Does Government Stake Influence Cross-Border Deal Completion? Evidence from Brazil

Authors

Yingdan Cai, Groningen U. (RuG), y.cai@rug.nl
Kees Van Veen, Groningen U. (RuG), k.van.veen@rug.nl
Sathyajit Gubbi, Groningen U. (RuG), s.r.gubbi@rug.nl

Does Government Stake Influence Cross-border Deal Completion?

Evidence From Brazil

ABSTRACT

In the context of developing economies, government as an important stakeholder plays a proactive role in strategic investment decisions made by firms. In this paper we investigate whether the equity stake held by government in the acquiring and the target firm influence likelihood of deal completion. Our analysis of over 500 cross-border deals by Brazilian multinational firms suggests that government equity ownership has a material impact on deal completion. While government equity stake in the acquirer enhances likelihood of deal completion, government equity ownership in the target firm diminishes the possibility. Moreover, the effects of government equity ownership differ for public traded and private traded firms.

Keywords: government ownership, cross-border M&As, deal completion, emerging market firm, institutional voids

INTRODUCTION

Compared to developed economies, government is an influential stakeholder in corporate governance decisions in the context of developing economies (Hoskisson, Eden, Lau & Wright, 2000). Government is also known to control and shape the internationalization of firms in countries under transition to market-regulated regimes (Buckley et al., 2007). Till date, related scholarship has mainly focused on the internationalization activities of firms directly owned and controlled by government, i.e. the state-owned enterprises (e.g., Cui & Jiang, 2013). However, just as institutional investors influence international diversification decisions of firms (Tihanyi et al, 2003), government can also own varying levels of equity in privately owned firms, directly or indirectly via state-owned agencies, and affect strategic decisions made by such firms. This aspect has been overlooked in existing research and highly important in the context of foreign acquisitions made by firms from the emerging economies.

The process of cross-border mergers and acquisitions (CBAs) is full of risks and uncertainties (Reuer, Shenkar & Ragozzino, 2004). Previous studies have shown that a large number of deals (around 20% of all deals) fail even after the announcements (Wong & O'Sullivan, 2001; Dikova, Rao Sahib, van Witteloostuijn, 2010; Zhang, Zhou & Ebbers, 2011; Muehlfeld, Rao Sahib & van Witteloostuijn, 2012). According to the *World Investment Report* (UNCTAD, 2013: 96), in the past ten years, over 2000 cross-border deals worth nearly $1.8 trillion, were either withdrawn or failed to achieve deal completion. More important in the context of this study, for emerging market acquirers, due to relatively lack of experience in international business and managing international acquisitions, the unsuccessful deal completion rate could be higher. For example, Zhang & Ebbers (2010) found out that between 1982 and 2008 almost half of China's overseas acquisitions could not be completed. Motivated by above considerations, in this paper we

examine whether the equity owned by government influences the likelihood of deal completion in cross-border deals made by firms from the emerging economies.

We would like to address the lack of theoretical framework and empirical knowledge on the role of government ownership for CBA deal completion. Little is known on the influence of government equity ownership on the likelihood of deal completion in foreign countries. On the one hand, government ownership could facilitate internationalization activities such as foreign acquisitions by providing resources and capital. On the other hand, government may have other incentives than optimizing economic value of bidders. In addition, from the target's perspective, the situation is more sensitive for firms with government ownership by the host country governments for fear that acquirer government may impede the operation of target.

We add the role of government ownership to the literature of deal completion. To be specific, we would like to examine whether the presence and percentage of government ownership in the acquirer and target will influence the likelihood of deal completion by emerging market bidders in their CBAs. We also extend the line of research to explore whether the effects of government ownership differ in private and public-listed[1] bidders and targets.

It is acknowledged that governments support the internationalization of Emerging Market Firms (EMFs) (Luo, Xue & Han, 2010; Peng, Wang & Jiang, 2008) but the influence of government ownership on deal success is not yet clear. We test our hypotheses using a sample of CBAs from Brazil between 2000 and 2012. Brazil is a suitable empirical context to study the effects of government ownership for several reasons. First, Unlike China whereas a lot of M&As are

---

[1] For clarification, , public firms refer to those that have state ownership or government ownership. Public-listed firm or public-traded firms refer to those traded in stock exchanges. Some researchers also refer the latter as public firms.

carried out due to national interest, such as acquisition of strategic raw material and resources in Africa, in general, Brazilian firms have undergone significant waves of privatization and the firms with government ownership are more likely to have other shareholders and follow their internationalization path motivated by economic reasoning. Second, the privatization in Brazil was accompanied by a new form of indirect state ownership via equity purchases by the Brazilian Development Bank BNDES (Inoue, et al. 2013). The BNDES has the largest stock portfolio in Brazil and among other development banks in the world (da Silva & de Abreu Zorman, 2013). Third, the BNDES actively promotes the internationalization of Brazilian companies. It finances the expansion of national companies far beyond the borders of the country and seeks to diversify the sources of its resources on the international market[2]. Empirically, there are neither existing studies on the deal completion of cross-border M&As by Brazilian firms nor studies that link government ownership to internationalization behavior of Brazilian firms.

The rest of the paper is organized as follows. In Section 2, we present our theory and propose hypotheses. In Section 3 we describe of the data, variables used and methods. The empirical results are shown in Section 4. Section 5 concludes with implications for future research and policy implications.

---

[2] http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/The_BNDES/

THEORY AND HYPOTHESES DEVELOPMENT

We start with a review on the theory of cross-border deal completion and highlight why government ownership in both the acquirers and targets matter for concluding a deal. Next, we propose contingencies in public-listed status that interact with government ownership.

Drivers of Deal Completion in Existent Literature

The process of deal completion involves different phases. Before officially announcing the deal, it is referred to in the literature as the *private takeover period* (Boone & Mulherin, 2007). This is a period when the buyer and the target look into the possibility of a deal and ends in the public announcement of the deal. By announcing the deal, parties enter into the *public takeover period.* Following previous studies, we only study deals that reached the public announcement stage.

Failed acquisition attempts and prolonged duration of the acquisition process have negative consequences for both the acquirer and the target and bear significant costs for both parties (Dikova et al., 2010). As a matter of fact, it is very important to study the reasons why some deals fail after announcement since the cost of initial investment in a CBA before announcing a deal is non-trivial. Terminating a deal may reflect negatively on the company's reputation (Muehlfeld et al., 2007). In some cases, there may also involve a termination fee (Officer, 2003; Bates & Lemmon, 2003). In Figure 1, we provide a literature review of previous studies on deal completion.

Inset Figure 1 here

Prior research in the completion or withdrawn of CBAs can be rooted in transaction cost economics (TCE) since an acquisition can be considered as a transaction. From a TCE point of

view, asset specificity, uncertainty determines the possible outcome of a transaction. The asset specificity of a deal relates to the deal-characteristics studied, these are usually included as control variables. Previous studies have indicated that a larger target size, a larger relative size of the target to the acquirer or a higher percentage of stake sought indicates a specific investment to the deal but at the same time, larger targets are more difficult to manage compared to small ones.

Deals may be abandoned due to either internal or external factors. Many factors of risks and uncertainties could cause difficulties for deal completion. For example, internal uncertainties include the results of operations and financial condition of both the bidding and the target firms. External uncertainties include changes with respect to regulatory regimes, impact of currency volatility and economic conditions in home and host markets, trends and competition in the industry, as well as migration to new technology.

Many of these external factors are environmental, and could be combined with institutional theory. Other reasons for deal failure include interventions by regulatory authorities and political opposition (UNCTAD WIR 2013, p. 97), institutional quality of the host countries (Zhang et al., 2011; Zhang & He, 2014), institutional and cultural distance (Dikova et al. 2010), changes in exchange rate. Some deals are subject to regulatory approval, others require approve from shareholder meetings.

Other theoretical frameworks to explain deal completion include organizational learning (Dikova et al., Muehlfeld et al. 2012), industrial organization (Zhang & He, 2013, World Investment Report 2013).

Although several reasons have been identified to influence deal completion in CBA research, almost all of these studies are based in advanced countries. For example, in their survey of

empirical studies on determinants of takeover outcomes, Wong & O'Sullivan (2001) provided a survey of various reasons and discovered that the main reason of takeover failure (including both domestic and international acquisitions) is *opposition from target management*. This is not surprising since the home countries in their sample are mainly U.S. and U.K. In these advanced countries, the ownership of target firms is usually dispersed with different shareholders and managers representing heterogeneous interests.

To some extent, deal completion is determined by the ownership of companies. In the extant literature, there is mixed evidence on the influence of external shareholders and institutional investors on the outcome of takeovers (Henry, 2004). The role of government stake needs more understanding from theory and practice.

Government Ownership and Deal Completion

Governments have long been acknowledged as critical sources of dependency for firms (Lester, Hillman, Zardkoohi, Cannella, 2008). But little is known on the influence of government equity ownership on the likelihood of deal completion in foreign countries. Political motives or interests may affect deal completion both favorably and unfavorably. On the one hand, government ownership could facilitate internationalization activities such as foreign acquisitions by providing resources and capital. This is especially in the case in emerging economies where the governments support internationalization. On the other hand, agency theorists argue that government may have other incentives than optimizing economic value of state owned bidders. In addition, from the host country perspective, the situation is more sensitive for firms with host country government ownership for fear that acquirer government may impede the operation of target firm.

Empirically, some first evidence has been presented of the effects of government ownership of bidders and potential targets on the likelihood of acquisition process outcomes. In the Chinese context, Zhang & Ebbers (2010) discovered that Chinese SOEs have a lower likelihood of a successful deal. On the target side, Zhang & He (2013) found that state-owned targets in China have a lower likelihood to be completed due to national economic security concerns. In sum, these two studies point to a lower likelihood of completion for both SOE targets and acquirers.

In this paper, we want to take this topic one step further. We argue that the role governments play can be different depending on the emerging markets we look at. Although the Chinese evidence shows negative effects of state ownership, in other emerging markets, firms can also benefit from government ownership. It is important to note that, unlike traditional SOEs that mainly serve national goals and interests, in most cases, new forms of emerging market companies with government equity stake may also be public-traded or owned by families or business groups. All these stakeholders provide extra monitoring for the firm to avoid government tunneling of resources. The international expansion of EMFs should be grounded in economic reasoning as well as national interests and the interests of the other shareholders and the government should be in line. So we argue that in certain emerging economies such as Brazil, firms with government ownership are not necessarily inefficient. The state or its national development bank invest in these firms not to serve national interests (as is the claim with Chinese SOEs), but to support the internationalization of the national champions in internationalization[3]. In this situation, government ownership becomes more of an advantage rather than a liability as agency theorists' claim.

---

[3]BNDES directly states this
http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/The_BNDES_Abroad/internationalization.html

On the contrary, the firms with state ownership could have better performance and adhere to stricter corporate governance practices. For example, Musacchio & Flores-Macias (2009) have documented that the state-owned oil company Petrobras is considered one of the companies with the best corporate governance practices in Brazil. In terms of accounting standard, it complies with General Accepted Accounting Principles (GAAP) because it is listed in the New York Stock Exchange. that firms with government ownership also operate transparent and responsible for shareholders. Petrobras is not the exception. Many of the international players with government ownership from emerging markets also adopt strict corporate governance regulations. In a forthcoming article in AMJ, Inoue et al. (2013) showed that minority government ownership through BNDES bridges institutional voids and leads to better firm performance and capital expenditures of financially constrained firms with investment opportunities. We will discuss the role of BNDES and its implications for Brazilian EMFs in next section.

BNDES

In 1990s, Brazil started to privatize firms and open its economy and introduced minority equity ownership in firms. BNDES (or O banco nacional do desenvolvimento) and its subsidiary BNDESPAR (BNDES Participações S/A) are the main government branches of shareholder participation. BNDES is an important partner for investors to be able to understand and access opportunities offered by the Brazilian economy[4]. It not only involves in utilities and resources industry, but also manufacturing and services industry such as banking.

It is clearly stated that "The purpose is to encourage the insertion and the strengthening of companies in the international market by supporting investments or projects to be carried out

---

[4] http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/The_BNDES/

overseas." This is supported by previous researches. Bazuchi, Arreola, Zacharias & Broering (2013) which documented that in an interview a director of a company states that "in the case of BNDES the bank was oriented to support acquisitions abroad." They also document that BNDES' best practices indicate that the bank has to respect a 30% limit for equity stakes with exception allowed only for infant and technology-based companies.

Although BNDES stakes are minority stakes, BNDES funding or support directly influences the outcome of international mergers. For example, in July 2011, Brazilian retail tycoon Abilio Diniz has suspended plans to merge his supermarket chain Grupo Pao de Acucar with local arm of France's Carrefour when BNDES backed out of supporting the deal[5]. In response, Carrefour's shares fall as much as 4.6% following the news[6].

Bidder Government Ownership

We argue that ownership identity, to be specific, government equity stakes in firms may affect internationalization outcome of EMFs. To begin with, minority government ownership can be a mechanism to address institutional voids and provide key resources. Emerging markets are frequently characterized by institutional voids. Weak market institutions in emerging economies impose constraints on firms' strategic behaviors and their access to critical resources and capital (Cui & Jiang, 2012; Peng, Wang & Jiang, 2008). Government equity ownership can reduce institutional voids such as bureaucracy, delay in resolutions and reduce internal costs to internationalization by providing firms with preferential access to resources that are not available in the open market. For example, government ownership can facilitate access to financial resources such as bank loans (Khwaja & Mian, 2005). In the context of emerging market

---

[5] http://www.bbc.co.uk/news/business-14133293
[6] http://www.bbc.co.uk/news/business-14119291

acquirers, acquirer government ownership (esp in case of minority ownership) can bridge institutional voids and facilitate internationalization. BNDES enables firms to gain critical resources.

Second, government ownership may lead firms to pursue conservative investments. State-controlled companies prefer a stable and conservative strategic orientation (Peng, Tan & Tong, 2004). Boubakri, Cosset & Saffer (2013) and James & Vaaler (2013) point out that the role of state ownership reduced risk-taking.

Third, government (minority) ownership may also act as a signal for firms or industries. Government (minority) ownership in certain key industries indicates consolidation in these industries. EMFs rely to a disproportionate extent on informal institutions for effectuating business transactions (Meyer, Estrin, Bhaumik, & Peng, 2009). This kind of signaling is important for other investors to perceive as a commitment of government support and thus, leading to a higher likelihood of deal completion. .

Fourth, with equity ownership, the government of the acquirers becomes a shareholder and appoints representative on the board. So acquirer state ownership functions not only as a signaling, but also provides policy role and monitoring role. The government board members monitor the activities and national interests, providing network of politicians if necessary. In the case of BNDES, for a certain equity ownership, there could be board representative from BNDES, providing advice and counsel in conducting the deal. So we expect that the effects of government ownership on international expansion of emerging markets are contingent upon the percentage of government ownership (Wang, Hong, Kafouros & Wright, 2012).

Hypothesis 1: There is a positive relationship between (1) the presence and (2) the percentage of acquirer government equity ownership and likelihood of deal completion.

Target Government Ownership

First of all, acquirer government ownership poses potential concern for the host country (Cui & Jiang, 2012) since bidders with state ownership can be perceived by host country institutions not simply as business entities, but also as political actors (Cui & Jiang, 2012; Globerman & Shapiro, 2009). A SOE with majority home government ownership may pursue political objectives of the home country government and do not compete in international markets for optimizing corporate returns. For example, government support of national champions would compete unfairly with local firms with deep pockets.

In addition, government-controlled acquirers are more likely to be impacted by FDI restrictions because of political concerns related to national security and excessive political influence (Graham & Krugman, 1995). The screening procedures may require a positive contribution from the investor to the host economy in order to get the deal approved, or they may require merely that the proposed M&A not have a negative impact in the host country. If the target has government ownership, it is more likely to be blocked by host country restrictions or regulations.

Further, when target firms with government ownership bought by foreign firms, there is a loss of national pride, which may potentially impede the transactions.

Similar to Zhang & He (2013), we argue that when the target has state ownership, the deal is less likely to be completed.

Hypothesis 2: There is a negative relationship between target government equity ownership and the likelihood on deal completion.

Public-listed Versus Private-listed Acquirers/targets

Not all firms are able to internalize government-related advantages (Wang et al. 2012). In this section, we explore an important contingency when government ownership matters for public-traded status of acquirers and targets. The effects of government ownership may differ for public-listed and unlisted acquirers and targets for several reasons.

The process of acquiring a public-traded and a private firm is considerably different and could potentially influence the likelihood of deal completion. Generally speaking, acquiring private unlisted targets only involve the acquirers and targets in a privately-negotiated deal. Whereas for public-listed targets, the merger should be duly approved by the company's shareholders. In most cases, an extraordinary general meeting of shareholders will be hold. So we expect that the likelihood of deal completion is lower for both public-listed acquirers and targets.

In addition, the information available in open market is different for public-traded and private firms. Public listed status of companies will serves as an information-processing and asset valuation mechanism for both bidders and potential targets. Lack of information on private targets will limit the breadth of the acquirer's search and increases the acquirer's risk of not evaluating properly the assets of private targets (Reuer & Ragozzino, 2008). So we expect that government equity ownership in the acquirer provides a monitoring role and advising role and can help reduce liability of foreignness about host country and information about private target.

Third, becoming public-traded can influence capital structure. Firms that are listed on stock exchanges suffer from short-term pressure. Luo (2005) documented that insiders learn from outsiders. The success of a deal may be influenced by the reaction of outsider investors.

Fourth, public traded firms have more strict corporate governance mechanisms and other stakeholder and shareholder groups besides the national government. The privatization program in Brazil tried to remodel many large formerly state owned firms to implement Anglo-Saxon corporate governance structures, including stock market listing (Tian & Estrin, 2008). The positive effects of government ownership are more prominent for public-listed acquirers. On the other hand, for target firms, public-listed targets do not generally welcome acquirers with home government ownership for fear of non-economic incentives carried by the acquiring firm. Whereas for private targets, having been acquired by a firm with government implies having more financial and other resources from the home government, thus facilitating the development of the target firms.

Hypothesis 3: The effects of government ownership on bidders are different for public and private listed acquirers. The influence of government ownership is larger for public-listed acquiring firms.

Hypothesis 4: The effects of government ownership on bidders are different for public and private listed targets. The influence of government ownership is larger for private-listed target firms.

The theoretical framework is presented in Figure 1.

Inset Figure 1 here

METHODOLOGY

Data and Sample

We compile a database that contains 520 cross-border M&As from Brazilian firms between Jan 1st 2000 and December 31 2012 (See Table 2 for a description of the sample). We include both public-traded and private acquirers and targets. The major source is Thomson M&A database and Zephyr & Orbis from Bureau van Dijk. When necessary, we also include additional sources such as company investor relations websites, annual reports and business media. The government ownership variable is collected from various years of annual reports of BNDES.

Inset Table 2 & 3 here

In Table 2, we also present a distribution of data by target year (2a) and by industry (2b). For the overall sample, the completion rate of CBAs is 69%, which is lower than previous studies. For individual years & industry, it is clear from Table 1a & 1b that the difference between industry and year is small. Time-wise, we can observe that there is an increase in deal success rate, which peaked in 2007 (80%), followed by a lower likelihood of deal completion starting in 2009 (59%), and haven't recovered until 2012 (69%). This could be due to the changes in the economic condition following the financial crisis. In terms of industries, the deal success rate ranges from a minimum of 59% for transportation industry to a maximum of 77.5% for services.

In Table 3a and Table 3b, we provide more summary of data by tabulating government ownership and public-listed status. It is clear that from Table 3a, the completion rate is relatively lower for target with government ownership (50%) than the other three categories. In Table 3b, the four categories do not differ much in terms of deal completion rate. Table 3c presents a cross-

tabulation of acquirer and target public listed status. We can see that there are no huge differences in target firm selection.

Inset Table 4 here

Table 4 presents summary statistics and correlations. All correlations are below the cut-off threshold of 0.7, revealing that there are no multicollinearity problems.

Dependent Variable

Deal completion. Our dependent variable is a dummy variable indicating whether the deal is successfully completed. We define deals with non-missing announcement date and completion date as a completed deal. In our sample, 357 out of 520 (or 59%) of deals are completed. This ratio is relatively lower than 80% reported by cross-country studies.

Independent Variables

Government ownership in the acquirer and target. We include both a dummy variable indicating whether there is government ownership and a continuous variable representing the percentage of government ownership in the year of acquisition. First, we use ownership identity in Orbis database to generate two dummy variables *Acquirer government ownership dummy* and *Target government ownership dummy* to indicate whether the acquirer and target has government ownership. The classification of government ownership is identified as ***Public authority, State, Government***. Second, to generate *Acquirer government ownership percentage*, we combine other sources of data to compile a detailed set of acquirer ownership from annual reports of BNDES, Who owns Brazil project (http://www.proprietariosdobrasil.org.br). In addition, we also collect some of the percentage from Orbis. Orbis reports direct ownership and total ownership.

We use total ownership which includes indirect shareholders. In cases when total ownership is missing but direct ownership is available, direct ownership is used.

Public-listed status of the bidder and target. We include dummy variables indicating whether the acquirer and target firms are public traded on the stock exchange. We used both SDC and Orbis database to identify whether the acquirers and targets are publicly traded on a stock exchange. We included two dummies, *acquirer public_listed status* and *target public_listed status*, both of which are coded as dummy variables. The firm is classified as a public-listed and takes the value of 1 if it is listed in a stock exchange and 0 otherwise.

Control Variables

Acquirer deal experience. The completion experience of the bidder is measured by the number of completed deals in the sample period before the focal deal. Experience will influence perceived risk and uncertainty in foreign markets (Brouthers, 2002) and reduce the liability of foreignness (Miller & Eden, 2006). Firms with more international acquisition experience may have more standard routines to conduct acquisitions and more experience to manage deals. Thus, we expect that MNEs that have more acquisitions will be more inclined to lead to deal completion. Dikova et al. (2010) & Muehlfeld et al. (2012) also highlighted the importance of previous acquirer experience.

We include several deal characteristics.

All cash payment. We also controlled for the method of payment. A dummy variable for all cash payments is created. Previous research has shown that acquirers can use contingent payments such as equity when there is higher uncertainty (Reuer et al. 2003). Other study indicated that Cash offers tend to create more wealth to target shareholders.

Tender offer. A dummy variable is included to indicate whether the deal is a tender offer. Tender offer differs in the sense that it is directed to all public shareholders instead of privately negotiated deals.

Percentage sought. The governance structure of the bidder and targets will affect deal completion. We use both a dummy variable indicating partial or full equity and the actual percentage.

We also include industry-level and host country developments as proxy for industry and country factors. *Industry relatedness.* Following prior work by Chari & Chang (2009), it is also coded as a dummy variable equals 1 if the four digit primary U.S. SIC code of the acquirer and target are the same. Greater integration is beneficial where the acquirer and target companies are in the same line of business (Capron, 1999). As a robustness check, we also used two digit broader industry categories.

Host country GDP per capita. We use GDP per capita to proxy the level of economic development in the host countries. It is collected from the World Bank's *World Development Indicators*[7]. According to the institutions-based view, firms are embedded in and influenced by formal and informal institutions in both home and host countries. These institutions will influence the types of resources that firms develop (Khanna & Palepu, 1997; North, 1990). High levels of GDP are usually associated with advanced institutions. Host country institutions play an important role in CBAs (Gubbi, Aulakh, Ray, Sarkar & Chittoor, 2010). The host country GDP also influences the likelihood of CBA completion. On the one hand, better host country institutions facilitate M&As. There may be a positive relationship between high GDP per capita

---

[7] World development indicators is available at http://data.worldbank.org/data-catalog/world-development-indicators

and the likelihood of successful acquisitions. On the other hand, for EMFs, developed countries are more competitive and it's relatively more different to enter the competition in these countries. So host country institutions can influence deal completion.

Model

Because our dependent variable is a binary variable, we estimate a binary logistic regression using M&A completion as the dependent variable. The regression coefficients estimate the impact of government ownership on the probability of a successful deal. A positive and significant coefficient will indicate that the likelihood of deal completion is higher. Since we have multiple deals for some acquirers, to control for unobserved firm characteristics, we group the acquirers according to the acquirer company to calculate standard error.

FINDINGS

Inset Table 5 here

The results of logistic regressions are shown in Table 5. Model 1 is the baseline model with control variables only. The only significant variable is acquirer experience. Surprisingly, we observe that acquirer experience has a significant and negative association between deal completions. This could be due to the reason that acquirers with more experience tend to be more risk-prone. The rest of the control variables do not have significant influence on the probability of deal completion.

In Model 2 & Model 3, we include the dummy variable of acquirer government ownership and a continuous variable of percentage of acquirer government ownership. We can see that both models improve over the baseline Model 1. The estimated coefficient for acquirer government

ownership dummy is 0.399 (p<0.1), suggesting that the log odds ratio of deal success for firm with government ownership is 39.9% higher comparing to firms without state equity participation. The results hold when we use percentage of government ownership instead of a dummy variable. So these findings support Hypothesis 1.

In Model 4, a dummy variable for target government ownership is included. As expected, for targets with government ownership, it is more difficult for these firms to be sold to foreign firms. Hypothesis 2 is supported. Although not significant, it is interesting to observe through Model 1-Model 4 that both acquirer public-listed and target public-listed status has a negative influence on deal completing, indicating that the likelihood of deal completion is lower for public-listed acquirers and targets.

In Model 5, we split public-listed and non-listed acquirers. Both acquirer and target government ownership only matters for public listed acquirers. So Hypothesis 3 is supported. Model 6 presents two sub-samples for public-listed and non-listed targets. Contrary to acquirer public-traded status, both acquirer and target government ownership only matter when targets are private firms not listed on any stock exchange. Hypothesis 4 is also supported.

Robustness Checks

Inset Table 6 here

We also conduct several robustness checks in Table 6. First of all, we include a dummy variable indicating whether the deal is a hostile offer. In a hostile offer, the bidder and the target management team would not reach an agreement, potentially increasing the difficulty to

conclude a deal. In Column 1 of Table 6, hostile offer does not affect deal completion and our results are robust.

Second, instead of using log GDP per capita of host countries, we calculated the institutional distance between Brazil and host countries. Institutional distance is the extent of dissimilarity between the institutions of home and host countries (Kostova, 1999). In Column 2, Institutional distance is positive and significant, indicating a larger institutional distance leading to a more likelihood of deal success. This is not surprising for emerging countries since the countries with large institution distance are advanced countries such as US and UK. The sign of acquirer and target government ownership remain significant and consistent.

Third, we exclude deals where the acquirer had prior equity stake in the target (i.e. in cases where initial stake is larger than zero). Prior stake could influence the information asymmetry and uncertainty between the parties involved in the focal transactions. The results do not change significantly.

Fourth, we include a subsample where we can determine the total assets of both acquirers and targets one year prior to the focal transaction. Deals with larger relative size could demand more resource commitment and thus be more difficult to manage. It has to be noted that target size is only available for a small sub-sample. Because in deals involve private targets, the target information is not complete in most cases and we cannot reply on other sources to acquire reliable information for these potential targets. Nevertheless, the results remain the same.

DISCUSSION AND CONCLUSION

Contributions

We contribute to the literature of international deal completion by highlighting the role of government in three aspects. To start with, we stress the influence of government stakes in EMFs as bidders. Emerging markets are frequently characterized by "institutional voids" (such as underdeveloped capital markets, absence of intermediary firms, adequate regulatory systems and mechanisms to enforce contracts and facilitate market functioning) (Khanna & Palepu, 1997; Saka-Helmhout, Dieleman & Rodrigues, 2013). Government equity stake in the bidding firms can be used to provide a signaling effect and increase the confidence of markets for the parties involved, thus reducing the likelihood of deal failure. But more importantly, in some cases government equity shares in the bidder might be used as a mechanism to fill in institutional voids in the home market and facilitate internationalization by providing resources and capital (Xia, Ma, Lu & Yiu, 2013). Although acquisitions can also be funded by borrowing money in the home market of the target and placing the debt on the balance sheet of the target, which is the preferred strategy of private equity firms, this practice is not common for EMFs.

Second, we find that target government ownership is linked to a lower likelihood of deal completion. In case host national governments own stakes in the targets, there may be concerns regarding being taken over by MNEs from emerging countries with government interferences, transferring of vital assets to the emerging countries and potential job losses following the merger (Jemison & Sitkin, 1986; Zhang & He, 2013).

Third, we also contribute to the literature of corporate governance by adding an important contingency issue, public-traded status of acquirers and targets. The effects of government ownership may be different for different ownership structure of firms. Public-listed and private

unlisted acquirers and targets may have different levels of deal success, due to the type of transaction and differences in the acquisition process.

Limitations

This paper is not without limitations, which provides direction for future research. First of all, the results of this study are context-specific. We only looked at one home country, i.e. Brazil. Theoretically, the results could be extend to other emerging countries where the institutional context and government ownership play an important role. But heterogeneity of the home and host countries should be taken into account when generalizing the results. Future studies could look at the effects of minority ownership on deal completion for other emerging country bidders.

Secondly, we haven't controlled the "pick the winners" effect. Theoretically, the endogeneity of the causal relationship between government equity ownership and a higher likelihood to consummate a deal could be the other way around. The BNDES might invest in firms that are more profitable and well positioned to conduct international deals. However, this does not seem to be the case for Brazil. Lazzaini et al. (2013) documents that between 2002 and 2009 BNDES's allocations do not seem to affect firm-level operational performance and investment decisions. Lazzarini, Musacchio, Bandeira-de-Mello & Marcon (2011) also points out that BNDES does not appear to be systematically picking firms with good performance or bailing out failing firms. Future study might control this issue and use instrumental variables and time series to study long-term effects of government ownership.

Thirdly, in our study, we mainly document state minority ownership, the effects could be different for state majority ownership. It is plausible that there could be an inverted U type of the relationship between state ownership and deal completion. When the state has a small minority ownership, it is facilitating. However, when the equity stake becomes majority or wholly state

owned, the aim of the business could be different, leading to different strategic choices and outcomes. Following a similar argument, Tian & Estrin (2008) documented a non-monotonic relationship of the effects of government ownership on corporate value. For our sample, the equity ownership of BNDES is small and we can't test majority ownership of government equity ownership. Sample from other emerging economies may shed light in this regard.

Fourth, we do not control for firm resources such as marketing and technological resources and capabilities. Firm resources and capabilities can interact with government influence (Wang et al. 2012). However, for our sample, key variables such as R&D intensities and advertising intensities are missing even for some public-listed firms. It is even more different to obtain reliable information for private unlisted firms. Future studies can include resource-based variables of firm capabilities to control for firm heterogeneity.

Further, it will be interesting to look at board representative and access to loan that could be associated with government equity stakes. Li (1994) has documented in a multi-country sample that state ownership is positively correlated with percentage of independent members in the board. It will be interesting to study whether the presence of government stakes will influence other corporate governance and associate with board representative from BNDES or former politicians as independent members on board. These board characteristics will potentially affect board independence and external shareholder control and even takeover outcome.

Conclusion
In this paper, we looked at the effects of government stakes in both acquirers and targets through a sample of CBAs from Brazil between 2000 and 2012. We highlight that government equity stake in both acquirer and target has an effect on deal completion and this effect differ for public-listed and private traded firms. The findings have important implications for policy implications

for cross-border regulatory review of deals (UNCTAD, 2013). Recent development of the IB literature starts to take into account the role of minority government ownership (Inoue et al. 2013, Xavier, Marcon& Bandeira-de-Mello,2013; James, & Vaaler, 2013). Future studies could look at how different institutional environment affects CBAs and the role of minority government ownership in internationalization in different contexts.

REFERENCES

Bates, T. W. & Lemmon, M. L. 2003. Breaking up is hard to do? An analysis of termination fee provisions and merger outcomes. *Journal of Financial Economics*, 69(3): 469-504.

Bazuchi, K. Arreola, M. F., Zacharias, S. A., & Broering, L. W. 2013. The role of home country political resources for Brazilian multinational companies. *Brazilian Administration Review*, 10(4): 415-438.

Bhaumik, S.K., Driffield, N. & Pal, S., 2010. Does ownership structure of emerging market firms affect their outward FDI? The case of the Indian automotive and pharmaceutical sectors. *Journal of International Business Studies*, 41: 437-450.

Boone, A. L. & Mulherin, J. H. 2007. Do termination provisions truncate the takeover bidding process? *Review of Financial Studies*, 20(2): 461-489.

Boubakri, N., Cosset, J. & Saffar, W. 2013. The role of state and foreign owners in corporate risk-taking: Evidence from privatization. *Journal of Financial Economics*, 108(3): 641-658.

Brouthers, K. D. 2002. Institutional, cultural and transaction cost influences on entry mode choice and performance. *Journal of International Business Studies*, 33(2): 203-221.

Buckley, P. J., Clegg, L. J., Cross, A. R., Liu, X., Voss, H., & Zheng, P. 2007. The determinants of Chinese outward foreign direct investment. *Journal of International Business Studies*, 38(4), 499-518.

Capron, L. 1999. The long-term performance of horizontal acquisitions. *Strategic Management Journal*, 20(11): 987-1018.

Chari, M. D., & Chang, K. 2009. Determinants of the share of equity sought in cross-border acquisitions. *Journal of International Business Studies*, 40(8): 1277-1297.

Cui, L. & Jiang, F. 2012. State ownership effect on firms' FDI ownership decisions under institutional pressure: a study of Chinese outward-investing firms. *Journal of International Business Studies*, 43: 264-284.

Da Silva, A.L.C. & de Abreu Zorman, F. F. 2013. Can a development bank improve the governance of investee companies? Evidence from BNDES in Brazil. *Engineering and Technology*, 74.

Dikova, D., Rao Sahib, P., van Witteloostuijn, A. 2010. Cross-border acquisition abandonment and completion: The effect of institutional differences and organizational learning in the business service industry, 1981–2001. *Journal of International Business Studies*, 41(2): 223-245.

Globerman, S. & Shapiro, D. 2009. Economic and strategic considerations surrounding Chinese FDI in the United States. *Asia Pacific Journal of Management,* 26(1): 163-183.

Graham, E. M. & Krugman, P. 1995. *Foreign Direct Investment in the United States*. Washington D.C.: Institute for International Economics.

Gubbi, S. R., Aulakh, P. S., Ray, S., Sarkar, M. & Chittoor, R. 2010. Do international acquisitions by emerging-economy firms create shareholder value? The case of Indian firms. *Journal of International Business Studies*, 41: 379-418.

Guo, W., & Clougherty, J. A. 2013. Do state-owned enterprises pay more? Evidence from Chinese outward cross-border M&As. Working paper.

Heinemann, A. 2012. Government control of cross-border M&A: Legitimate regulation or protectionism? *Journal of International Economic Law*, 15(3): 843–870. Oxford: Oxford University Press.

Henry, D. 2004. Corporate governance and ownership structure of target companies and the outcome of takeovers. *Pacific-Basin Finance Journal*, 12(4): 419-444.

Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. 2000. Strategy in emerging economies. *Academy of Management Journal*, 43(3): 249-267.

Inoue, C., Lazzarini, S. & Musacchio, A. 2013. Leviathan as a minority shareholder: Firm-level implications of equity purchases by the state. *Academy of Management Journal*. Forthcoming.

James, B. & Vaaler, P. M. 2013. Minority rules: State ownership and foreign direct investment risk mitigation strategy. *Columbia FDI Perspectives*, 111.

Jemison, D. B., & Sitkin, S. B. (1986). Corporate acquisitions: A process perspective. *Academy of Management Review*, 11(1): 145-163.

Kedia, B. & Bilgili, T. 2013. Cross-border acquisition completion and duration: The Moderating role of historical ties. *Proceedings of the 55th Academy of International Business Annual Meeting*.

Khanna, T. & Palepu, Krishna G. 1997. Why focused strategies may be wrong for emerging markets. *Harvard Business Review*, 75 (4): 41–51.

Khwaja, A. I. & Mian, A. 2005. Do lenders favor politically connected firms? Rent provision in an emerging financial market. *The Quarterly Journal of Economics*, 120(4): 1371-1411.

Kostova, T. 1999. Transnational transfer of strategic organizational practices: A contextual perspective. *The Academy of Management Review*, 24(2): 308-324.

Lazzarini, S., Musacchio, A., Bandeira-de-Mello, R., & Marcon, R. 2011. What do development banks do? Evidence from Brazil, 2002-2009. SSRN working paper.

Lester, R., Hillman, A., Zardkoohi, A. & Cannella, A. 2008. Former government officials as outside directors: The role of human and social capital. *The Academy of Management Journal*, 51(5): 999-1013.

Li, J. & Xie, Z. 2013. Examining the cross-border acquisition strategy of Chinese companies: The moderating roles of state ownership and institutional transition. *Journal of Leadership & Organizational Studies*, 20(4): 436-447.

Li, J. 1994. Ownership structure and board composition: A multi-country test of agency theory predictions. *Managerial and Decision Economics*, 15: 359-368.

Luo, Y. 2005. Do insiders learn from outsiders? Evidence from mergers and scquisitions. The *Journal of Finance*, 60(4): 1951-1982.

Luo, Y., & Tung, R. L. 2007. International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38(4): 481-498.

Luo, Y., Xue, Q., & Han, B. 2010. How emerging market governments promote outward FDI: Experience from China. *Journal of World Business*, *45*(1), 68-79.

Meyer, K. E., Estrin, S., Bhaumik, S. K., & Peng, M. W. 2009. Institutions, resources, and entry strategies in emerging economies. *Strategic Management Journal*, 30(1): 61-80.

Milman, C. D., D'Mello, J. P., Aybar, B. & Arbeláez, H. 2001. A note using mergers and acquisitions to gain competitive advantage in the United States in the case of Latin American MNCs. *International Review of Financial Analysis*, 10(3): 323-332.

Muehlfeld, K., Rao Sahib, P. & Van Witteloostuijn, A. 2012. A contextual theory of organizational learning from failures and successes: A study of acquisition completion in the global newspaper industry, 1981-2008. *Strategic Management Journal*, 33(8): 938-964.

Musacchio, A. & Flores-Macias, F. 2009. The return of state-owned enterprises. *Harvard International Review*.

North, D. C. 1990. *Institutions, institutional change and economic performance*. Cambridge university press.

Officer, M. S. 2003. Termination fees in mergers and acquisitions. *Journal of Financial economics*, 69(3): 431-467.

O'Sullivan, N., & Wong, P. 1999. Board composition, ownership structure and hostile takeovers: Some UK evidence. *Accounting and Business Research*, 29(2): 139-155.

Peng, M. W., Wang, D. Y., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies*, 39(5): 920-936.

Peng, M., Tan, J. & Tong, T. 2004. Ownership types and strategic groups in an emerging economy. *Journal of Management Studies*, 41 (7): 1105–1129.

Reuer, J. J., & Ragozzino, R. 2008. Adverse selection and M&A design: The roles of alliances and IPOs. *Journal of Economic Behavior & Organization*, 66(2), 195-212.

Reuer, J., Shenkar, O.& Ragozzino, R. 2003. Mitigating risk in international mergers and acquisitions: the role of contingent payouts. *Journal of International Business Studies*, 35(1): 19-32.

Saka-Helmhout, A., Dieleman, M. & Rodrigues, S. 2013. Sub-theme 18: Once more unto the breach: Filling institutional voids in emerging markets. Conference sub-track call for paper for 30th EGOS colloquium. Rotterdam July 3-5 2014.

Sudarsanam, P. S. 1995. The role of defensive strategies and ownership structure of target firms: Evidence from UK hostile takeover bids. *European Financial Management*, 1(3): 223-240.

Tian, L.& Estrin, S. 2008. Retained state shareholding in Chinese PLCs: Does government ownership always reduce corporate value? *Journal of Comparative Economics,* 36(1): 74–89.

Tihanyi, L, Johnson, R.A., Hoskisson R.E., Hitt M.A. 2003. Institutional ownership differences and international diversification: The effects of boards of directors and technological opportunity. *Academy of Management Journal*, 46 (2): 195-211

UNCTAD 2013. *World Investment Report 2013: Global Value Chinas : Investment and Trade for Development*. UNCTAD. Geneva.

UNCTAD Secretariat 2013. Regulatory review of cross-border M&As: Safeguarding public interests or resorting to protectionism? *Investment Policy Monitor*, June:1-6. UNCTAD. Geneva.

Wang, C., Hong, J., Kafouros, M. & Wright, M. 2012. Exploring the role of government involvement in outward FDI from emerging economies. *Journal of International Business Studies*, 43: 655-676.

Wong, P. & O'Sullivan, N. 2001. The determinants and consequences of abandoned takeovers. *Journal of Economic Surveys*, 15(2): 145-186.

Xavier, W., Marcon, R. & Bandeira-de-Mello, R. 2013. Minority Government Ownership: Evidence from Brazil. *EIBAzine*, 10: 9-13.

Xia, J., Ma, X., Lu, J. W. & Yiu, D. W. 2013. Outward foreign direct investment by emerging market firms: A resource dependence logic. *Strategic Management Journal*: forthcoming.

Zhang, J. & Ebbers, H., 2010. Why half of china's overseas acquisitions could not be completed. *Journal of Current Chinese Affairs*, 39(2): 101-131.

Zhang, J. & He, X. 2014. Economic nationalism and foreign acquisition completion: The case of China. *International Business Review*, 23(1): 212-227.

Zhang, J., Zhou, C. & Ebbers, H. 2011. Completion of Chinese overseas acquisitions: Institutional perspectives and evidence. *International Business Review*, 20(2): 226-238.

Zou, H. & Adams, M. 2008. Corporate ownership, equity risk and returns in the People's Republic of China. *Journal of International Business Studies,* 39(7): 1149-1168.

APPENDICES

Table 1: Theoretical framework of previous studies

Theory	Article	Theoretical underpinning	Key variable
Transaction Cost Economics (TCEs)	Sudarsanam 1995, Holl & Kyriazis 1997,Wong& O' Sullivan 2001, Henry 2004, Luo 2005	Internal Uncertainty	-Shareholder disapproval(-) -Hostile offer(-) Internal uncertainty can be reduced by -toehold shareholding (+) -bid premium (+)
	UNCTAD WIR	External Uncertainty	-Exchange rate -Economic situation (including crisis)
	Limmack 1991, Sudarsanam 1995, O'Sullivan & Wong 1999, Dikova et al. 2010, Muehlfeld et al. 2012, Kedia & Bilgili 2013	Asset specificity	-Percentage sought -Cash payment/ equity payment -Target subsidiary -Target high tech firm -Relative size of the target -Size of target (-)
Organizational learning	Dikova et al. 2010	Completion experience	-Completion experience in same industry(+)
	Muehlfeld et al. 2012	Context-specific experience	-Prior aggregate success (positive with diminishing returns) -Prior aggregate failure (U shape) -Prior success in same context (+) -Prior failure in same context (+) -Prior success in CBA for a CBA deal (+) -Prior failure in CBA for a CBA deal (U shape)
Industry-based view	UNCTAD WIR	Competition policies (anti-trust)	-Market power of the combined firm (-)
	Zhang & He 2013	Industry investment	-The total capital invested in an industry divided by the number of firms in the industry (+)
	Zhang & He 2013	Industry profitability	-The percentage of the companies in loss in an industry (+)
Institutional theory	UNCTAD WIR	Political perspective	-Political opposition(-)
	Zhang & He 2014, Zhang et al. 2011	National security	-National security related industry(-)
		Foreign relations	-Weighted value of high-level government visit

		Investment risk in host countries	-ICRG score of investment risk (+)
TCE+IT	Dikova et al. 2010	Institutional distance	-Expropriation risk distance (-) -Procedural complexity distance (-)
		Cultural distance	-Power distance difference(-) -Uncertainty avoidance difference (-)

Figure 1: Theoretical framework
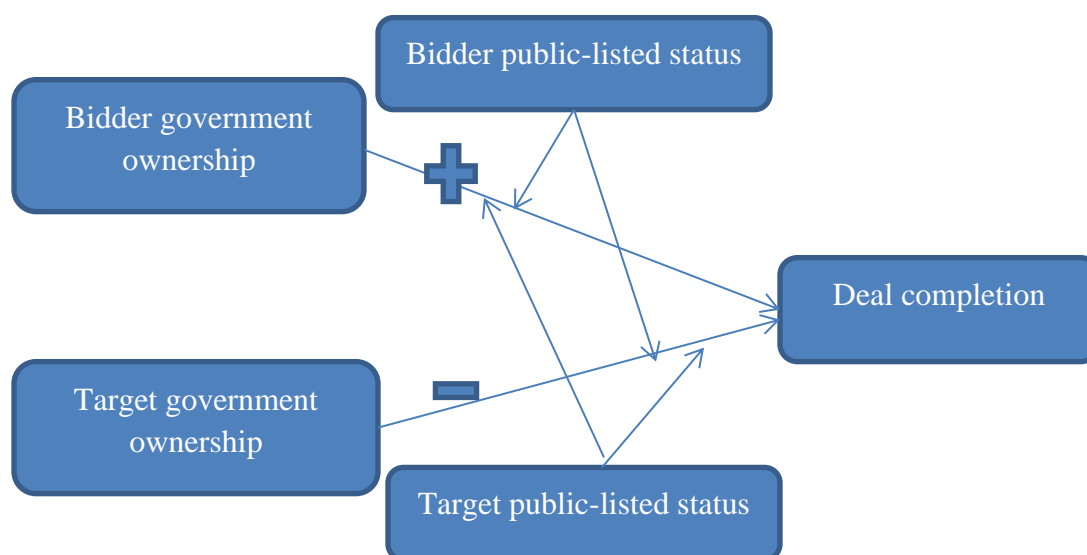
Table 2: Data collection steps

Sample deal collected	584	
-missing acquired stake	-61	523
-missing GDP per capita	-3	**520**

Table 2a. Sample distribution by year

Acquisition year	Incomplete	Completed	Total
2000	7 (35%)	13(65%)	20
2001	5(31%)	11(69%)	16
2002	6(33%)	12(67%)	18
2003	11(42%)	15(58%)	26
2004	13(35%)	24(65%)	37
2005	8(23%)	27(77%)	35
2006	10(24%)	31(76%)	41
2007	12(20%)	48(80%)	60
2008	21(27%)	58(73%)	79
2009	18(40%)	26(59%)	44
2010	27(38%)	44(62%)	71
2011	13(38%)	21(62%)	34
2012	12(31%)	27(69%)	39
Total	**163(31%)**	**357(69%)**	**520**

Note: the figure in brackets represents the percentage of the incomplete/completed deals in that year

Table 2b. Sample distribution by industry

Industry	Incomplete	Completed	Total
1. Mining & construction	32(38%)	52(62%)	84
2-3.Mamufacturing	87(31%)	196(69%)	283
4. Transportation	12(41%)	17(59%)	29
5. Wholesale & Retail trade	4(25%)	12(75%)	16
6. Finance, insurance & real estate	19(28%)	49(72%)	68
7-8. Services	9(22.5%)	31(77.5%)	40
Total	**163(31%)**	**357(69%)**	**520**

Note: the figure in brackets represents the percentage of the incomplete/completed deals in that industry.

Table 3a. Acquirer and Target government ownership and deal completion

	Incomplete	Completed	Total
Acquirer with government ownership	65 (32%)	135(67%)	200
Acquirer without government ownership	98 (31%)	222(69%)	320
Target with government ownership	11(50%)	11(50%)	22
Target without government ownership	152(32%)	346(68%)	498
Total	**163(31%)**	**357(69%)**	**520**

Table 3b. Acquirer and Target public status and deal completion

	Incomplete	Completed	Total
Acquirer private	44(24%)	142(76%)	186
Acquirer public listed	119(36%)	215(64%)	334
Target private	121(31%)	267(69%)	388
Target public listed	42(32%)	90(68%)	132
Total	**163(31%)**	**357(69%)**	**520**

Table 3c. Acquirer and Target public-listed status

	Target private	Target public listed	Total
Acquirer private	148 (80%)	38(20%)	186
Acquirer public listed	240 (72%)	94(28%)	334
Total	**388 (75%)**	**132(25%)**	**520**

Note: the figure in brackets represents the percentage of the incomplete/completed deals in that category of firm ownership.

Table 4: Descriptive statistics

	1	2	3	4	5	6	7	8	9	10	11	12
1. Deal completion	1											
2. Acquirer government ownership dummy	-0.02	1										
3. Acquirer government ownership percentage	0.02	0.51***	1									
4.Target government ownership dummy	-0.08*	0.15***	0.01	1								
5. Tender offer	0.02	0.02	-0.05	0.07*	1							
6. Deal cash	0.05	0.10**	-0.01	-0.03	0.18***	1						
7. Acquired stake	-.0079	-0.08*	-0.04	-0.04	-0.16***	-0.19***	1					
8. Acquirer experience	-0.10**	0.45***	0.24***	0.34***	-0.003	0.03	-0.14***	1				
9. Acquirer public listed	-0.12***	0.39***	0.27***	0.04	0.02	0.15***	-0.09**	0.29***	1			
10. Target public listed	-0.006	0.13***	0.04	-0.03	0.25***	0.30***	-0.48***	0.07	0.09*	1		
11. Industry related	-0.08*	-0.08*	0.03	-0.08*	0.03	-0.03	0.01	-0.04	0.05	0.02	1	
12. loggdphost country	0.02	0.11***	0.10**	-0.02	-0.03	0.02	0.11**	-0.04	-0.02	0.03	-0.09**	1
Mean	0.69	0.38	2.86	0.42	0.03	0.24	69.03	5.33	0.64	0.25	0.36	9.48
S.D.	0.46	0.49	7.15	0.20	0.17	0.43	36.26	7.43	0.48	0.44	0.48	1.16

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 5: Regression results

VARIABLES	(1) Control only	(2) Completed	(3) Completed	(4) Completed	(5) Acquirer listed status — A.Acquirer public listed	B.Acquirer private	(6) Target listed status — A.Target public listed	B.Target private
Acquirer government ownership dummy		0.399*			0.467**	0.205	-0.752	0.615**
		(0.207)			(0.212)	(0.497)	(0.516)	(0.275)
Acquirer government ownership percentage			0.0272*					
			(0.0141)					
Target government ownership dummy				-0.857**	-1.028**	-0.309	-0.238	-0.987**
				(0.420)	(0.463)	(1.483)	(1.859)	(0.399)
Tender offer	0.0395	0.00587	0.0757	0.173	-0.539		-0.349	
	(0.619)	(0.607)	(0.636)	(0.677)	(0.791)		(0.754)	
Deal cash payment	0.310	0.302	0.330	0.299	0.397	0.0654	0.769	0.215
	(0.281)	(0.281)	(0.283)	(0.273)	(0.329)	(0.595)	(0.619)	(0.273)
Acquired stake	-0.00331	-0.00341	-0.00336	-0.00335	-0.00220	-0.00445	-0.0149*	0.00304
	(0.00387)	(0.00384)	(0.00391)	(0.00394)	(0.00509)	(0.00704)	(0.00796)	(0.00478)
Acquirer experience	-0.566**	-0.676***	-0.654***	-0.598**			-0.710	-0.864***
	(0.236)	(0.244)	(0.235)	(0.234)			(0.630)	(0.279)
Acquirer public listed	-0.104	-0.139	-0.112	-0.147	0.125	-1.004*		
	(0.358)	(0.371)	(0.361)	(0.362)	(0.480)	(0.530)		
Target public listed	-0.321	-0.303	-0.332	-0.349	-0.411	-0.470	-1.471*	-0.185
	(0.226)	(0.231)	(0.228)	(0.227)	(0.285)	(0.476)	(0.863)	(0.287)
Industry related	-0.0178	-0.0265**	-0.0226*	-0.00913	-0.00672	-0.0633	0.0350	-0.0240
	(0.0130)	(0.0125)	(0.0130)	(0.0126)	(0.0161)	(0.0502)	(0.0275)	(0.0159)
loggdphost	0.0490	0.0214	0.0307	0.0484	-0.0255	-0.0572	-0.0233	-0.0468
	(0.0889)	(0.0926)	(0.0900)	(0.0896)	(0.114)	(0.235)	(0.259)	(0.112)
Constant	0.557	0.900	0.765	0.632	-0.690	2.962	-1.720	2.260
	(1.318)	(1.373)	(1.382)	(1.333)	(1.795)	(2.973)	(2.800)	(1.656)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	520	520	520	520	334	176	131	386
r2_p	0.0546	0.0584	0.0592	0.0589	0.0841	0.111	0.326	0.0782
chi2	56.17	70.63	67.96	66.27	98.53	50.40	197.8	58.78
Log-likelihood	-305.7	-304.5	-304.2	-304.3	-199.2	-87.96	-55.43	-221.3

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 6: Robustness checks

VARIABLES	(1)hostile dummy completed	(2)with institutional distance completed	(3)with no prior stake completed	(4)with relative size completed
Acquirer government ownership dummy	0.410**	0.358*	0.411*	0.643*
	(0.205)	(0.201)	(0.230)	(0.382)
Target government ownership dummy	-0.896**	-0.849**	-0.835**	-2.285*
	(0.378)	(0.396)	(0.377)	(1.273)
Tender offer	0.270	0.138	1.178	0.229
	(0.697)	(0.681)	(1.088)	(0.825)
Deal cash payment	0.373	0.260	-0.0435	0.558
	(0.265)	(0.274)	(0.300)	(0.450)
Acquired stake	-0.00199	-0.00427	-0.00250	0.00141
	(0.00399)	(0.00396)	(0.00443)	(0.00789)
Acquirer public listed	-0.756***	-0.698***	-0.450	-1.439**
	(0.241)	(0.241)	(0.274)	(0.607)
Target public listed	-0.0789	-0.235	-0.366	0.592
	(0.396)	(0.377)	(0.472)	(0.585)
Industry related	-0.297	-0.311	-0.298	-1.275***
	(0.237)	(0.226)	(0.266)	(0.451)
Acquirer experience	-0.0178	-0.0155	-0.0375**	0.00905
	(0.0130)	(0.0129)	(0.0158)	(0.0338)
loggdphost	0.00881		-0.0157	0.269
	(0.0899)		(0.104)	(0.193)
Hostile offer	-2.580			
	(1.576)			
Relative size				0.0119
				(0.0200)
Institutional distance		1.045*		
		(0.580)		
Constant	0.957	0.929	1.508	-0.517
	(1.364)	(0.933)	(1.500)	(2.448)
Year dummies	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes
Observations	520	520	428	186
r2_p	0.0705	0.0679	0.0740	0.183
chi2	86.62	88.11	63.23	74.86
Log-likelihood	-300.6	-301.4	-249.2	-93.68

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1