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Light-touch integration: A study on cross-border acquisitions by emerging market multinationals

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Abstract

Research Summary: Emerging-market multinational enterprises (EMNEs) are known for their "light-touch" integration after cross-border acquisitions. That is, compared with their developed-country counterparts, EMNEs are more likely to retain the top management team (TMT) of the target firms. In this paper, we argue that this difference in retention rate can be explained by country, cohort, and firm effects. While the literature mostly associates EMNEs with where they are from (country effect), EMNEs are also new to cross-border acquisitions (firm effect) and among the first in their peers to venture abroad (cohort effect). Analysis on a sample of 1862 absorption-type cross-border acquisitions supports our hypotheses that while the country effect persists, the difference in retention rate narrows significantly as EMNEs and their peers gain more relevant cross-border acquisition experience.

Managerial Summary: The retention of top management team in target firms is a critical aspect of post-acquisition integration (PAI). In this study, we examine the reasons behind the curious observation that, compared with acquirers from developed countries, multinational enterprises from emerging markets (EMNEs) are more likely to keep the target firm TMT intact, even in deals where extensive integration is in line with the overall acquisition objectives. Our analyses show that the legitimacy constraints associated with EMNEs' less

developed home countries indeed present initial challenges to their integration efforts. However, these differences narrow significantly as EMNEs and their peers accumulate more experience in similar cross-border acquisitions. This study highlights the dynamic nature of PAI strategies and the large variance among firms beneath the "EMNE" label.

KEYWORDS

acquisition experience, cross-border acquisitions, emerging market firms, light-touch integration, organizational learning, post-acquisition integration, top management team (TMT) retention

1 | INTRODUCTION

Cross-border mergers and acquisitions (M&A) are common vehicles used by multinational enterprises (MNEs) to enter new geographic markets or access new capabilities and resources (Capron & Guillén, 2009; Erel et al., 2012). The success of these acquisitions hinges on post-acquisition integration (PAI) (Graebner et al., 2016), especially for MNEs that often need to integrate the newly acquired targets into their existing global operations for value realization (Bartlett & Ghoshal, 2002). However, cross-country PAI is a challenging process. Focused on the MNEs from the developed markets (DMNEs), prior studies have found that greater cross-country differences, for example, cultural clashes between the acquirer and target countries, are associated with more changes during PAI (Krug & Aguilera, 2004; Krug & Nigh, 1998).

Curiously, the PAI behaviors of emerging market MNEs (EMNEs) seem to be in contrast with those of DMNEs. As EMNEs emerged as avid acquirers in developed countries about two decades ago, academic observers and industry insiders quickly pointed to the puzzling "light-touch" approach to integration that they seem to undertake (Cogman & Tan, 2010; Liu & Woywode, 2013), in which they retain a large number of the senior executives of the target companies and conduct few structural changes during PAI. Through case studies and surveys, these studies mostly attributed the light-touch approach to home country characteristics: EMNEs' lack of legitimacy in the host country has limited their ability to bring changes to the foreign targets (Kale & Singh, 2017).

Insightful as these analyses are, their small number of observations masks the significant heterogeneity among EMNEs and their changes over time (Cuervo-Cazurra, 2012). In this study, we ask the question: What explains the seemingly different integration strategies of EMNEs relative to DMNEs, and how do these differences evolve over time? Drawing on research from international business and organizational learning, we argue that the differences in integration behaviors can be understood in terms of the three identities that EMNEs simultaneously take on when they expand abroad. The literature has emphasized their first identity: EMNEs come from countries that are "playing catch-up" (Khanna, & Palepu, 2010) and thus face additional constraints due to the "liability of emergingness" (Madhok & Keyhani, 2012). Less discussed are the facts that they are also among the first in their peer groups to venture abroad and that they themselves often lack experience in cross-border acquisitions, limiting

their ability to overcome such constraints. These three factors, which we refer to as country, cohort, and firm effects, jointly affect the EMNEs' willingness and ability to integrate. While the country effect evolves slowly, cohort and firm effects can change rapidly as EMNEs and their peers accumulate more relevant experience. Hence, disentangling the three effects can help us develop a dynamic view of firms' integration strategies over time.

An inherent challenge with PAI studies is data constraints, since acquirers usually have no obligation to disclose integration details after deal completion. Case studies and surveys have been fruitful data collection methods, but they are challenging to undertake retrospectively across multiple countries and industries. Addressing these concerns, we focus on cross-border acquisitions in developed countries where information on targets is more readily available, and we zoom in on one aspect of the PAI process, the retention of the target's top management team (TMT). This has been highlighted as a key consideration in PAI decisions (Zollo & Reuer, 2010; Zollo & Singh, 2004), and high target TMT retention rate has also been identified as a key characteristic of light-touch integration (Cogman & Tan, 2010; Kale & Singh, 2017; Liu & Woywode, 2013). Our interviews with EMNE executives and M&A professionals also lend support to this measure.

The decision on TMT retention depends on the balance between achieving the necessary level of organizational integration and minimizing the disruptions to the acquired firm's resources and competencies (Zollo & Singh, 2004). Thus, we are agnostic about the optimal TMT retention rate. Rather, our focus is on EMNEs' unusually high TMT retention rates compared with those of DMNEs (i.e., the gap), even for the same type of acquisition. As PAI decisions may vary depending on deal motivations (Krug et al., 2014), we focus our analyses on a specific type of M&A—absorption-type cross-border acquisitions—in which assimilation and consolidation of target resources are crucial to realizing value from the acquisitions (Ellis, 2004; Haspeslagh & Jemison, 1991). For such acquisitions, extensive replacement of the target TMT should be in line with the overall acquisition objectives (Zollo & Reuer, 2010). This makes the light-touch approach of EMNEs particularly intriguing.

Building on the concept of liability of emergingness (Madhok & Keyhani, 2012; Wang et al., 2022), we posit that relative to DMNEs, EMNEs face more constraints in obtaining the necessary knowledge and legitimacy for aggressive integration, and thus are more likely to pursue light-touch integration (country effect). However, as EMNE acquirers engage in vicarious learning from their peers (cohort effect) and experiential learning from their own cross-border acquisitions (firm effect) (Baum et al., 2000; Levitt & March, 1988; Tang, 2020; Tuschke et al., 2014), they gain more knowledge on the target and the local market, develop more know-how on how to manage cross-border acquisitions, and become less constrained in their ability to pursue extensive changes during PAI (i.e., closing the gap).

We identify absorption-type acquisitions by manually coding acquisition motivations reported in SDC Platinum, news articles, press releases, and company filings, and matching the target firms with the Directory of Corporate Affiliation to obtain TMT information before and after the acquisitions. This process generates a dataset that covers the movements of 39,279 target executives in 1862 absorption-type cross-border acquisitions in developed countries from 2001 to 2017. We find that, compared to acquisitions by DMNEs, acquisitions by EMNEs indeed have a higher target TMT retention rate. This is the first large-scale empirical verification of the light-touch approach by EMNE acquirers. However, as EMNEs' peers—and the EMNEs themselves—increase their acquisition activities in similar target countries, their TMT retention rates approach that of DMNEs.

We further test the type of experience that matters. We sort firm and cohort experience into four categories, with increasing degrees of relevance to the focal deal: any acquisition, any cross-border acquisition, cross-border acquisition into countries similar to the target country, and cross-border acquisition in the target country only. We find that learning from relevant experience—either by the focal firm or by its peers—narrows the gap between EMNEs and DMNEs in their TMT retention rates. In addition, we sort the firms in EMNEs' peer groups into different categories based on their levels of experience in cross-border acquisition. We find that the cohort effect is the strongest when EMNEs learn from the most experienced peers, suggesting that the channels through which vicarious learning takes place also matter.

Through this work, we hope to make three contributions to the literature. First, we hope to make contributions to the PAI literature. While there has been a large literature on M&A, most of the existing studies focus on the earlier stages of the process: target identification, negotiation, and decision on ownership structures (King et al., 2018). Less attention has been paid to the post-acquisition stage. Overcoming the inherent data challenge with PAI studies, this work is one of the first large-scale longitudinal studies that compares integration strategies of different acquirers across countries. By focusing on a key aspect of integration strategy, namely the retention of target executives after acquisition (Krug et al., 2014), our study answers the call for more fine-grained work unpacking integration behaviors across firms (Graebner et al., 2016).

Second, we join the ongoing debate in international business on what is unique about EMNEs (Hernandez & Guillén, 2018). Through a closer examination of the underlying drivers of light-touch integration, this study shows that we should not be too quick to label EMNEs' internationalization behaviors as fundamentally different from those of DMNEs. While a less developed home country may be behind the light-touch approach by EMNEs, the accumulation of experience—and the type of experience—can help close the gap between these two groups.

Finally, we contribute to the growing literature examining the dynamic nature of M&A strategy (King et al., 2018). We show that firms facing constraints in the PAI process may overcome them through the accumulation of relevant experience, and that vicarious learning from peers plays an important role in shaping PAI behaviors (Baum et al., 2000; Kim & Miner, 2007; Levitt & March, 1988). By breaking down the PAI dynamics into country, cohort, and firm effects, we can gain a better understanding of the driving forces behind firm heterogeneity. In that sense, studying the PAI strategies of EMNEs, which went through rapid changes in the past two decades, also helps to refine and fill gaps in our theories on organizational learning in M&A (Barkema & Schijven, 2008).

2 | THEORETICAL BACKGROUND AND HYPOTHESES

2.1 | Cross-border acquisitions and PAI

Cross-border M&A provides an important channel for firms to attain new resources and enter new markets (Capron & Guillén, 2009). Their success often depends on the decisions firms make during PAI, which is a multifaceted, complex, and involved process that often last years after the completion of an acquisition (Graebner et al., 2016; Ranft & Lord, 2002). While scholars have conceptualized PAI in different ways, we follow Haspeslagh and Jemison (1991) and Cording et al. (2008) and define integration as "the managerial actions taken to combine two previously separate firms" (Cording et al., 2008: 744).

Given the additional complexity involved in cross-border acquisitions, there has been a limited number of large sample studies examining PAI across countries, and many existing studies have focused on the acquisitions of MNEs from developed countries (e.g., DMNEs) abroad (i.e., Quadrants 2 and 4 in Figure 1a). Scholars have shown that the extent of integration and resource changes in cross-border PAI decisions may vary depending on factors such as the motivation of the transaction, acquirers' prior experience, and institutional or cultural differences (Haspeslagh & Jemison, 1991; Krug et al., 2014; Zollo & Singh, 2004). For example, Krug and Hegarty (2001) find that target TMT turnovers are higher in cross-border acquisitions than domestic acquisitions, and Krug and Nigh (1998) find that TMT changes increase with cultural distances between the acquirer and target countries.

However, this does not seem to be the case in cross-border acquisitions by EMNE acquirers, who have begun to drive a meaningful portion of cross-border M&A activities to developed countries in the last two decades (Cuervo-Cazurra et al., 2021; Lebedev et al., 2015). Case studies point to their seemingly different "light-touch" PAI strategy (Cogman & Tan, 2010). That is, compared to their DMNE counterparts, EMNEs tend to take a more minimalist integration approach—for example, they keep more of the target's existing TMT after the acquisition, preserve the target's name and brands, and/or allow autonomy in the target's day-to-day decisions. Using semistructured interviews with executives involved in 13 Chinese acquisitions in Germany, Liu and Woywode (2013) contend that the light-touch integration approach is a common practice among Chinese acquirers in their cross-border acquisitions. More recently, using a field study of 15 Indian companies that completed 33 overseas acquisitions, Kale and Singh (2017) argue that the "light-handed approach" to integration, including structural separation and the retention of top executives in target firms, is often the preferred approach by these EMNEs.

Understanding the drivers of these seeming differences in PAI strategies between EMNE and DMNE acquirers is important not only for our theories on EMNEs but also for all firms engaging in M&A activities. In recent reviews, Graebner et al. (2016) and Steigenberger (2017) argue that large gaps exist in our current understanding of the PAI process, both theoretically and empirically. To date, we still know relatively little about the drivers of specific integration decisions and lack large-scale empirical studies examining PAI across different firms and contexts (Feldman & Hernandez, 2021). The observation of light-touch integration by EMNEs thus provides an opportunity for us to address this important lacuna.

Below, we present our analyses unpacking one key aspect of light-touch integration—the unusually high target TMT retention rates of EMNEs relative to those of DMNEs when they undertake the same type of cross-border acquisitions to developed countries, for example, absorption-type acquisitions (see Figure 1b). Absorption-type acquisitions are motivated by

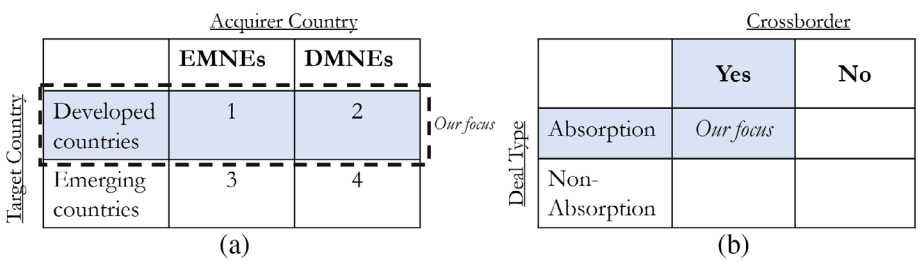

FIGURE 1 Scope of this study

economies of scale, economies of scope, and market power (Haspeslagh & Jemison, 1991), so PAI decisions should facilitate the assimilation and consolidation of target resources, in which extensive replacement of the target TMT is in line with the overall acquisition objectives (Zollo & Reuer, 2010). Yet, the retention of the target TMT is often cited as one key aspect of the light-touch integration approach by EMNE acquirers. As such, it is important to understand why these acquirers have such different PAI strategies from their DMNE counterparts, even for the same acquisition type and in the same host country. As illustrated in Figure 1a, the focus of this study is to compare the PAI behaviors between Quadrant 1 (EMNE acquirers to developed countries) and Quadrant 2 (DMNE acquirers to developed countries), in the broad literature on PAI in cross-border acquisitions.

2.2 | Country effect: Liability of emergingness in cross-border acquisitions

To date, the existing literature on EMNEs and light-touch integration has mainly highlighted the "liability of emergingness" (Madhok & Keyhani, 2012) that all EMNEs face when they go abroad. That is, because they come from emerging economies that are "playing catch-up" (Khanna, & Palepu, 2010), EMNEs need to overcome additional hurdles when operating overseas, and they often lack credibility and legitimacy in the eyes of their host country stakeholders (Wang et al., 2022). Note that the liability of emergingness is different from the liability of foreignness which all foreign firms (both DMNEs and EMNEs) suffer (Zaheer, 1995). Liability of foreignness is about the distinction between foreign and local firms, while the liability of emergingness is about the distinction among foreign firms, focusing on the handicap EMNEs (but not DMNEs) incur because of where they are from (i.e., the specific country of origin; Ramachandran & Pant, 2010).

Building on the literature and our own interviews, we posit that the liability of emergingness affects EMNE acquirers' ability and willingness to pursue extensive TMT changes in developed country-based target firms in two ways. First, it limits EMNEs' ability to obtain the much-needed knowledge for PAI. In order to undertake standardization, customization, and assimilation of resources between the two entities during PAI, an acquirer would need to possess accurate information or knowledge about the target firm (e.g., financial, operational, and legal information, key resources, stakeholders, organizational culture, etc.; Chari & Chang, 2009), the local market and operational environment (e.g., competitive landscape, regulatory environment, norms and rules of doing business, etc.; Cuypers et al., 2017; Reus et al., 2016), and know-how on how to manage the cross-border M&A and integration process (Zollo & Singh, 2004).

However, their access to such knowledge is often limited. Local stakeholders are reluctant to share extensive details about the target firm with foreign acquirers from less legitimate countries (vs. acquirers from developed countries) during the due diligence and negotiation stages (Chen & Hennart, 2004). Compared to DMNE acquirers, EMNEs are also relatively new to the international stage and often lack prior cross-border acquisition experience (Guillén & García-Canal, 2009; Luo & Tung, 2007). As such, they often do not possess the relevant knowledge and human capital needed to identify the critical resources for value creation and to effectively plan the integration process (Ghauri & Buckley, 2003; Haspeslagh & Jemison, 1991; Villinger, 1996). In addition, they have limited access to best practices from peers or other established depositories of knowledge (e.g., consulting firms, investment banks, research centers, or think tanks, which are more common in developed countries) from which they can obtain the much needed

knowledge for PAI (Cuypers et al., 2017). As one M&A advisor from a global investment bank shared with us: "*Chinese buyers didn't engage us, either because there were no precedents or because we were too expensive. As I know some of them better now, they'd complain to me about how in the earlier days, they didn't know whom to ask and even what are the relevant questions to think about when going [abroad]... They just went blundering along, and tried to keep the target executives happy first while they tried to figure it out.*"

Given these constraints on knowledge access, EMNE acquirers often have to rely on the target firms' TMT to achieve the acquisition objectives of assimilation and consolidation in absorption-type cross-border acquisitions, especially when much of the relevant knowledge about the target and the local market resides within the TMT (Anand & Delios, 2002; Kale et al., 2009).

Second, the EMNEs' lack of legitimacy leads to uncertainty in the minds of target executives. The target TMT may worry about their futures being controlled by foreign parents who operate with different management styles (Datta, 1991) and have drastically different strategies (Van Knippenberg & Van Leeuwen, 2001), especially if the foreign parents are from countries not known for strong institutions (Wang et al., 2022). To alleviate such concerns, EMNEs often promise to retain the target TMT in the negotiation stage. Based on our interviews, keeping the target TMT intact is often written into the offer letter.[1] As one senior executive from a Chinese MNE told us: "*To them, China is a remote country. They don't know us. In fact, many of them have never heard of us. They don't know how this Chinese company is going to turn them upside down once they vote for the acquisition. So we just told them: Everything will be the same as before. We will not touch anything for at least two years.*"

These arguments together suggest that, in absorption-type cross-border acquisitions in developed countries, home country characteristics alone can contribute to EMNE acquirers' higher target TMT retention rate relative to DMNEs, in line with prior works on the light-touch phenomenon. We call this the baseline "country effect" that all EMNE acquirers face:

> **Hypothesis H1.** Compared with DMNE acquirers, EMNE acquirers are more likely to retain the top executives in target companies in cross-border acquisitions in developed countries.

2.3 | Closing the gap: The moderating effect of cross-border acquisition experience

While it is tempting to attribute light-touch integration to EMNEs' home countries, a blanket "EMNE" label would not be a satisfactory explanation for the observed heterogeneities in PAI behaviors, nor is it a useful guide for managers involved in cross-border deals with an EMNE acquirer (Ramamurti & Hillemann, 2018). As EMNEs evolve (Cuervo-Cazurra, 2012; Ramamurti, 2012), we should expect different strategies from those following different expansion trajectories.

[1]We conducted phone and face-to-face interviews with executives from 17 large companies in both developed and emerging markets as well as 10 experts in cross-border M&A. All mentioned that when their respective companies/clients engaged in cross-border acquisitions, arrangement for the target TMT in the first few years—from retention plan to incentive pay—was a discussion point both in the negotiation stage pre-closing and in the PAI process.

One source of firm heterogeneity is the experience in managing the cross-border acquisition and integration process (Zollo & Singh, 2004). When the EMNE acquirers first expand overseas, they may have limited ability to overcome the additional hurdles of knowledge access or to address potential hostilities from the target firm, thus relying more on the target TMT. Indeed, when we examined the population of EMNE and DMNE acquirers that undertook cross-border acquisitions during our sample period, we found that EMNE acquirers had an average experience of two cross-border acquisition deals before the focal acquisition relative to an average experience of five deals among DMNE acquirers.[2] However, we argue that the differences between EMNEs and their developed-country counterparts are not static; the differences in TMT retention rates identified in H1 can be reduced as EMNEs accumulate cross-border acquisition experience.

Prior research in organizational learning has shown that M&A experience can lead to the development of M&A know-how and improvements in subsequent deals (Barkema & Schijven, 2008; Tang, 2020; Zollo & Singh, 2004). Extending this argument to PAI of cross-border acquisitions, we contend that vicarious learning from EMNEs' peer groups and experiential learning from their own prior cross-border acquisition experience help to overcome the inherent challenges associated with their home country, and allow them to pursue more aggressive integration strategies in subsequent acquisitions, which we elaborate in detail below.

2.3.1 | Cohort effect: Vicarious learning from peers' cross-border acquisition experience

Vicarious learning, or learning through the experience of others, enables a firm to observe the potential benefits and risks associated with different ways of performing a task without direct involvement (Baum et al., 2000; Kim & Miner, 2007; Levitt & March, 1988). Existing studies have shown that vicarious learning can influence location choice and entry modes of multinational firms (Guillén, 2003; Henisz & Delios, 2001). This can occur through formal and informal channels of knowledge dissemination, such as board interlocks (Haunschild, 1993; Tuschke et al., 2014), interpersonal relationships among members of different organizations (Darr et al., 1995), regular discussions with other firms' managers at industry events (Sarkar et al., 2003), and movements of human capital across firms (Karim & Williams, 2012).

In the context of cross-border acquisitions, we argue that EMNE acquirers can overcome some of the constraints they face by learning from their cohorts. We define a firm's *cohort* or peer group as other MNEs from the same home region expanding abroad around the same time. Prior works on knowledge transfer have shown that vicarious learning occurs at small distances (Almeida & Kogut, 1999; Jaffe et al., 1993) and that most agglomeration economic activities occur at the regional cluster level (Alcácer & Zhao, 2012).

When their peers gain cross-border acquisition experience, EMNE acquirers have additional channels through which they can collect and verify relevant details about the target firm and local market, get advice on potential challenges (including how to increase target TMT

[2]This is based on the population of 3418 DMNE and 630 EMNE acquirers that undertook 8248 cross-border acquisitions between 2001 to 2017 (see Online Appendix A for details).

buy-ins), and learn about the best practices on managing cross-border acquisitions (Salomon & Wu, 2012). Moreover, as executives at potential target firms observe more precedents from the cohort acquirers, they may feel less uncertain about acquirers from the same area and hence be more willing to share what they know with these foreign acquirers. As such, cohort experience can reduce the additional constraints faced by EMNE acquirers when pursuing TMT changes during PAI. Thus, we hypothesize that:

> **Hypothesis H2a.** The difference in retention rates of target top executives between EMNE and DMNE acquirers in cross-border acquisitions in developed countries is diminished when the EMNE acquirers' cohorts have extensive prior experience with cross-border acquisitions.

Yet not all experiences are the same. Prior works examining the relationship between acquisition experience and subsequent M&A performance have found mixed empirical results, including positive (Fowler & Schmidt, 1989), negative (Uhlenbruck et al., 2006), U-shaped (Haleblian & Finkelstein, 1999), inverted-U shaped (Hayward, 2002), and nonsignificant relationships (Tang, 2020; Zollo & Singh, 2004). Building on these works, other scholars have emphasized the contingencies of prior experience, where the applicability of past deals may vary depending on their similarities with subsequent acquisitions (Haleblian & Finkelstein, 1999).

In other words, while we might expect EMNEs and their peers to gain PAI knowhow from all acquisitions, cross-border acquisitions, with their unique challenges in navigating regulatory hurdles, overcoming cultural barriers, and coordinating across heterogeneous markets, are likely to be the more relevant learning experiences for EMNE acquirers' future integration strategies.

Moreover, among all the cross-border acquisitions by their peers, EMNEs are likely to learn more from the prior acquisitions their peers have done in countries with similar characteristics as the focal target country—or in the target country itself (Perkins, 2014). Through vicarious learning from the more relevant cross-border acquisition experiences of their cohorts, EMNEs could gain more applicable knowledge about the regulatory, cultural, economic, and institutional environments that they can use during the focal acquisition. Indeed, in their study on foreign entry modes, Barkema et al. (1996) find that the general cross-border M&A experience of Dutch firms did not affect the performance of their subsequent acquisitions. However, experience in the same cultural region or target country as the focal deal had a positive effect. Barkema and Vermeulen (1997) also find a significant positive effect of experience on the focal alliance's longevity, but only if this experience was specific to the target country. Similarly, Reuer et al. (2002) find that experience increased performance only under the condition of similarities in national culture and skills. These studies together suggest that experience needs a certain level of specificity to foster learning (Barkema & Schijven, 2008). Thus, we hypothesize that:

> **Hypothesis H2b.** The moderating effect of cohorts' prior cross-border acquisition experience (H2a) is stronger when the EMNEs' cohort firms have cross-border acquisition experience in countries similar to the focal target country or in the same target country.

2.3.2 | Firm effect: Experiential learning from firms' own cross-border acquisition experience

In addition to vicarious learning, prior studies have highlighted the benefits of learning from one's own acquisition experience (Barkema & Schijven, 2008). As EMNE acquirers continue to do cross-border acquisitions, they can gain new knowledge about the local market and knowledge about managing cross-border acquisitions and integrations in general. They are likely to become better at asking the right questions during due diligence to identify resource redundancies and synergies, spotting potential barriers to consolidation, implementing communication strategies to minimize misunderstandings, developing PAI playbooks, etc. (Zollo & Singh, 2004). This would allow them to lower their reliance on the target TMT for the needed knowledge for assimilation and consolidation, and enable them to better identify the right TMT to retain vs. replace during PAI.

Through cross-border acquisition experience, EMNE acquirers can also build up their foreign network and gain access to alternative sources of knowledge and pools of human capital in the target country. This would allow them to replace the target TMT (if desired) with similar executives who also possess the needed knowledge about the company and the target country.

Moreover, as these EMNE acquirers pursue more cross-border acquisitions, executives from potential target firms now have more acquirer-specific precedents to track. They may become more willing to share what they know and less likely to insist on promises of continuity (Kale et al., 2009). For example, while executives from a U.S. firm may still be reluctant to share everything they know with Haier (due to its perceived legitimacy deficit, being a Chinese firm), they would still be more comfortable sharing what they know with Haier than a Chinese MNE that they have never heard of. Meanwhile, Haier, after several rounds of acquisition in developed countries, would have an easier time gathering the needed knowledge to implement their integration plan, as compared to a Chinese MNE with limited cross-border acquisition experience.

Together, these factors suggest that as EMNE acquirers gain additional cross-border acquisition experience, they can overcome some of the challenges arising from the liability of emergingness and hence behave more similarly to DMNE acquirers in bringing changes to the target TMT. Thus, we hypothesize that:

> **Hypothesis H3a.** The difference in retention rates of target top executives between EMNE and DMNE acquirers in cross-border acquisitions in developed countries is diminished when the EMNE acquirers have extensive prior experience with cross-border acquisitions.

Our arguments on the relevance of cohort experience also hold for the firm experience. As EMNEs accumulate more experience in countries similar to the target country or in the target country itself, they are able to develop the relevant knowledge base on operating in the local environment and target country-specific PAI knowhow. In addition, as EMNEs become familiar with the target country norms and develop their own target country personnel, they also have less need for the entire target TMT and instead can choose to retain only those who are critical to their assimilation goals and post-transaction strategy. Thus, we hypothesize that:

> **Hypothesis H3b.** The moderating effect of EMNE acquirers' prior cross-border acquisition experience (H3a) is stronger when the EMNEs have cross-border acquisition experience in countries similar to the target country or in the same target country.

3 | METHODS

3.1 | Sample and data

Our sample consists of cross-border acquisitions between January 1st, 2001 and December 31st, 2017. This is the period when the world witnessed rapid global expansion from EMNEs (Cuervo-Cazurra et al., 2021). We stop our sample period at the end of 2017 to allow time to observe target TMT changes post acquisition. We further restrict our sample to acquisitions into developed countries, defined as "Advanced Economies" by the IMF,[3] as information on targets is more readily available and it is the setting of prior light-touch integration studies (Kale & Singh, 2017; Liu & Woywode, 2013). Restricting the sample to one type of target countries also allows us to focus the analysis on the heterogeneity across acquirers. We classify target and acquirer companies as DMNEs if they come from developed countries, and EMNEs if they come from "Emerging Market and Developing Economies" according to the IMF's classification.[4]

To construct the sample, we first extract all completed cross-border acquisitions in developed countries during the sample period from the Refinitiv SDC Platinum M&A database. Following the standard screening procedures in M&A studies (Harford, 2005; Netter et al., 2011), we exclude deals with deal value less than US$50 million,[5] post-deal ownership less than 50%,[6] and acquisitions by financial services firms (i.e., SIC code in the 6000 s).

Next, we manually match SDC target company names with company names in LexisNexis' Corporate Affiliations (DCA), one of the largest providers of global subsidiaries and TMT information of public and private firms worldwide (Zhao & Islam, 2017; Zhou, 2011). We determine potential matches by company name, location, industry, and public status. As there are various factors determining the optimal level of PAI, our theory focuses on absorption-type cross-border acquisitions where TMT integration is usually in line with value realization from the deal. To identify absorption-type deals in our sample, we collect press releases and news articles from Factiva, company websites, and regulatory filings, and classify them into absorption, symbiosis, and preservation types based on Haspeslagh and Jemison (1991) and Ellis (2004). Acquisitions are coded as absorption types if their motivations involve the expansion of existing operations or improving the current portfolio, or when the planned assimilation of target firms is explicitly mentioned in news reports, press releases, or filings. These steps resulted in a final sample of 1862 completed cross-border acquisitions from 2001 to 2017 by 1290 acquirers from 52 countries and a wide range of industries, covering pre- and post-acquisition movements of 39,279 target TMT executives. As far as we know, this is one of the most comprehensive samples of target managerial turnovers that has been used thus far in research on cross-border acquisitions.

[3]We also test alternative definitions of developed and emerging markets, such as the G7 countries (for developed), BRICS plus Mexico (the six most acquisitive emerging economies), E20 + 1 countries (for emerging), as well as the UN's classification of developed and developing countries, as shown in Online Appendix B.

[4]We classify Hong Kong as an emerging economy, as many Chinese companies register in Hong Kong or go through Hong Kong for their cross-border acquisitions. For acquisitions going through tax havens, we trace the ultimate acquirers through internet searches and data from DCA, and classify them as EMNE or DMNE deals depending on the locations of the ultimate acquirers. We exclude deals that originate from tax havens from our sample.

[5]We use $50 million since we are interested in examining acquisitions that are of strategic importance to the acquirers, where deliberate choices are made regarding various PAI decisions. This is also in line with other studies that have examined M&A motivations: For example, Ellis (2004) and Hayward and Hambrick (1997) use a $100 million cutoff.

[6]We focus on majority-owned transactions given our theory is about absorption-type deals in which the acquirer has control over TMT retention/replacement decisions and the assimilation of resources. Our results are also robust to restricting the sample to 100% post-deal ownership as reported in Online Appendix B.

Finally, we obtain additional country- and firm-level information from the World Bank, IMF, Compustat, SDC, DCA, Orbis, company websites, and the Berry et al. (2010) cross-national distance data. All acquirer data are measured at the ultimate acquirer level. Table 1 shows the top six acquiring countries from the developed and emerging countries in our sample. Online Appendix A provides additional details on the data construction process.

3.2 | Variables

3.2.1 | Dependent variable

Our dependent variable is the *TMT Retention Rate* in the target firm, measured as the ratio of the retained target TMT 2 years after the transaction to the pretransaction TMT. For example, if a target firm has five people on its TMT in the year prior to the transaction, but only three of the five people remained in the target TMT 2 years after the transaction, the target firm would have a *TMT Retention Rate* of 0.60. As DCA does not provide unique identifiers for the executives in its database, we use a combination of fuzzy match program and manual verification to track changes to the target firm's TMT by excluding any false turnovers due to name change (e.g., Juan Luis Arregui vs. Juan Luis Arregui Ciarsolo), misspelling (e.g., Vadim Yakovlev vs. Valdim Yakovlev), addition or removal of name prefixes and suffixes (e.g., Dr. Randall L. Jespersen vs. R. L. Jespersen), usage of nicknames (e.g., Anthony J. Ballance vs. Tony Ballance) and abbreviations (e.g., K.Y. Ho vs. Kwok Yuen Ho).

The use of retention rate 2 years after the transaction is consistent with prior works examining TMT turnovers based on surveys or small sample studies of U.S. domestic acquisitions (for a summary, see Krug & Aguilera, 2004). The mean of 39.2% for departure rate

TABLE 1 Top six acquiring countries from developed and emerging countries.

Developed Countries	% of Total DMNE deals
United States	22.0
United Kingdom	12.9
Japan	9.8
Canada	8.7
France	7.9
Germany	6.4
% by top 6 acquiring countries	67.7
Emerging countries	**% of Total EMNE Deals**
China	34.6
India	22.6
South Africa	7.8
Russia	7.4
Brazil	6.6
Mexico	5.8
% by top 6 acquiring countries	79.0

(1−*TMT Retention Rate*) of the DMNEs in our sample is in line with the mean departure rates in earlier studies: 37% in Walsh (1988) examining 50 U.S. domestic acquisitions from 1975 to 1979, 38.6% in Walsh & Ellwood (1991) examining 102 U.S. domestic acquisitions from 1975 to 1979, and 40.6% in Krug and Hegarty (1997) examining 207 acquisitions of U.S. firms by both domestic and foreign acquirers from 1986 to 1988. In Online Appendix B, we also report the results using the retention rate 3 years after the transaction as an alternative DV measure.[7] From our field interviews, two companies specifically mentioned a 2-year lock-up incentive plan for the target executives that they want to keep, while the others mentioned "two to three years" or "the first couple of years."

3.2.2 | Explanatory variables

To test the country effect, we use the indicator variable *EMNE Acquirer*, which equals one if the ultimate acquirer is an EMNE and zero otherwise. To test the effect of vicarious learning from the cohort, we first identify the ultimate acquirer's headquarters city in the home country by standardizing all zip code, city, state, and province information provided in SDC.[8] We then match all cities with the latitude and longitude information from the Geographic Names Information System of the U.S. Geological Survey (for U.S. locations) and the Geonet Names Server (GNS) of the National Geospatial Intelligence Agency (for non-U.S. locations), which use phonetic variations to capture spellings from different alphabets (as in Asian countries) and from alphabets with extra characters (as in Scandinavian and Slavic countries). We manually check all the ambiguous matches and search online for those with missing geolocation data.

We classify acquiring firms as part of the ultimate acquirer's cohort, or peer group, if they are located within 150 km of its headquarters city.[9] We choose 150 km, or about 100 miles, to capture the effect of vicarious learning, since it is roughly the diameter of the largest economic areas in the U.S. (BEA), beyond which knowledge spillover drops rapidly (Belenzon & Schankerman, 2013). Our results are also robust to alternative classifications of the cohort, such as firms located within 100 km of the acquirer city, firms located in the same city, and firms located within the same jurisdictional region/state/province. We then identify all cross-border acquisitions by these firms prior to the focal year and construct different measures of cohort cross-border acquisition experience to test H2a, H2b, H3a, and H3b as described below.

We construct four sets of measures for cohort (firm) acquisition experience by varying the similarity between the prior target country and focal target country: (1) *Cohort (Firm) L5Y All Acquisition Experience* measures the total number of completed acquisitions by the cohort (firm) in the last 5 years, where we include both domestic and cross-border acquisitions; (2) *Cohort (Firm) L5Y Crossborder Acquisition Experience* measures the total number of cross-border acquisitions by the cohort (firm) in the last 5 years; (3) *Cohort L5Y Crossborder Acquisition Experience in Similar Target Countries* measures the total number of completed cross-border deals by

[7]We do not use 1 year after the transaction due to inconsistent reporting delays in DCA.

[8]Note that SDC does not always report the correct city information, where everything from the exact address (e.g., "138 Tiyu Road East") to the district level (e.g., "Chao Yang District, Beijing") to the zip code level (e.g., "Woodhaven, New York") to state/province names (e.g., "Gansu Province") to geographic regions (e.g., "South Western France") are reported. As such, systematic standardization and cleaning of the ultimate acquirer city data are needed before using this field from SDC.

[9]We use the *geodist* command in Stata to calculate distance between cities, which implements Vincenty's (1975) formula to calculate the length of the shortest path between two points on the surface of the Earth.

cohort (firm) to similar target countries (i.e., developed countries) in the last 5 years; and (4) *Cohort (Firm) L5Y Crossborder Acquisition Experience in Target Country* measures the total number of completed deals by the cohort (firm) in the focal target country in the last 5 years. In our main analyses, we follow prior studies and construct these cohort and firm experience measures based on the number of deals completed in the last five years (Barkema & Schijven, 2008; Haleblian & Finkelstein, 1999; Hayward, 2002), but our results are robust to alternative time windows, such as the last 3–7 years or all years. We scale all cohort and firm experience measures by 1/1000 in all regression outputs for ease of display.

3.2.3 | Control variables

We include controls at the deal, firm, and country levels that may impact TMT retention decisions following prior acquisition studies (Haspeslagh & Jemison, 1991; King et al., 2020; Krug et al., 2014; Netter et al., 2011). At the deal level, we control for *Percentage Owned Post Deal*, the ratio of *Deal Value to Sales*, whether the deal is *Paid in Stock*, whether the deal is an *Auction* or involves multiple bidders, and whether the deal is a *Tender Offer*, all of which are variables related to the strategic incentives behind the acquisition as well as the intangible assets in the target firm.

At the firm level, we control for *Industry Relatedness* between the target and the ultimate acquirer at the SIC two-digit level (since unrelated diversification is less likely to trigger TMT changes), *Public Status* of both the target and the ultimate acquirer (since public and private firms may face different governance restrictions on TMT changes), whether the target and the ultimate acquirer *Has Financial Advisor* (to account for the potential influence of external advisors on PAI), the ultimate acquirer's *Alliance Experience in the Target Country* in the past 5 years (since acquirers' prior presence in the target country may also influence their subsequent TMT retention decisions, and prior work has documented cross-learning effects between alliances and M&A), the ultimate acquirer's *Number of Subsidiaries* (since acquirers with different experience levels of managing subsidiaries may have varying abilities to manage the newly acquired target), *Firm Age* (to address the alternative explanation that the country, cohort, and firm effects are simply reflections of the prevalence of young firms among EMNEs), the ultimate acquirer's *Domestic Acquisition Experience* in the past 5 years (to address the concern that prior domestic acquisition experience also affects PAI of cross-border acquisitions), and prior average *Year-on-Year TMT Retention Rate* (to address the potential selection concern that the TMT turnovers are driven by predeal target characteristics and not the intentional decisions of the acquirer).

At the country level, we control for distances between the target and ultimate acquirer countries using the latest distance data from Berry et al. (2010). Specifically, we control for *Administrative Distance*, or the "differences in colonial ties, language, religion, and legal system," *Economic Distance*, or the "difference in economic development and macroeconomic characteristics," *Geographic Distance* (scaled by 1/1000 for ease of display), or the "great circle distance between the geographic center of [the target and ultimate acquirer] countries," and *Cultural Distance*, or the "differences in attitudes toward authority, trust, individuality, and importance of work and family" (Berry et al., 2010), the distances most relevant to our theory. They are highly correlated with the other five distances (financial, political, demographic, knowledge, and global connectedness), and our results are robust to different combinations of these distances. We also control for the *Ease of Doing Business* rank of the target and ultimate

acquirer countries and *Target Country GDP per Capita*. These controls also help us to account for the alternative explanation that the differences in PAI behaviors are driven by the similarities between the institutional environments of the home and host countries, as pointed out by prior works examining PAI of DMNEs (Krug & Nigh, 1998). Tables 2 and 3 show the summary statistics and correlations of all key variables.

3.3 | Empirical setup

A potential concern about our sample is that DMNEs are fundamentally different from EMNEs and they pursue fundamentally different cross-border acquisitions, which could lead to different PAI strategies that are unrelated to the drivers that we have identified. This is despite our efforts to restrict the sample to absorption-type transactions where integration is important for subsequent value creation (Ellis, 2004; Haspeslagh & Jemison, 1991). Therefore, we believe a matched sample is appropriate even though our results are robust in the full sample.

Table 4 shows a comparison of the means of key characteristics in these two groups. We see that relative to DMNEs, EMNEs tend to engage in smaller deals, are less likely to be public, are smaller in size, and have fewer subsidiaries. They and their peers have less prior cross-border acquisition experience, even though both EMNEs and DMNEs have similar levels of domestic acquisition experience. Thus, there is a valid concern that the observed differences in target TMT retention rates between EMNEs and DMNEs could be due to biased extrapolations (Iacus et al., 2012). To reduce the potential bias, we use coarsened exact matching (CEM) to create "treatment" and "control" groups that share similar pre-integration features, including deal value, ownership share, deal relatedness, public status, number of subsidiaries, SIC codes, and deal year. Table 5 shows the post-matching comparison of means between the two groups. DMNE and EMNE acquisitions are now generally comparable in deal characteristics, acquirer size, and domestic acquisition experience, but DMNE acquirers are more likely to be public, own larger stakes in targets, and they and their peers have higher levels of cross-border acquisition experience.

Using the matched sample, we estimate the hypothesized country effect on the *TMT Retention Rate* and the moderating effects of cohort and firm cross-border acquisition experience. In our main analyses, we use an OLS specification with CEM weights, but our results are also robust to alternative specifications (such as logit, probit, and OLS on the unmatched sample) as reported in Online Appendix B. All of our models include year and industry fixed effects, and robust standard errors are clustered at the ultimate acquirer level.

4 | RESULTS

Tables 6 and 7 present our main results, with two-tailed *p*-values in parentheses. Table 6 tests the H1 (country effect), H2a (cohort effect), and H3a (firm effect) one at a time. Table 7 tests H2b and H3b (the role of relevant cohort and firm experience) using four different measures of cohort and firm experience, each with increasing relevance to the focal acquisition. In Table 7 Models (1)–(4), we first fix cohort experience as cross-border acquisition experience in similar target countries (i.e., developed countries) and vary the firm experience measure from all acquisitions, to all cross-border acquisitions, to cross-border acquisitions in similar target countries, and to acquisitions in the focal target country only. In Table 7 Models (5)–(8), firm experience

TABLE 2 Summary statistics.

		Variable name	Count	Mean	SD	Median	Min	Max
1	DV	TMT retention rate	1862	0.61	0.35	0.67	0.00	1.00
2	Explanatory variables	EMNE acquirer	1862	0.13	0.34	0.00	0.00	1.00
3		Cohort: L5Y all acquisition experience	1862	112.76	131.03	55.00	0.00	635.00
4		Cohort: L5Y crossborder acquisition experience	1862	90.43	107.71	43.00	0.00	512.00
5		Cohort: L5Y crossborder acquisition experience in similar target countries	1862	70.66	86.02	34.00	0.00	445.00
6		Cohort: L5Y crossborder acquisition experience in target country	1862	17.29	32.72	4.00	0.00	212.00
7		Firm: L5Y all acquisition experience	1862	14.65	22.78	7.00	0.00	290.00
8		Firm: L5Y crossborder acquisition experience	1862	9.83	16.41	4.00	0.00	155.00
9		Firm: L5Y crossborder acquisition experience in similar target countries	1862	7.48	13.49	3.00	0.00	146.00
10		Firm: L5Y crossborder acquisition experience in target country	1862	2.21	5.67	0.00	0.00	91.00
11	Control Variables	Acquirer's L5Y domestic acquisition experience	1862	4.82	10.10	2.00	0.00	147.00
12		Acquirer's firm age	1858	67.28	60.81	51.00	0.00	729.00
13		Acquirer's # of subsidiaries	1862	57.21	90.77	23.00	0.00	755.00
14		Acquirer's L5Y alliance experience in target country	1862	0.04	0.28	0.00	0.00	4.00
15		% Owned post-deal	1862	97.29	9.05	100.00	50.60	100.00
16		Industry relatedness	1862	0.55	0.50	1.00	0.00	1.00
17		Deal value to sales	1642	41.83	146.81	1.35	0.00	721.44
18		YoY retention rate	1862	0.85	0.18	0.89	0.00	1.00
19		Administrative distance	1850	59.76	40.92	45.96	0.00	271.58
20		Economic distance	1850	4.83	9.43	1.42	0.00	72.69
21		Geographic distance/1000	1862	6.43	3.99	6.99	0.15	18.44
22		Cultural distance	1774	11.51	8.88	10.58	0.00	54.99
23		Target country GDP per capita (current USD)	1858	47,200.86	12,736.69	47,099.98	5430.87	118,823.60

TABLE 2 (Continued)

	Variable name	Count	Mean	SD	Median	Min	Max
24	Target country ease of doing business	1851	12.13	11.29	6.00	1.00	82.00
25	Acquirer country ease of doing business	1846	24.01	28.89	14.00	1.00	147.00
26	Target public status	1862	0.43	0.49	0.00	0.00	1.00
27	Acquirer public status	1862	0.84	0.37	1.00	0.00	1.00
28	Target has financial advisor	1862	0.79	0.41	1.00	0.00	1.00
29	Acquirer has financial advisor	1862	0.69	0.46	1.00	0.00	1.00
30	Paid in stock	1862	0.10	0.30	0.00	0.00	1.00
31	Auction	1862	0.03	0.16	0.00	0.00	1.00
32	Tender offer	1862	0.19	0.39	0.00	0.00	1.00

TABLE 3 Correlations.

		Variable name	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	DV	TMT retention rate	1.00														
2	Explanatory Variables	EMNE acquirer	0.00	1.00													
3		Cohort: L5Y all acquisition experience	0.01	−0.24	1.00												
4		Cohort: L5Y crossborder Acquisition experience	0.01	−0.24	.98	1.00											
5		Cohort: L5Y crossborder Acquisition experience in similar target countries	0.01	−0.25	0.98	0.99	1.00										
6		Cohort: L5Y crossborder acquisition experience in target country	0.03	−0.18	0.67	0.70	0.71	1.00									
7		Firm: L5Y all acquisition experience	0.02	−0.11	0.12	0.10	0.10	0.03	1.00								
8		Firm: L5Y crossborder acquisition experience	0.03	−0.14	0.12	0.12	0.13	0.06	0.92	1.00							
9		Firm: L5Y crossborder acquisition experience in similar target countries	0.02	−0.14	0.11	0.12	0.13	0.07	0.88	0.97	1.00						
10		Firm: L5Y crossborder acquisition experience in target country	0.02	−0.09	0.08	0.09	0.10	0.22	0.52	0.65	0.71	1.00					
11	Control Variables	Acquirer's L5Y domestic acquisition experience	0.01	−0.03	0.08	0.03	0.03	−0.03	0.79	0.47	0.44	0.14	1.00				
12		Acquirer's firm age	0.03	−0.16	0.04	0.05	0.05	0.04	0.13	0.16	0.12	0.05	0.04	1.00			
13		Acquirer's # of subsidiaries	0.03	−0.17	0.12	0.11	0.11	0.06	0.42	0.42	0.37	0.18	0.29	0.22	1.00		
14		Acquirer's L5Y alliance experience in target country	−0.04	−0.04	0.10	0.10	0.11	0.17	0.12	0.10	0.11	0.14	0.10	0.02	0.10	1.00	

TABLE 3 (Continued)

	Variable name	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
15	% Owned post-deal	0.04	−0.09	0.00	0.00	0.01	0.08	−0.03	−0.02	−0.01	0.06	−0.03	0.03	0.00	0.01	1.00
16	Industry relatedness	−0.02	0.00	−0.04	−0.03	−0.03	−0.05	−0.10	−0.07	−0.06	−0.06	−0.11	−0.04	−0.07	−0.05	−0.01
17	Deal value to sales	0.02	0.04	0.02	0.02	0.01	0.01	0.00	−0.01	−0.02	−0.01	0.01	−0.02	0.04	−0.02	0.00
18	YoY retention rate	0.01	−0.01	−0.01	−0.01	0.00	0.01	0.00	0.01	0.02	0.02	−0.03	−0.04	0.03	−0.01	0.05
19	Administrative distance	−0.03	0.10	−0.03	−0.06	−0.06	−0.01	−0.01	−0.04	−0.04	−0.04	0.03	−0.01	0.03	0.03	0.00
20	Economic distance	0.02	0.40	−0.15	−0.13	−0.17	−0.15	−0.03	−0.01	−0.04	−0.04	−0.04	−0.10	−0.07	−0.05	−0.04
21	Geographic distance/1000	0.01	0.23	−0.02	−0.05	−0.05	0.09	−0.06	−0.09	−0.09	0.00	0.00	−0.03	0.00	0.03	0.05
22	Cultural distance	−0.02	0.31	−0.01	−0.03	−0.03	−0.17	−0.02	0.00	−0.01	−0.07	−0.03	0.02	0.04	0.00	−0.06
23	Target country GDP per capita (current USD)	−0.06	0.02	−0.10	−0.08	−0.10	0.04	−0.08	−0.08	−0.08	0.00	−0.04	0.06	0.05	−0.05	0.16
24	Target country ease of doing business	0.04	−0.01	0.06	0.05	0.05	−0.23	0.05	0.03	0.01	−0.13	0.0.05	−0.05	0.02	−0.04	−0.22
25	Acquirer country ease of doing business	−0.03	0.73	−0.23	−0.23	−0.23	−0.18	−0.10	−0.11	−0.12	−0.08	−0.06	−0.08	−0.11	−0.03	−0.09
26	Target public status	−0.14	0.00	0.00	−0.01	−0.01	−0.06	0.07	0.07	0.06	0.02	0.06	−0.01	0.04	0.06	−0.13
27	Acquirer public status	0.00	−0.14	0.13	0.12	0.12	0.11	0.04	0.04	0.05	0.04	0.04	0.01	0.13	0.06	0.04
28	Target has financial advisor	−0.11	−0.03	−0.04	−0.06	−0.06	−0.04	0.05	0.02	0.01	−0.01	0.08	0.06	0.07	0.03	0.08
29	Acquirer has financial advisor	−0.06	−0.01	0.03	0.02	0.02	−0.06	0.02	0.02	0.01	−0.05	0.02	0.07	0.03	0.00	−0.02
30	Paid in stock	−0.03	−0.09	0.01	0.01	0.01	−0.01	−0.03	−0.03	−0.03	−0.02	−0.03	−0.05	−0.04	0.04	0.04
31	Auction	−0.07	0.04	−0.02	−0.02	−0.02	−0.03	−0.01	−0.01	0.00	−0.03	−0.01	−0.02	0.00	−0.03	0.03
32	Tender offer	−0.07	−0.02	0.03	0.02	0.02	−0.09	0.06	0.05	0.05	−0.02	0.04	0.03	0.05	0.01	−0.03

		Cont'd	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
16	Control Variables	Industry relatedness	1.00																
17		Deal value to sales	−0.01	1.00															
18		YoY retention rate	−0.02	0.06	1.00														

TABLE 3 (Continued)

	Cont'd	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
19	Administrative distance	−0.01	0.05	−0.03	1.00													
20	Economic distance	−0.02	0.03	−0.02	.00	1.00												
21	Geographic distance/1000	0.00	0.03	0.00	0.25	0.15	1.00											
22	Cultural distance	0.06	0.00	−0.04	0.25	0.16	0.13	1.00										
23	Target country GDP per capita (current USD)	−0.06	0.09	0.02	0.19	0.18	0.15	0.03	1.00									
24	Target country ease of doing business	0.07	−0.01	0.02	−0.12	0.03	−0.25	0.06	−0.28	1.00								
25	Acquirer country ease of doing business	0.03	0.03	0.00	0.15	0.18	0.17	0.37	0.04	0.01	1.00							
26	Target public status	0.07	−0.19	−0.07	−0.09	0.00	−0.05	−0.02	−0.06	0.04	0.02	1.00						
27	Acquirer public status	0.12	−0.02	0.02	0.05	−0.13	0.04	−0.04	0.04	−0.05	−0.13	−0.04	1.00					
28	Target has financial advisor	0.03	0.00	−0.05	−0.01	−0.05	−0.01	0.00	0.07	−0.09	0.01	0.27	0.00	1.00				
29	Acquirer has financial advisor	0.07	−0.02	−0.05	0.02	−0.03	−0.01	0.06	−0.01	0.00	0.02	0.30	0.00	0.30	1.00			
30	Paid in stock	0.07	−0.01	−0.04	−0.12	0.03	−0.11	−0.07	−0.03	0.05	−0.08	0.16	0.09	0.07	0.11	1.00		
31	Auction	0.03	0.01	0.05	−0.04	0.01	0.01	−0.01	0.01	0.01	0.03	0.16	−0.01	0.06	0.06	0.02	1.00	
32	Tender offer	0.05	−0.09	−0.02	−0.04	0.02	−0.11	0.06	−0.05	0.11	−0.01	0.53	0.02	0.14	0.22	0.00	0.14	1.00

TABLE 4 Pre-matching comparison of means: Deals with DMNE (1619 obs) versus EMNE (243 obs) acquirers.

Key deal characteristics	DMNE (mean)	DMNE (count)	EMNE (mean)	EMNE (count)	*Diff.*	*t*-statistics	*p*-value
Perc owned post-deal	97.61	1619	95.12	243	2.49	4.02	.00
Deal value	1770.76	1619	1008.59	243	762.16	1.91	.06
Deal relatedness	0.55	1619	0.56	243	0.00	−0.13	.89
Acquirer public status	0.86	1619	0.70	243	0.17	6.77	.00
Acquirer # of employees	42,096.28	1100	32,060.79	114	10,035.49	1.47	.14
Acquirer EBITDA	2519.33	1228	1029.37	140	1489.96	2.51	.01
Acquirer # of subsidiaries	63.31	1619	16.52	243	46.79	7.61	.00
Acquirer prior domestic acquisition # deals (L5Y)	4.94	1619	4.04	243	0.90	1.30	.20
Acquirer prior crossborder acquisition # deals (L5Y)	10.72	1619	3.90	243	6.82	6.10	.00
Acquirer cohort prior crossborder acquisition # deals (L5Y)	100.26	1619	24.97	243	75.29	10.45	.00

TABLE 5 Post-matching comparison of means: Deals with DMNE (1132 obs) versus EMNE (215 obs) acquirers.

Key deal characteristics	DMNE (mean)	DMNE (count)	EMNE (mean)	EMNE (count)	Diff.	*t*-statistics	*p*-value
Perc owned post-deal	99.56	1132	97.86	215	*1.70*	*5.10*	*.00*
Deal value	868.62	1132	778.63	215	*89.99*	*0.76*	*.45*
Deal relatedness	0.56	1132	0.57	215	*−0.01*	*−0.27*	*.79*
Acquirer public status	0.86	1132	0.71	215	*0.15*	*5.42*	*.00*
Acquirer # of employees	25,829.62	765	30,823.59	104	*−4993.96*	*−0.91*	*.37*
Acquirer EBITDA	1568.66	860	924.88	127	*643.78*	*1.04*	*.30*
Acquirer # of subsidiaries	27.51	1132	14.66	215	*12.85*	*5.23*	*.00*
Acquirer prior domestic acquisition # deals (L5Y)	3.65	1132	3.57	215	*0.08*	*0.14*	*.89*
Acquirer prior crossborder acquisition # deals (L5Y)	7.48	1132	3.87	215	*3.61*	*3.74*	*.00*
Acquirer cohort prior crossborder acquisition # deals (L5Y)	93.96	1132	24.78	215	*69.19*	*9.04*	*.00*

TABLE 6 Main results: Testing H1, H2a, and H3a.

	(1)	(2)	(3)	(4)
	Country only	Country & cohort	Country & firm	Country & cohort & firm
EMNE acquirer	0.0991	0.156	0.125	0.187
	(0.067)	(0.010)	(0.041)	(0.006)
Cohort: L5Y crossborder acquisition experience/1000		−0.0355		−0.0447
		(0.780)		(0.726)
EMNE acquirer * cohort L5Y crossborder acquisition experience/1000		−2.216		−2.276
		(0.018)		(0.014)
Firm: L5Y crossborder acquisition experience/1000			0.141	0.125
			(0.883)	(0.895)
EMNE acquirer * firm L5Y crossborder acquisition experience/1000			−4.670	−5.486
			(0.234)	(0.177)
Acquirer's L5Y domestic acquisition experience/1000	−0.336	−0.216	−0.0413	0.148
	(0.796)	(0.869)	(0.977)	(0.918)
Acquirer's L5Y alliance experience in target country	−0.0547	−0.0525	−0.0550	−0.0525
	(0.159)	(0.181)	(0.156)	(0.180)
Acquirer's # of subsidiaries	0.0000982	0.0000115	0.0000932	0.00000848
	(0.812)	(0.978)	(0.819)	(0.983)
Acquirer's firm age	0.000116	0.000103	0.000124	0.000113
	(0.552)	(0.597)	(0.527)	(0.565)
% Owned post-deal	0.00472	0.00451	0.00482	0.00463
	(0.002)	(0.003)	(0.002)	(0.003)
Industry relatedness	−0.00729	−0.00786	−0.00826	−0.00901
	(0.783)	(0.766)	(0.756)	(0.733)
Deal value to sales	0.0000697	0.0000640	0.0000706	0.0000652
	(0.461)	(0.497)	(0.456)	(0.489)
YoY retention rate	−0.0298	−0.0240	−0.0339	−0.0286
	(0.675)	(0.735)	(0.635)	(0.687)
Administrative distance	−0.000252	−0.000265	−0.000293	−0.000316
	(0.498)	(0.471)	(0.432)	(0.393)
Economic distance	0.000104	0.00172	−0.0000102	0.00163
	(0.947)	(0.260)	(0.995)	(0.291)
Geographic distance/1000	0.00296	0.00282	0.00302	0.00289
	(0.377)	(0.396)	(0.368)	(0.386)
Cultural distance	−0.00104	−0.000911	−0.000915	−0.000753
	(0.505)	(0.557)	(0.561)	(0.631)
Target country GDP per capita (current USD)	0.00000121	0.000000950	0.00000121	0.000000947
	(0.335)	(0.447)	(0.335)	(0.449)

TABLE 6 (Continued)

	(1)	(2)	(3)	(4)
Target country ease of doing business	0.00165	0.00141	0.00166	0.00141
	(0.211)	(0.289)	(0.212)	(0.291)
EMNE acquirer ease of doing business	−0.000929	−0.00124	−0.00104	−0.00139
	(0.163)	(0.066)	(0.127)	(0.046)
Target public status	−0.0707	−0.0733	−0.0695	−0.0719
	(0.036)	(0.030)	(0.040)	(0.034)
Acquirer public status	−0.00290	−0.00151	−0.00289	−0.00120
	(0.938)	(0.968)	(0.939)	(0.974)
Target has financial advisor	−0.0253	−0.0185	−0.0277	−0.0213
	(0.504)	(0.625)	(0.469)	(0.578)
Acquirer has financial advisor	−0.00321	−0.00152	−0.00276	−0.000964
	(0.911)	(0.957)	(0.924)	(0.973)
Paid in stock	−0.0290	−0.0283	−0.0285	−0.0278
	(0.403)	(0.409)	(0.411)	(0.417)
Auction	−0.107	−0.111	−0.107	−0.111
	(0.147)	(0.138)	(0.149)	(0.139)
Tender offer	−0.0123	−0.0170	−0.0127	−0.0177
	(0.689)	(0.578)	(0.678)	(0.564)
Constant	0.337	0.341	0.331	0.333
	(0.082)	(0.076)	(0.090)	(0.084)
Year, industry fixed effects	Yes	Yes	Yes	Yes
R-squared	0.1838	0.1886	0.1846	0.1898
Log likelihood	−276.306	−273.028	−275.726	−272.227
N	1100	1100	1100	1100

Note: *p*-values in parentheses, standard errors are clustered by acquirer.

is fixed as cross-border acquisition experience in similar target countries while the cohort experience measure varies from all acquisitions, to all cross-border acquisitions, to all cross-border acquisitions in similar target countries, to acquisitions in the focal target country only. Model (9) fixes both cohort and firm effects as acquisition experience in the focal target country. All experience variables are measured as acquisition deals in the 5 years prior to the focal deal. We test the experience window and alternative combinations in robustness checks in Online Appendix B, where we find similar results.

H1 is supported in all models. In Table 6 Model (1), the positive coefficient on *EMNE Acquirer* ($\beta = 0.099$; $p = .067$) suggests that, without accounting for cohort and firm effects, having an EMNE acquirer is associated with on average 10% higher TMT retention rates when compared against targets acquired by DMNEs, regardless of the level of cross-border acquisition experience possessed by the firm or its cohort. In Table 7, the positive coefficients on *EMNE Acquirer* ($\beta = 0.166$ to 0.196; $p = .002$–$.024$) suggest that having an EMNE acquirer is associated with on average 18% higher TMT retention rates after accounting for cohort and firm effects.

TABLE 7 Main results: Testing all hypotheses (H1, H2a, H2b, H3a, and H3b).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Cohort: L5Y acquisition in similar target countries				Firm: L5Y acquisition in similar target countries				Cohort & firm L5Y in
	Firm: L5Y acquisition experience in				Cohort: L5Y acquisition experience in				
	All acquisition	Cross-border	Similar target countries	Target country	All acquisition	Cross-border	Similar target countries	Target country	Target country
EMNE acquirer	0.169	0.188	0.195	0.187	0.195	0.196	0.195	0.173	0.166
	(0.007)	(0.004)	(0.002)	(0.002)	(0.003)	(0.003)	(0.002)	(0.004)	(0.004)
Cohort: L5Y acquisition experience/1000	−0.0481	−0.0552	−0.0583	−0.0660	−0.0164	−0.0472	−0.0583	0.363	0.311
	(0.764)	(0.731)	(0.716)	(0.680)	(0.877)	(0.711)	(0.716)	(0.360)	(0.431)
EMNE acquirer * cohort L5Y acquisition experience/1000	−4.654	−4.753	−4.688	−4.416	−1.791	−2.288	−4.688	−22.580	−20.960
	(0.006)	(.004)	(.005)	(.007)	(.017)	(.012)	(.005)	(.000)	(.001)
Firm: L5Y acquisition experience/1000	0.0917	0.107	0.305	2.581	0.260	0.328	0.305	0.233	2.225
	(0.893)	(.910)	(.765)	(.196)	(.799)	(.749)	(.765)	(.819)	(.255)
EMNE acquirer * firm L5Y acquisition experience/1000	−0.963	−5.193	−11.33	−35.22	−12.18	−12.11	−11.33	−10.39	−30.24
	(0.611)	(0.193)	(0.031)	(0.016)	(0.024)	(0.024)	(0.031)	(0.043)	(0.028)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year, industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1900	0.1908	0.1921	0.1943	0.1906	0.1914	0.1921	0.1950	0.1964
Log likelihood	−272.113	−271.544	−270.639	−269.182	−271.705	−271.177	−270.639	−268.671	−267.724
N	1100	1100	1100	1100	1100	1100	1100	1100	1100

Note: *p*-values in parentheses, standard errors are clustered by acquirer.

We also find support for the moderating effect of cohort experience. Table 6 Models (2) and (4) test H2a, where the estimated coefficients on *EMNE Acquirer * Cohort L5Y Crossborder Acquisition Experience* are negative ($\beta = -2.216$ to -2.276; $p = .014$–$.018$), supporting our H2a. The results from Table 7 Models (5)–(8) also support H2b on the relevance of prior cohort experience. The estimated coefficient on *EMNE Acquirer * Cohort L5Y Acquisition Experience* increases in magnitude as prior cohort experience changes from all acquisition experience ($\beta = -1.791$; $p = .017$), to all cross-border acquisition experience ($\beta = -2.288$; $p = .012$), to cross-border acquisition in similar target countries ($\beta = -4.688$; $p = .005$), to prior acquisition in focal target country only ($\beta = -22.580$; $p = .000$). The marginal effects of *Cohort L5Y Acquisition Experience* also become larger in magnitude as cohort experience changes from all acquisition (marginal effect = −1.808; $p = .015$), to cross-border acquisition (marginal effect = −2.335; $p = .001$), to similar target countries (marginal effect = −4.746; $p = .004$), to target country (marginal effect = −22.216; $p = .001$). Together, these results suggest that vicarious learning from peers is an important channel through which EMNE acquirers overcome the constraints associated with their home country.

We test the moderating effect of firm experience in all prior cross-border acquisitions (H3a) in Table 6 Models (3) and (4). We find that the estimated coefficients on *EMNE Acquirer * Firm L5Y Crossborder Acquisition Experience* are negative with *p*-values >.10, rejecting H3a. However, when we measure firm experience in terms of relevant cross-border acquisitions, especially firm experience in similar target countries or in the target country itself in Table 7, we find support for H3b. The marginal effects of *Firm L5Y Acquisition Experience* in Table 7 Models (1)–(4) become larger in magnitude as firm experience changes from all acquisition (marginal effect = −0.871, $p = .628$) to cross-border (marginal effect = −5.086, $p = .201$) to similar target countries (marginal effect = −11.029, $p = .034$) to target country (marginal effect = −32.638, $p = .052$). The Z-test comparing the coefficients for the firm interaction effects in Models (1) and (3) has a *p*-value of .064, .02 when comparing Models (1) and (4), and .048 when comparing Models (2) and (4), indicating that firms can learn significantly more from prior acquisitions in the focal target country than from prior cross-border acquisitions in general. These results together suggest that while firm cross-border acquisition experience in general may not be helpful to close the gap between EMNE and DMNE acquirers, the relevant firm experience can. In addition, the larger marginal effects associated with firm experience relative to cohort experience across the different models also indicate that experiential learning from firms' own experience is a more direct channel than vicarious learning from their peers.

In terms of economic significance, the results from Table 7 Model (3), illustrated by Figures S1–S3 in Online Appendix B, indicate that an additional 32 deals (∼2 S.D.) in similar target countries by the EMNE's cohort and an additional four deals (∼1 S.D.) by the EMNE acquirer in similar target countries can help the EMNE acquirer to overcome their differences in target TMT retention rates relative to DMNEs. The results from Table 7 Model (9) where both cohort and firm experiences are measured as prior experience in the focal target country imply that five additional deals by the EMNE's peers (∼1.3 S.D.) and two additional deals by the EMNE acquirer (∼1.3 S.D.) in the target country can help to overcome the gap in TMT retention rates with DMNE acquirers.

In terms of control variables, the estimated coefficients on the acquirer's domestic acquisition experience ($p = .796$–$.977$) suggest a limited effect of lessons learned from managing domestic acquisitions in the cross-border setting. Similar results are found for the acquirer's prior alliance experience ($p = .156$–$.181$). This is in line with the findings of Zollo and Reuer

(2010) that prior alliance experience in the target country does not have a direct impact on TMT retention in subsequent acquisitions in the same country.

While not hypothesized in the theory, one particular set of control variables is worth discussing here. We find that, across all models, the estimated coefficients on administrative, economic, geographic, and cultural distances the distance measures are not significant, while the country effect is. This suggests that differences between the home and host countries alone do not explain the differences in integration behaviors between EMNE and DMNE acquirers. Instead, the country effect has more to do with the capabilities and legitimacy of the acquirers than with the bilateral relationship between home and host countries. Note that this is not to dismiss the traditional gravity models (Bergstrand, 1985). However, they may better explain the likelihood of acquisition, which has received far more attention in the literature (Graebner et al., 2016; King et al., 2018), than the immediate changes that the acquirers will bring to the targets.

4.1 | Additional analysis

We conduct several robustness checks to verify our results, including potential concerns about measurement and model specification errors, sample selection biases, and omitted variable biases. For example, our results are robust to using alternative measures of the dependent and explanatory variables and different experience windows (all, last 7 years to last 3 years), different estimation models such as logit, probit, and OLS estimation on the unmatched full sample, the inclusion of target country fixed effects, as well as alternative samples based on different definitions of EMNE and DMNE countries and different ownership thresholds, etc. We summarize and provide the full list of the robustness tests conducted in Online Appendix B. Below, we briefly discuss two additional analyses that we conduct to further test our theoretical mechanisms.

First, in the main results, we test the relevance of prior experience (H2b and H3b) by sorting cohort and firm experience into four different types: all acquisition experience, all cross-border acquisition experience, cross-border acquisition experience in similar target countries, and experience in the focal target country. While such categorization allows for easy interpretation and comparison across models, one may be concerned that they are too coarse, especially since there may be many dimensions of "similarity" or "relevance" across deals. In Table 8, we construct a continuous measure of relevant experience as the sum of prior cross-border acquisitions completed by cohort and firm in the last 5 years, weighted by the inverse of each of the distances (Berry et al., 2010) between focal target country and prior target country plus one. As such, prior acquisitions in countries with shorter distances to the focal country carry more weight than prior acquisitions in distant countries, with experience in the focal target country carrying the most weight (since the distances would be zero in such cases). The resulting *Cohort Relevant Experience* and *Firm Relevant Experience* represent a stock of relevant cross-border acquisition experience.

We find strong support for H2b and H3b in Table 8 Models (1)–(9), suggesting that differences in target TMT retention rates can be reduced when EMNEs and their cohorts have extensive prior cross-border acquisition experience in countries that are similar in administrative, cultural, economic, geographic, financial, political, demographic, knowledge, or global connectedness characteristics as the focal target country. These results are also robust to alternative model specifications as shown in Online Appendix B.

TABLE 8 Robustness check: Alternative measures of relevant experience to test H2b and H3b.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Cohort and firm experience based on distance between focal deal and L5Y crossborder acquisition experience								
	Administrative distance	Cultural distance	Economic distance	Geographic distance	Financial distance	Political distance	Demographic distance	Knowledge distance	Global connectedness distance
EMNE acquirer	0.176	0.192	0.187	0.161	0.190	0.197	0.202	0.180	0.183
	(0.002)	(0.002)	(0.003)	(0.004)	(0.003)	(0.002)	(0.001)	(0.004)	(0.004)
Cohort relevant experience	0.000320	0.000204	0.0000348	0.000347	0.0000335	0.000131	0.0000757	0.0000741	0.0000900
	(0.424)	(0.554)	(0.895)	(0.403)	(0.912)	(0.651)	(0.764)	(0.840)	(0.681)
EMNE acquirer * Cohort relevant experience	−0.0194	−0.0128	−0.00775	−0.0212	−0.00763	−0.0107	−0.00868	−0.00746	−0.00485
	(0.001)	(0.001)	(0.003)	(0.000)	(0.002)	(0.001)	(0.002)	(0.097)	(0.009)
Firm relevant experience	0.00206	0.00159	0.000836	0.00219	0.00153	0.00117	0.000794	0.00142	0.000414
	(.274)	(.353)	(.562)	(.261)	(.334)	(.464)	(0.560)	(0.411)	(0.739)
EMNE acquirer * Firm relevant experience	−0.0365	−0.0323	−0.0166	−0.0317	−0.0212	−0.0240	−0.0214	−0.0245	−0.0126
	(0.020)	(0.017)	(0.044)	(0.046)	(0.074)	(0.038)	(0.020)	(.046)	(0.087)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year, industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1972	0.1957	0.1930	0.1965	0.1931	0.1949	0.1950	0.1904	0.1905
Log likelihood	−267.202	−268.195	−270.036	−267.688	−269.977	−268.751	−268.660	−271.842	−271.761
N	1100	1100	1100	1100	1100	1100	1100	1100	1100

Note: *p*-values in parentheses, standard errors are clustered by acquirer. Cohort and firm experience measures are calculated as the weighted sum of the inverses of distances between prior target countries and focal target country plus one, such that prior acquisition in those shorter distance countries are weighted higher than those further away. In other words, higher cohort and firm experience values represent higher stock of relevant acquisition experience, along the different dimensions of distances examined in Berry et al. (2010).

TABLE 9 Testing vicarious learning: Recalculate cohort experience based on experienced peers only.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Include peer in cohort if L5Y experience in similar target countries is above						
	All Peers in Cohort	Median	Mean	Mean + 1 SD	Mean + 2 SD	1 Deal	2 Deals	3 Deals
EMNE acquirer	0.195	0.194	0.192	0.185	0.187	0.185	0.165	0.166
	(0.002)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.010)	(0.008)
Cohort: L5Y acquisition experience in similar target countries/1000	−0.0583	−0.249	−0.155	−0.312	−0.465	−0.180	−0.229	−0.264
	(0.716)	(0.323)	(0.577)	(0.515)	(0.525)	(0.437)	(0.430)	(0.448)
EMNE acquirer * cohort L5Y acquisition experience in similar target countries/1000	−4.688	−7.443	−7.065	−10.46	−19.25	−8.532	−7.540	−15.05
	(0.005)	(0.007)	(0.011)	(0.029)	(0.011)	(0.015)	(0.153)	(0.036)
Firm: L5Y acquisition experience in similar target countries/1000	0.305	0.334	0.297	0.311	0.336	0.285	0.319	0.294
	(0.765)	(0.745)	(0.772)	(0.762)	(0.744)	(0.780)	(0.757)	(0.775)
EMNE acquirer * firm L5Y acquisition experience in similar target countries/1000	−11.33	−12.51	−12.17	−12.08	−12.60	−10.08	−10.24	−8.064
	(0.031)	(0.017)	(0.023)	(0.024)	(0.015)	(0.055)	(0.058)	(0.136)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year, industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1921	0.1937	0.1921	0.1914	0.1923	0.1921	0.1887	0.1901
Log likelihood	−270.639	−269.569	−270.650	−271.125	−270.555	−270.663	−273.002	−272.049
N	1100	1100	1100	1100	1100	1100	1100	1100

Note: *p*-values in parentheses, standard errors are clustered by acquirer.

Second, we further explore the cohort effect by examining the type of peers that the focal acquirer can learn from. While our H2a and H2b are mainly about the aggregate level of cross-border acquisition experience accumulated by all firms in the cohort, the distribution of experience among peer firms—a large number of acquisitions evenly distributed across a large number of cohort firms vs. a smaller number of firms accounting for most of the deals—is also relevant. Learning from more experienced peers that have already done a lot of cross-border acquisitions may have a larger impact on focal firms' target TMT retention decisions.

We test this idea by separating all firms in an acquirer's cohort into those that are more experienced vs. less experienced in pursuing cross-border acquisitions, and develop an alternative definition of the cohort as the group of more experienced peers only. We measure "more experienced" based on various cutoffs, such as if the peer firm's prior relevant cross-border acquisition experience is above the median, above the mean, above one or two standard deviations, or is above one deal, two deals, or three deals in a given year. Table 9 shows the results using this alternative conceptualization of cohort. Both cohort and firm experience are measured as prior cross-border acquisitions in similar target countries for all the models in Table 9 (and similar results hold if we use different combinations of cohort and firm experience measures).

Country, cohort, and firm effects hold across all models in Table 9, and the magnitudes and marginal effects of the cohort experience interaction become larger as cohort experience is measured based on the more experienced peers. The Z-test comparing the coefficients for the cohort interaction effects in Models (1) (cohort experience is the aggregate experience of all peers) and (5) (cohort experience only includes experiences of those peers whose experience is two standard deviations above the mean) has a p-value of .059. These results indicate that EMNEs benefit the most when they are learning from the more experienced peers, suggesting that the channels through which vicarious learning takes place also matter. Due to space constraints, we only show the main variables of interest in Tables 7–9, and we show the full tables in Online Appendix B.

5 | DISCUSSION AND CONCLUSION

In this study, we investigate the curious observation of light-touch integration by EMNE acquirers. Specifically, relative to DMNEs, EMNE acquirers tend to leave the TMT of target firms intact even in absorption-type acquisitions, where integration is crucial for the realization of value (Haspeslagh & Jemison, 1991; Kale & Singh, 2017). We argue that "EMNE" is a label that simultaneously covers three dimensions: they are from countries with less developed markets and institutions, they are among the first cohorts of firms venturing overseas, and they themselves have limited cross-border acquisition experience. Thus, the differences in integration strategies between EMNEs and DMNEs should be understood not only in terms of where they come from, but also through cohort and firm effects, which are evolving over time. By unpacking the potential drivers behind light-touch integration, this study also sheds light on the heterogeneity in acquisition strategies in general.

Using a sample of absorption-type cross-border acquisitions in developed countries by both EMNE and DMNE firms from 2001 to 2017, we find support for our hypothesized effects. First, compared to target firms with DMNE acquirers, target firms with EMNE acquirers indeed have higher TMT retention rates after the transaction. This offers empirical evidence on the light-touch integration phenomenon previously examined in case studies and surveys. Second, we

find support for our proposed moderating effects—that learning from the firm's and their cohorts' experience can close the gap between EMNEs and their developed country counterparts. These effects of cohort and firm experience on EMNE acquirers are particularly strong if the acquisitions are in the same target country or in similar target countries as the focal acquisition. In fact, the difference between DMNEs and EMNEs almost disappears as EMNEs and their peers pursue a more relevant cross-border acquisition, an indication that the initial challenges due to the liability of emergingness associated with EMNEs' home countries can be mitigated by relevant experience.

Note that our theory does not predict a monotonic relationship between experience and TMT retention. Since the right level of retention depends on "the balance between achieving the necessary level of organizational integration and minimizing the disruptions" to the target firm (Zollo & Singh, 2004: 1236), a lower TMT retention rate is not intrinsically more or less desirable. As firms gain a better understanding of the PAI process, they are likely to learn when and how to retain/replace the target's TMT and who are the right ones to retain/replace (Haspeslagh & Jemison, 1991; Krug et al., 2014), not necessarily just replacing more of them. Instead, our focus in this paper is on how the accumulation of relevant experience can help the disadvantaged group (i.e., the EMNEs) by reducing their legitimacy deficits, which have contributed to their unusually high TMT retention rates relative to the less disadvantaged group (i.e., the DMNEs).

We believe that this study makes three contributions to the literature. First, we contribute to the literature on PAI, particularly that of cross-border acquisitions. With a manually collected dataset on TMT turnovers of public and private firms post acquisition, this study is one of the first large-scale empirical studies that compares differences in the retention of target TMT following cross-border acquisitions among acquirers from different countries. TMT integration as an important part of resource reconfiguration is critical to value realization from acquisitions (Karim, 2006; Karim & Capron, 2016). Unpacking its drivers thus allows us to answer the call for a deeper analysis of this dimension of PAI (Bilgili et al., 2017; Ng & Stuart, 2022), beyond the existing studies based on "small samples of publicly traded firms acquired in the 1970s and 1980s" (Krug et al., 2014: 157). By examining country, cohort, and firm effects that evolve at different paces over time, we also provide a better understanding of the dynamics of the PAI process (Graebner et al., 2016; Krug et al., 2014).

Second, we join the growing conversation on the internationalization behaviors of emerging market firms (Cuervo-Cazurra, 2012; Cuervo-Cazurra et al., 2021; Hernandez & Guillén, 2018). By showing that the initial country effect can be overcome through the accumulation of relevant experience, our results suggest that a blanket "EMNE" label may not always be indicative of fundamental differences between firms. Instead, we should think of EMNEs as a group of heterogeneous firms that possess different sets of firm-specific advantages and join the global markets in different cohorts, as compared to their DMNE counterparts.

Finally, the large heterogeneity among EMNEs allows us to observe how firms may change their PAI approaches as they and their peers gain more relevant experience. In doing so, we highlight the role of organizational learning as an important channel to unpack the dynamic nature of M&A strategy (Barkema & Schijven, 2008; Zollo & Singh, 2004). Although the country effect has significant inertia—the perception of a country evolves even more slowly than the actual changes that the country is undergoing—firm and cohort experiences seem to be capable of reversing the country effect. The fact that experience in the same target country (and in similar target countries) helps to address subsequent PAI challenges, and the fact that the cohort effect is the strongest when EMNEs learn from their most experienced peers, suggests that not all experiences are alike.

5.1 | Limitations and future research

There are several limitations in this study that we hope to address in future work. First, in this study, we focus on one particular aspect of the PAI process: TMT changes in the target firm, where a higher rate of TMT retention is associated with a light-touch integration approach (Cogman & Tan, 2010; Kale & Singh, 2017; Liu & Woywode, 2013). This measure allows for large-sample studies across time, industries, and countries without relying on surveys (which are often cross-sectional, subject to recall and interpretation biases, and have limited response rates) or case studies (which are limited by the number of observations) that are often difficult to undertake retrospectively and compare based on a common reference point. However, not all TMT data are observable, especially when the target is private or a partial asset of the former parent. Fortunately, the data attrition rates for DMNEs and EMNEs are very close (see Online Appendix A), so the reduced sample still allows us to make meaningful comparisons across different types of acquirers. Moreover, our data does not capture TMT changes that are not driven by the acquirer's PAI strategies, such as voluntary departures, retirements, etc. Since voluntary departure are likely to be higher in acquisitions by EMNEs rather than DMNEs (given the potential hostilities target TMT may feel toward a less legitimate foreign owner; Hambrick & Cannella, 1993), they would actually bias against our finding of higher TMT retention rates in EMNE acquisitions.

Second, to avoid too many moving parts in the analyses, we only examine cross-border acquisitions in developed target countries. However, it is certainly possible that we may observe very different PAI behaviors by DMNEs and EMNEs when they pursue acquisitions in emerging target countries. To limit potential selection concerns, we further restrict our sample to absorption-type deals only, where extensive replacement of the target TMT should be in line with their overall acquisition objectives (Ellis, 2004; Haspeslagh & Jemison, 1991; see Figure 1b). Focusing on a specific type of acquisitions allows us to focus on the heterogeneity among acquirers, but it also compromises the generalizability of our findings. For example, compared with non-absorption, or preservation-type cross-border acquisitions where the acquirers allows the target firm to continue operating independently (Ellis, 2004), our sample of absorption-type cross-border acquisitions is likely to have less TMT retention on average. Meanwhile, in domestic acquisitions in their respective countries, EMNEs' PAI behaviors are more affected by the institutional environments (e.g., how sophisticated the M&A markets are) than by liabilities of emergingness. Future work based on surveys or qualitative studies could further examine the nuances in acquisition types, target country contexts, and the variations in integration strategies chosen by different acquirers.

Third, while the focus of this paper is on post-acquisition differences among different groups of acquirers, ex-ante differences could affect the type of targets selected and the likelihood of acquisitions taking place (Cuypers et al., 2017). Even for absorption-type deals, there could also be different rationales for absorption (e.g., technological advantage or economies of scale) that simultaneously affect target selection and PAI decisions. Experiences may also affect target selection as firms develop a better understanding of the integration process. In this study, we try to limit the potential selection biases by restricting our sample to a specific type of acquisitions, using the CEM approach, controlling for observable target, acquirer, and deal characteristics, and testing alternative explanations such as acquirer age and distances between acquirer and target countries. However, the identification of deal motivations is not perfect, and we cannot completely rule out unobservable factors affecting both target selection and their PAI strategies.

Finally, there are plausible future extensions of this research. For example, this study shows that cohort and firm experiences help to narrow the gap between EMNEs and DMNEs. The same logic should apply to disadvantaged DMNEs or even young domestic acquirers. It will be interesting to explore the contingency effects of experiences: Why they help certain types of groups but not others. Another extension that we have started exploring is how firms selectively retain and replace the key positions in the target firm. Many TMT replacements are by executives from headquarters or other subsidiaries of the same firm. Thus, the high retention rate by EMNEs can be due to the lack of internal talent that possesses cross-border management experience. As our data includes the TMT titles, we can further unpack the integration strategies of the acquirer by examining the types of positions that are more likely to experience turnovers after acquisitions, whether these strategies differ for EMNE versus DMNE acquirers, and how these patterns change over time.

6 | CONCLUSION

This paper seeks to understand the underlying drivers behind the light-touch integration strategies of EMNE acquirers. Our large-sample empirical analyses on absorption-type cross-border acquisitions show that, while weak home institutions negatively affect EMNEs' likelihood to bring changes to the target firms, this effect is moderated by the accumulation of relevant experience by firms and their peers. Bridging the literatures of corporate strategy, international business and organizational learning, this study contributes to our understanding of the dynamic country, cohort, and firm processes that shape behaviors of multinational firms.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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