR:
 - a. How do CSR activities affect the case company's cross-border M&A performance?
 - b. Could you describe the mechanisms between CSR activities and the case company's cross-border M&A performance in more detail?

f) Deep dive CPA:

- a. How do CPAs affect the case company's cross-border M&A performance?
- b. Could you describe the mechanisms between CPAs and the case company's cross-border M&A performance in more detail?

Source: Own work.

Appendix 2: Interview coding guide

Category	Definition	Example	Coding rule
Factors shaping CBMA performance	Factors affecting the CBMA performance.	“The acquirer’s post-acquisition performance in international deals is significantly affected by the cultural distance between acquirer and target.”	The text needs to describe clearly a factor that shapes CBMA performance.
Applied nonmarket strategies in CBMA	Specific nonmarket initiatives applied by the firm in CBMA.	“Before our M&A announcement, we increased our lobbying efforts.”	The text needs to list specific nonmarket strategies applied.
Motives for engagement in nonmarket strategies in CBMA	Underlying motivation why the firm applies nonmarket strategies in CBMA.	“We increased our lobbying efforts before our M&A announcement to explain to officials in detail how our deal creates value for all parties included. This enhanced understanding might increase the review process success rate.”	The text needs to express the underlying reasoning why the firm engages in nonmarket strategies in CBMA.
Implications of nonmarket strategies on CBMA performance	Description of the specific impact of nonmarket strategies on CBMA performance.	“The increased governmental support led to increased post-acquisition performance.”	The text needs to express the specific effects of nonmarket strategies on the performance of CBMA.
Mechanisms between nonmarket strategies and the resulting impacts on CBMA performance	Mediating factors that bridge the applied nonmarket strategy and the prior described CBMA performance.	“The increased post-acquisition performance resulted mainly from a shortened antitrust review processes that was the result of lobbying.”	The text needs to explain how nonmarket strategies lead to a specific CBMA performance.

Source: Own work based Mayring’s (2014) approach to develop an interview coding guide.

Appendix 3: The five promises in deal B's social campaigning

In the context of deal B's social campaigning, the two firms promised:

1. The merged firm will launch the first nationwide 5G network
2. The merged firm will continue its fiber rollout and will not increase prices for broadband accesses beyond the inflation
3. The merged firm will continue to offer the target's unlimited data tariff for €25, for at least three years
4. The merged firm will offer contract freedom
5. The merged firm will make 100 Mbit/s broadband speeds available in the entire country to bridge the digital divide in the country

Source: Interview Partner 3 (2021).