

Abstract

How important is the context in which a cross-border acquisition takes place to the deal? In contrast to the developed economy focus of most of the extant cross-border M&A literature, we empirically examine the cross-border mergers and acquisitions involving emerging economy participant(s) to ascertain the impact of the level of development of countries of origin of the target and the acquirer firm on deal characteristics.

At the broader level, the empirical examination of deal premium analyzes a dataset of 10333 domestic and cross-border acquisitions. Our findings indicate that cross-border deals commanded a higher premium compared to domestic acquisitions. Further, it was noted that emerging economy acquirers paid a lower premium for targets located in emerging economies for cross-border deals as well as for the combined dataset, and that cash deals were associated with a higher premium compared to non-cash deals. A significant country effect was present - within the emerging economies, BRIC country acquirers do not pay a significantly different premium compared to other emerging economy acquirers. Acquirers from Brazil and China paid a comparatively lower premium, whereas India and Russia were not associated with a significantly different premium compared to the rest of the emerging economy acquirers.

Focusing our attention on acquirers rooted in an emerging economy, the valuation consequences of cross-border acquisitions initiated by Indian firms were investigated with respect to the motives driving the acquisitions. A content analysis of publicly available deal related information was attempted to ascertain the motives in terms of exploration and exploitation-acquisitions seeking a foreign market, product market rationalization or value chain augmentation have been considered representative of an exploitative motive, whereas acquisitions seeking natural resources, strategic assets or seeking to leverage a strategic context have been termed as explorative in motive. Findings of the short term event study indicate that overall, the Indian cross-border acquirers create value in the short term. Further, the acquisitions undertaken with an exploration motive create significantly higher value compared to acquisitions driven by an exploitation motive. The empirical findings of these studies reported in this dissertation address ongoing conversations in this rapidly developing field, and are expected to inform the efforts towards theory building as well as practice.