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Are Emerging Market Multinationals Milking Their Cross Border Acquisition Targets? A Study of Inbound Japanese and Korean M&As*

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Abstract

International strategic mergers and acquisitions (M&As) by emerging market multinationals (EMMs) are rapidly gaining importance. Whereas multinational firms from developed countries mostly invest abroad to leverage their existing assets, EMMs tend to seek strategic assets when investing in other countries. We examine the effect of M&As on the performance of acquired firms for 88 inbound M&As in Japan and Korea and find that the post-acquisition performance of Japanese and Korean firms being taken over by EMMs is worse when compared with firms being acquired by developed country multinationals. Our findings thus suggest that firms in Japan and Korea are better off being acquired by developed country multinationals than by EMMs.

Keywords: international M&As, emerging market multinationals, post-acquisition performance, Japan, Korea

INTRODUCTION

As a consequence of globalization and economic deregulation in many countries, international mergers and acquisitions (M&As) have become commonplace (Cartwright & Schoenberg, 2006). However, from the viewpoint of acquired companies they are often controversial (Zollo & Meier, 2008). There are widespread concerns about the consequences of being taken over by multinational firms from other countries, including the transfer of vital assets to other countries, deteriorating business performance, and job losses (Jemison & Sitkin, 1986).

The extant research on the post-acquisition performance of firms has examined the implications of M&As on the task-, transaction- and firm-levels (Zollo & Meier, 2008). Task-level studies have revealed that effective post-acquisition integration is crucial for the eventual success of M&As (Cartwright & Schoenberg, 2006), in particular in cross-border acquisitions. Transaction- and firm-level research has predominantly focused on the value created by M&As and their financial implications for acquiring firms (King, Dalton, Daily, & Covin, 2004). However, we still know surprisingly little about the effect of M&As in general and of cross-border M&As in particular on the financial performance of acquired firms.

Whereas international M&As used to be a domain of multinational firms from developed countries, cross-border acquisitions by emerging market multinationals (EMMs) have rapidly gained momentum since the turn of the millennium (Gupta, Govindarajan, & Wang, 2008; Aybar & Ficici, 2009). The recent increase in international M&As by firms from home countries such as China and India has sparked anxieties among firms in other countries which are considered as their potential targets (Drifte & Jaussaud, 2010). In addition to the general uncertainties of integration following

cross-border acquisitions, there are concerns that acquired firms may be negatively affected by the strategic behavior of EMMs (Denis, Denis, & Yost, 2001). Firms from emerging countries operate in very different home country environments when compared with their counterparts from developed countries (Buckley, Clegg, Cross, Liu, Voss, & Zheng, 2007). Consequently, they are often internationalizing not to leverage existing core competencies in other countries, but to seek strategic assets they are lacking, including technologies, brands, and management skills (Luo & Tung, 2007; Rui & Yip, 2008).

Whereas some of the most prominent cases of cross-border acquisitions by EMMs have been targeted at Western firms (e.g., Lenovo-IBM, Mittal-Arcelor, Geely-Volvo, and Tata-Jaguar Land Rover), EMMs have also started to acquire companies in leading East Asian economies, namely, Japan and South Korea (Korea, hereafter). This is not surprising, as Japan and Korea are technology- and knowledge-intensive economies with a high density of strategic assets which are sought by EMMs. Moreover, these two countries are culturally and geographically closer than Western countries from the viewpoint of many EMMs which are located in Asia.

Some well-known cases of inward M&As in Japan and Korea by EMMs have sparked considerable controversies. For example, after the Japanese apparel maker Renown was acquired by Shandong Ruyi, the bidder firm achieved a significant performance increase in selling heavily its (Renown) brand name products in China when the target at the same time got restructured in Japan every year. The pre-acquisition sales of Renown decreased to less than a half as well as the number of employees (Bebenroth, 2012). Similarly, after the Korean carmaker Ssangyong Motor had been acquired by Shanghai Automotive in 2005, its business performance severely deteriorated (Xu & White, 2012), and the

company was eventually abandoned by its Chinese investor in 2009. However, we still know little about the performance of target firms from developed countries in general after getting taken over in cross border M&As by EMMs.

This paper seeks to advance our knowledge on the post-acquisition performance of firms after cross border acquisitions in several ways. First, whereas the extant research has focused on the post-acquisition performance of acquiring firms, we examine the other side, namely the performance of target firms following cross-border acquisitions. We were able to undertake this unique investigation as targets in Japan and in Korea normally remain in their consistency not being absorbed by the bidder firm. Second, we compare the performance effects of cross border M&As by EMMs with acquisitions by developed country multinationals. Third, we study the post-acquisition performance of inbound M&As in two leading East Asian countries (Japan and Korea).

Subsequently, based on the literature on cross-country cultural and institutional distance and on institutional factors which drive the strategic behavior of multinational firms, we develop hypotheses on the determinants of the post-acquisition performance of acquired firms. We test these hypotheses with firm-level data on 88 publicly listed Japanese and Korean firms which were acquired in international strategic M&As between 2005 and 2009. We focus only on strategic acquisitions, i.e. cross-border investments where the bidder has an interest in the target's business. Investments by financial investors which do not go beyond purely financial goals are excluded from our analysis. Finally, we discuss implications of our findings for research and management.

THEORY AND HYPOTHESES

Following previous studies on firms' international expansion (Yiu & Makino, 2002; Demirbag, Glaister, & Tatoglu, 2007; Li & Li, 2010), we apply institutional theory as our theoretical framework as the institutional environment plays an important role for firms' acquisition strategies and their performance implications. Oliver North (1990) defines institutions as 'macro-level rules of the game' (p. 27) and divides them into three groups: formal constraints (rules, laws, constitutions), informal constraints (norms of behavior, conventions, and self-imposed codes of conduct), and enforcement characteristics (North, 1996). Institutional theory can also be described as 'a theory of legitimacy seeking' (Dickson, BeShears, & Gupta, 2004, p. 81) in which legitimacy is associated with the above constraints as 'legally sanctioned behavior', 'morally governed behavior' or 'recognizable, taken-for-granted behavior' (Scott, Ruef, Mendel, & Caronna, 2000, p. 238).

In this paper, we apply institutional theory by considering home- and host-country related isomorphic pressures which can influence and constrain the strategic choices of multinational bidder firms (Davis, Desai, & Francis, 2000; Lu, 2002). We argue that the larger the institutional differences between host and home countries, the more difficult it becomes for these firms to secure external and internal legitimacy due to conflicting demands. Specifically, we focus on two aspects of institutional differences between acquiring firms' home and host countries which have been identified as highly relevant for multinational firms (Kogut & Singh, 1988; Xu, Pan, & Beamish, 2004): cultural distance and managerial distance. Large cultural and managerial distances between home and host countries are making it more difficult for acquiring firms to establish

institutional legitimacy in the host country after an acquisition, with potentially detrimental effects on the target firms' performance.

At the same time, we consider the different institutional environments under which multinational firms originating from developed and from emerging countries are operating, as these institutional factors influence the international acquisition strategies of firms (Cui & Jiang, 2012). Multinational firms from developed countries typically have accumulated competitive strengths such as superior products, technologies, or management systems which are related to aspects of their home country institutional environment, such as advanced education systems, sophisticated buyers or suppliers, competition, regulation, or government support (Porter, 1990). Developed country multinationals then seek access to attractive overseas markets in order to leverage these competitive advantages (Dunning, 2000). Firms in host countries which are acquired by developed country bidders therefore benefit from the transfer of knowledge and resources from the acquiring firms' home countries, enhancing their post-acquisition competitiveness and performance. In contrast, as a consequence of the less supportive institutional environment in their home countries, EMM firms often initially lack critical resources to be globally competitive (Luo & Tung, 2007). Therefore, they apply resource seeking strategies when internationalizing (Rui & Yip, 2008) and seek to back transfer technical skills, brand names, and management knowledge to their country of origin when acquiring firms in other countries. As a result, acquisition targets could be exploited rather than nurtured by EMM acquirers, with potentially detrimental effects on their post-acquisition performance.

Cultural Distance

Cultural distance is a subset of cross national institutional distance which is dominant in the field of management (Berry, Guillen, & Zhou, 2010). Stephen Hymer (1960) noted the so-called "liability of foreignness" that increases with the distance between the home and the host countries of a multinational firm. Cultural distance and its influence on M&As is framed by Weber, Tarba and Reichel (2009), demonstrating inconsistent findings in regard to whether cultural distance positively or negatively influences post-acquisition performance. Whereas a positive relationship between cultural distance and post-acquisition performance has been found by some studies (e.g., Morosini, Shane, & Singh, 1998), the majority of research suggests that cultural differences lead to problems in the post-acquisition integration process (e.g., Shimizu, Hitt, Vaidyanath**,** & Pisano, 2004; Stahl, Mendenhall, & Weber, 2005; Stahl & Voigt, 2008).

We follow this majority view for inward M&As in Japan and Korea. Cultural distance creates difficulties when encoding and decoding information between home and host countries (Buckley & Casson, 1976; Barkema, Bell, & Pennings, 1996) and thereby challenges not only everyday communication in multinational firms, but also the post-acquisition integration of target firms. Bidders with higher cultural distance can therefore be expected to face more serious integration problems with their Japanese and Korean targets than acquirers from culturally more proximate Asian countries. We therefore hypothesize that cultural distance has a detrimental effect on the post-acquisition performance of target firms.

Hypothesis 1: The cultural distance between the home countries of acquiring and target firms is negatively related to the post-acquisition performance of Japanese and Korean target firms.

Managerial Distance

Institutional pressures in home and host countries of multinational firms do not only result in general cultural differences, but also in different managerial practices across borders. When companies attempt to introduce their home-country based managerial routines in target firms which are located in host countries with strongly different managerial practices, they are likely to face legitimacy problems with internal and external stakeholders in these countries who prefer organizations to follow local managerial standards (Zaheer, 1995). Different normative standards on managerial routines between home and host countries reduce the willingness of acquired firms' employees to follow the acquirers' home country managerial standards and processes (Xu et al., 2004). As such rules and norms are often taken for granted (Zucker, 1977), multinational firms will run into legitimacy problems and conflicts even if they do not make conscious efforts to transfer managerial systems from their home countries when operating and integrating acquired firms in countries with strongly different managerial standards.

Therefore, we hypothesize that the post-acquisition performance of Japanese and Korean target firms will be negatively affected by the managerial distance between Japan or Korea and the home country of acquiring firms. The larger the cross-border managerial distance, the more difficult is not only communication between home and host country

units in general, but also the successful integration of the target firm which is often crucial for its post-acquisition performance (Zollo & Meier, 2008).

Hypothesis 2: The managerial distance between the home countries of acquiring and target firms is negatively related to the post-acquisition performance of Japanese and Korean target firms.

Developed Country versus Emerging Country Acquirers

Differences in the home country institutional settings of acquiring firms determine their strategic behavior and thereby also potentially influence the post-acquisition performance of their international acquisition targets. Specifically, multinational firms originating from developed countries typically internationalize in order to leverage their existing competitive strengths in overseas markets (Dunning, 1990). In order to exploit their competitive advantages, they often need to transfer advanced knowledge, technologies and other valuable resources to target firms they have acquired in host countries. The absorption of these resources in turn enhances the competitiveness and thereby, the performance of their acquisition targets. To illustrate, near-bankrupt Japanese carmaker Nissan was rapidly turned around after being acquired by Renault in 1999, as it benefited from the transfer of efficiency-driven management systems by its European parent firm (Yoshida & Bebenroth, 2006). Similarly, many financially troubled Korean companies, such as Daewoo Motors and Samsung Motors, which were acquired by developed country firms in the years after the 1997 financial crisis, also experienced rapid improvements in their business performance following their acquisitions.

In contrast, EMMs face a less supportive institutional environment in their home countries and therefore often lack important resources such as advanced technologies, management and operating systems, and brands when compared with their developed counterparts. Therefore, they tend to use internationalization not as a means to leverage existing resources, but as a 'springboard' to acquire important resources (Luo & Tung, 2007). Consequently, when acquiring firms in other countries, they can be expected to focus more on the exploitation of the target firms' resources and reverse knowledge transfer to their home countries than on the transfer of resources from their home countries to target firms. There may be few benefits for target firms after being acquired by EMMs, resulting in a less favorable post-acquisition performance.

Taken together, the different institutional environments in which firms from developed countries and EMMs are operating tend to induce these two groups of firms to display different strategic behaviors when internationalizing. Therefore, Japanese or Korean companies which are acquired by firms from developed countries can be expected to receive more post-acquisition support from their acquirers than companies which are acquired by EMMs, resulting in a higher post-acquisition performance of the former group of companies.

Hypothesis 3: The post-acquisition performance of Japanese and Korean target firms is higher when they are acquired by developed country firms than when they are acquired by emerging country firms.

EMPIRICAL STUDY

Sample Selection and Data

This paper studies Japanese and Korean publicly listed companies which were taken over by cross border strategic investors between 2005 and 2009. We distinguish between bidder firms originating from developed and from emerging countries such as from China or India.

Our initial sampling frame contained all cross border acquisition targets which were listed for the given time period in the Recof database for Japan (MARR, 2006-2010) and the Thomson SDC Platinum database for Korea. These initial lists revealed 271 target firms in Japan and 326 firms in Korea. In the next step, we matched these company lists with the Nikkei NEEDS Financial Quest database for Japan and the DART and KISVALUE databases for Korea which contain financial performance information on publicly listed companies in the two countries. In these databases, we found financial information on 80 Japanese acquisition targets and on 82 Korean acquisition targets. We removed those firms from our sample for which financial information was missing or the ownership share acquired by international bidders was less than 5%, as these acquisitions cannot be expected to have a strong impact on the targets. We also eliminated all financially motivated acquisitions by buyout funds or other pension funds as they are not strategic driven, resulting in a final sample of 88 acquisition target firms (27 in Japan and 61 in Korea).

Information on our sample firms and their acquirers is summarized in Table 1. Out of 88 firms, 69 bidders acquired a minority ownership of less than 50% of the target and the remaining 19 bidder firms acquired a majority ownership of more than 50%. In geographic terms, the largest groups of acquirers were from Asia (37), Europe (23) and

North America (20), with 67 acquirers originating from developed countries and 21 from emerging countries. 59 target firms are classified as technology oriented manufacturers, 10 firms as consumer goods manufacturers, and the remaining 19 as non-manufacturing firms. A majority (57%) of the acquisition targets are medium-sized firms with between 100 and 1,000 employees.

Insert Table 1 here

Measures

Dependent variables. We assess the performance of acquired firms by comparing their post-acquisition performance with their pre-acquisition performance for three indicators which are commonly used in studies on M&A performance (Das & Kapil, 2012): return on assets (ROA), total assets, and sales. *ROA* is measured as the difference of the average ROA in the first three years after the acquisition to the three year average before the acquisition. *Total assets* and *sales* are measured by the differential of their respective averages in the first three post-acquisition years over the last three pre-acquisition years in percentage points.

Independent variables. Following the formula by Kogut and Singh (1988), we measure *cultural distance* by calculating the weighted average difference scores between the countries of acquiring firms and acquisition targets for Hofstede's four initial dimensions of national culture: individualism/collectivism, masculinity/femininity, power distance, and uncertainty avoidance. For measuring *managerial distance*, we follow Xu et al. (2004) and calculate the average differences between bidder and target countries regarding four items from the World Competitiveness Report (World Economic Forum, 2009) which are strongly related to managerial practices: reliance on professional

management, extent of staff training, buyer sophistication, and nature of competitive advantages. Finally, we measure *developed country acquirers* through a dummy variable (acquirers from developed countries = 1, acquirers from emerging countries = 0). We classify all firms originating from OECD countries or non-OECD countries with an annual per capita gross domestic product (GDP) of more than US-$ 20,000 as developed country acquirers and firms from other countries as emerging country acquirers. However, we exceptionally classify firms from Hong Kong, which has a per capita GDP of more than US-$ 20,000, also as emerging country acquirers, for three reasons. First, other researchers also classified Hong Kong as an emerging economy (e.g., Aybar and Ficici, 2009). Second, Hong Kong is politically a part of China, the largest emerging economy. Third and most importantly, a case-by-case analysis of our sample revealed that several firms from mainland China used Hong Kong as a 'springboard' for their outward foreign direct investments to Japan and to Korea.

Control variables. To control for industry-specific effects, we create two dummy variables for *target firm industries*, specifically, technology-oriented manufacturing and consumer goods manufacturing, using the non-manufacturing sector as a baseline. Furthermore, in order to consider target firm specific effects, we include the *target firm age*, measured as the natural logarithm of the age of the target firm in years when it was acquired. To consider target country-specific influences, we add a *country dummy* (0=Japan, 1=Korea). Furthermore, we control for acquirers' *ownership share* of their target firms in percent. As the relatedness of the business of acquiring and acquired firms may influence the performance of acquisition targets, we include a *same industry acquisition* dummy (1 if the acquiring and target firms were in the same among the three industry groups of technology-oriented manufacturing, consumer-goods manufacturing,

and non-manufacturing, 0 otherwise). Finally, to capture time-specific effects on the performance of target firms, we add *year dummies* for each year within the 2005-2009 time frame of our study (1 if the acquisition took place in a given year, 0 otherwise).

Results

Descriptive statistics and cross-correlations among our main study variables are shown in Table 2. The descriptive results for the post-acquisition performance indicators of target firms show a small decrease in their mean ROA by 0.38 percentage points (from 3.74% to 3.36%) after the acquisition. At the same time, their mean total assets increased marginally by 0.39% and their mean total sales by 0.47% after being acquired. None of the variance inflation factors is higher than 2, indicating a low potential for multi-collinearity.

Insert Table 2 here

We estimate the association of the independent variables with each indicator of post-acquisition performance using ordinary least squares (OLS) regression models. The results are shown in Table 3. First, we examine the effects of the control variables on the three post-acquisition performance indicators (Models 1, 3 and 5 in Table 3). The industry dummy for consumer goods manufacturing is positively related to ROA ($p<.05$) and negatively related to total assets ($p<.10$). Target firm age is positively associated with ROA ($p<.05$) and negatively associated with total assets ($p<.05$) and sales ($p<.05$). Moreover, the country dummy for Korean target firms is positively ($p<.01$) and the acquirers' ownership share is negatively ($p<.10$) related to ROA.

Next, the main effects are added (Models 2, 4 and 6). Cultural distance is not related to any of the dependent variables. Therefore, Hypothesis 1 is not supported. Managerial distance is negatively related to ROA ($p<.10$), but not to total assets and sales. Thus, Hypothesis 2 is partially supported. Finally, developed country acquirers are positively related to total assets ($p<.05$) and sales ($p<.05$), as predicted. However, contrary to our expectations, they are also negatively related to ROA ($p<.05$). Therefore, Hypothesis 3 is partially supported by our results.

Insert Table 3 here

In order to further explore the unexpected negative association between developed country acquirers and target firms' ROA, we conduct a post-hoc analysis by directly comparing the mean ROA of target firms being acquired by developed country firms and by EMMs for each of the three years before and after the acquisition (Figure 1). Target firms being taken over by EMMs have a lower ROA than their counterparts that are acquired by developed country firms both prior to and after the acquisition. Specifically, targets that are being acquired by EMMs have a strongly negative ROA in the last two years before being acquired. After the acquisition, their ROA improves somewhat, but still remains lower than that of the firms that have been acquired by developed country firms ($p<.05$ for the average ROA in the three post-acquisition years). In other words, the negative association between developed country acquirers and post-acquisition ROA in our regression analysis is related to a relative improvement of EMM targets' ROA when compared with developed country firm targets. However, the absolute ROA of EMM

targets remains lower than that of developed country firm targets even after the acquisition.

Insert Figure 1 here

DISCUSSION

Our study of the post-acquisition performance of Japanese and Korean target firms reveals several important results. First, we examine the post-acquisition performance of target firms in strategic acquisitions and find a marginal decrease of their ROA and similarly marginal increases of their total assets and sales. These results indicate that the post-acquisition financial performance of target firms is stable overall and does not deteriorate after the acquisition. Our findings contrast with those from previous studies (e.g., the meta-analysis by King et al, 2004) which found a negative impact of M&As on acquirers' financial performance and suggests that in fact, M&As may be fundamentally more advantageous for acquisition targets than for acquirers, at least from a financial perspective.

Second, we find some institutional factors to be more strongly related to the post-acquisition performance of target firms than others. The cultural distance between acquirer and target firm countries is not related to any aspect of the post-acquisition performance of our target firm sample. Moreover, the cross-country managerial distance between acquirers and targets is only marginally ($p<.10$) related to targets firms' post-acquisition ROA and not related to the post-acquisition development of their total assets and sales. Given the emphasis that has been placed on these cultural and

managerial differences in studies on the post-acquisition integration of acquired firms following international M&As (Morosini et al., 1998; Berry et al., 2010) these findings are somewhat unexpected. One possible explanation could be that in many cases, the outcomes of the post-acquisition integration (or non-integration) of acquired firms are not yet fully reflected in their financial indicators for the first three post-acquisition years. Alternatively, there is a possibility that some firms may actually benefit from being acquired by bidders from culturally or managerially distant countries, as they are being provided with a higher potential to change and improve their management and operations through the acquisition (Morosini et al., 1998). This beneficial effect may offset the effect of the generally higher cost of communication between acquirers and target firms from culturally or managerially distant locations.

In contrast to cultural and managerial differences between acquirer and target firm countries, we find that the type of bidder country is strongly related to the post-acquisition performance of targets. Specifically, our results indicate that regarding their total assets and sales, target firms are better off being taken over by developed country acquirers than by EMMs. At the same time, the ROA of firms that are acquired by EMMs develops more favorably than that of those firms that are acquired by developed country bidders. However, a post-hoc analysis of the ROA development of the two groups of firms over time reveals that the relatively better post-acquisition development of the ROA of EMM targets is due to their strongly negative pre-acquisition ROA. In other words, EMMs tend to acquire severely deteriorated firms, and even the post-acquisition ROA of their targets remains lower than that of developed country firm targets.

These results suggest that acquisition target firms appear in fact to have valid reasons for being concerned about the country origin of bidders, as firms from developed and

from emerging countries have different motives when conducting international M&As (Luo & Tung, 2007), and these different motives appear to have implications for the post-acquisition performance of targets. As EMMs are more strongly interested in acquiring strategic assets through international M&As than in leveraging existing assets, they may be less concerned about the post-acquisition performance of firms they have acquired than their developed country counterparts.

Third, our study also sheds light on the specific situation of firms in Japan and Korea which are targeted by cross border bidders. Specifically, we find that the post-acquisition ROA of Korean M&A targets develops much more positively than that of Japanese firms being acquired in a cross border M&A. This result could be related to Korea's more favorable economic development in general, but could also be specifically rooted in the dynamism and managerial flexibility of Korean companies (Hemmert, 2012) which may allow for a more rapid and effective integration by international acquirers, with positive financial implications for Korean target firms.

Generally speaking, the results of our study lend some support to the widespread assessment in Japan and Korea (as well as in other developed countries) that domestic firms which are being acquired by EMMs may actually be exploited by their bidders and suffer from a deteriorating financial performance. From this perspective, many Japanese and Korean firms will be hardly willing to accept acquisitions by EMMs.

However, one can also think of advantages for a Japanese and Korean target firm when being taken over by an EMM bidder. If the acquisition target is relatively old, its technology and brand name may become less valuable in the domestic market, like the case of the apparel maker Renown illustrates for Japan. In such cases, a transfer of technologies, brands and other strategic assets to the home countries of EMM acquirers

could increase their value, and thereby the business performance of target firm operations may also be improved. Our findings indicate that EMM bidders often acquire financially troubled Japanese and Korean companies with strongly negative ROAs, and that these EMM acquisitions appear to help target firms with stabilizing their financial performance thereafter.

Taken together, our study reveals new insights on the performance implications of international M&As by focusing on the financial performance of target firms in two leading East Asian countries. Our results indicate that certain factors, including the age of target firms, the target country, and the country of origin of the bidder and its strategic motivation, are more relevant for the post-acquisition performance of target firms than other factors such as the cultural or managerial distance between bidder and target firm countries.

LIMITATIONS, RESEARCH DIRECTIONS AND MANAGERIAL IMPLICATIONS

We recognize that our research has its own limitations. Our sample size is rather small and does not allow us to generalize our findings. There are only 61 Korean and 27 Japanese targets in our sample. Moreover, most of the cross border acquisitions resulted only in minority ownership positions, suggesting that many bidders may not have gained full strategic control over their targets. Therefore, our results need to be interpreted with some caution.

Given the contributions and limitations of our study, additional research on the implications of international M&As for the performance of target firms is highly promising. In particular, studies which also consider target firm acquisition prices in

relation to their earnings can potentially provide further insights. Lately there are more acquisitions conducted in Asian countries, and performance data coming up soon will enable researchers to cover larger samples of these recent acquisitions.

For executives of firms in East Asian countries which are being targeted by international M&As, the results of our study imply that they should be alert regarding the origin and strategic motivation of bidder firms. On the one hand, if an EMM bidder appears to have primarily the acquisition of strategic assets and the exploitation of the target firm in mind, the management of the target firm should resist a takeover which may not be beneficial for its own financial performance. On the other hand, if a target firm is financially troubled and the value of its strategic assets is stagnating or deteriorating in its home country, it may be prudent to accept an acquisition by an EMM in order to regain financial stability and to find new applications for technologies or brands in the acquirer's home country.

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Table 1. Sample characteristics

	Number	Percentage
Ownership share of acquirers		
Minority ownership (< 50%)	69	78.4
Majority ownership (≥ 50 %)	19	21.6
Region of origin of acquirers		
North America	20	22.7
Central America	4	4.5
Europe	23	26.1
Asia	37	42.0
Australia	2	2.3
Middle East	2	2.3
Industry of target firms		
Manufacturing (technology)	59	67.0
Manufacturing (consumer goods)	10	11.4
Non-manufacturing	19	21.6
Country of target firms		
Korea	61	69.3
Japan	27	30.7
Size of target firms		
< 100 employees	16	18.5
100 – 1,000 employees	49	57.0
> 1,000 employees	23	24.5

n = 88.

Table 2. Cross-correlations and descriptive statistics of main study variables

Variables	1	2	3	4	5	6	7	8	9	10	11	12
1 Target firm industry (technology)	X											
2 Target firm industry (consumer goods)	-.51**	X										
3 Target firm age	.03	-.03	X									
4 Target firm country (Korea)	.01	-.07	-.49**	X								
5 Ownership share	.04	-.14	-.24*	.08	X							
6 Same industry acquisition	-.11	.02	.22*	-.32**	.03	X						
7 Cultural distance	.19	-.21*	.18	-.16	.08	.14	X					
8 Managerial distance	.11	.07	.16	-.38**	.05	.10	.22*	X				
9 Developed country acquirer	.12	-.14	-.05	.21	.06	.06	.25*	-.42**	X			
10 ROA	.06	.10	.14	.18	-.21	-.06	-.09	-.11	-.12	X		
11 Total assets	.12	-.15	-.23*	.20	-.02	-.06	-.14	-.20	.23*	-.11	X	
12 Sales	.04	-.06	-.20	.03	-.07	.01	-.05	-.13	.18	.16	.75**	X
Means	.67	.11	2.98	.69	26.51	.58	2.60	.62	.76	-.38	.39	.46
Standard deviations	.47	.32	.94	.46	26.93	.50	1.06	.33	.43	14.78	1.11	1.84

* significant at .05-level; ** significant at .01-level (two-tailed); n = 88.

Table 3. OLS regression results for post-acquisition performance

Dependent variables	ROA		Total assets		Sales	
Independent variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Controls						
Target firm industry (technology)	.14	.19 †	.01	.04	-.04	-.03
Target firm industry (consumer goods)	.24*	.26*	-.18 †	-.17	-.11	-.09
Target firm age	.27*	.28*	-.21*	-.19 †	-.28*	-.29*
Target firm country (Korea)	.38**	.38**	.10	-.01	-.11	-.22 †
Ownership share	-.18 †	-.16 †	-.06	-.04	-.11	-.09
Same industry acquisition	-.02	.01	-.00	.00	.04	.04
Year dummies (not reported)						
Main effects						
Cultural distance		.01		-.15		-.08
Managerial distance		-.17 †		-.04		-.06
Developed country acquirer		-.22*		.23*		.23*
R^2	.25	.29	.13	.19	.10	.16

† significant at .10-level; significant at .05-level; ** significant at .01-level; n = 88.

Figure 1: ROA target performance by country type of acquirer