Dissertation

Master in International Business

The effect of Institutional Distance on cross-border Merger and Acquisition time to completion: An empirical analysis of European Union deals

Célia Maria Ferraz dos Santos

Leiria, *June of 2018*

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Célia Maria Ferraz dos Santos

Dissertation developed under the supervision of Doctor João Neves de Carvalho Santos, professor at the School of Technology and Management of the Polytechnic Institute of Leiria and co-supervision of Doctor Nuno Manuel Rosa dos Reis, professor at the School of Technology and Management of the Polytechnic Institute of Leiria.

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Dedication

To my sister, Mila.

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Firstly, I would like to express my deepest regards to my supervisors, Professor Doctor João Santos and Professor Doctor Nuno Reis, for encouraging my research, for the support, guidance, comments, suggestions, dedication, recommendations and patience through the development of this master dissertation.

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Resumo

As fusões e aquisições transfronteiriças têm sido usadas como um modo de entrada favorito para aceder a mercados estrangeiros, fornecer recursos de uma forma rápida, competências e inteligência local, sem enfrentar o risco de legitimidade e sem o custo de começar um investimento greenfield. Estudos indiciam que a distância institucional aumenta o custo de negociar num pais estrangeiro, já que esta está associada a uma maior incerteza e desconhecimento do ambiente local. Para além disso, a duração prolongada de um processo de fusão e aquisição tem consequências negativas para as empresas alvo e adquirente e trazem custos significativos para ambas. Contudo, até aos dias de hoje, os estudos relacionados com o efeito das distâncias institucionais no tempo de conclusão de uma fusão e aquisição transfronteiriça são escassos. O modelo proposto especula sobre os efeitos das distâncias institucionais (política, económica, administrativa e cultural) no tempo de conclusão de fusões e aquisições transfronteiriças. É proposto ainda que a adesão à União Europeia, tanto do país alvo, como do país adquirente, modera o efeito das distâncias institucionais no tempo de conclusão de uma fusão e aquisição transfronteiriça. As hipóteses são testadas através de uma amostra de 2,110 fusões e aquisições transfronteiriças que ocorrerem durante o ano de 2011 na União Europeia. Por um lado, os resultados sugerem que as distâncias política e cultural têm um efeito positivo no hiato temporal entre o anúncio e a conclusão de uma fusão e aquisição transfronteiriça. Por outro lado, os resultados indiciam que a adesão à União Europeia modera o efeito das distâncias económicas e administrativas no tempo de conclusão de fusões e aquisições transfronteiriças.

Palavras-chave: Fusão e Aquisição transfronteiriça; Teoria Institucional; Tempo de conclusão; União Europeia

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Abstract

Cross-border merger and acquisitions (CBM&As) have extensively been used as a favorite entry mode in foreign markets, rapidly providing resources, competencies and local intelligence without risk of facing the liability of foreignness, or the burden of starting a greenfield investment. Studies indicate that greater institutional distance increases the costs of doing business in a foreign country, because it is associated with greater uncertainty and non-familiarity with the local environment. Besides that, prolonged duration of the M&A process has negative consequences for target and acquirer firms and bear significant costs for both parties. However, until so far, the studies regarding the effect of institutional distances on time to completion of a CBM&A deal are scarce. My theoretical model speculates on the effect of institutional distances (Political, Economic, Administrative and Cultural) in CBM&As time to completion. I further propose that European Union membership, of both target and acquirer countries, moderates the effect of institutional distances on CBM&As time to completion. The hypotheses are tested using a sample of 2,110 CBM&A deals that occurred during 2011 in European Union. On one hand, the results suggest that Political and Cultural distance have a positive effect on the time hiatus between announcement and completion of a CBM&A deal. On the other hand, the results suggest that European Union membership does moderate the effect of Economic and Administrative distance in CBM&A time to completion.

Keywords: Cross-border Mergers and Acquisitions; Institutional Theory; Time to completion; European Union

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List of acronyms

CBM&A – Cross-Border Merger and Acquisition

CBMD - Cross-Border Merger Directive

EC - European Commission

EU – European Union

FDI – Foreign Direct Investment

M&A – Merger and Acquisition

MNE – Multinational Enterprise's

OECD - Organization for Economic Cooperation and Development

OLS – Ordinary Least Square

UNCTAD – United Nations Conference on Trade and Development

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1. Introduction

Most of the growth in international production over the past decades has been via cross border mergers and acquisitions (CBM&As) (Uddin & Boateng, 2011). In fact, CBM&As are one of the most important strategic decisions for a firm to get into different geographic locations, whether to access new markets, to grow and gain market power (Ramos, 2017), to secure resources, increase global outreach (Kummer, 2007), access strategic assets or improve firm's efficiency (Wu, 2014).

The number of M&A's has steadily been on the rise (Faulkner et al., 2012). However, over the years, the frequency and value of CBM&As has presented some oscillations. If we consider the world, the frequency and volume of M&As have increased from a value of 462,253 Million of dollars in 2005 (UNCTAD, 2012) to 525,881 Million of dollars in 2011 (UNCTAD, 2012), with a peak in 2008, with 706,543 Million of dollars. In European Union (EU) the fluctuation is quite different. In 2005 we observe a volume of sales/purchases of 304,740 Million of dollars. In 2001-2007, the number of EU companies acquired by non-EU companies increased and companies in the new member states of the EU remained popular targets for EU companies (Campa & Moschieri, 2008). The volume of sales/purchases increases to 527,718 Million of dollars, in 2008, but afterwards, we observe a significant reduction to 172,257 Million of dollars in 2011 (See table 1A in appendix). This situation may have occurred for several reasons: at the end of 2008 the financial crisis hit the real economy; In 2009 world GDP fell by 0.6%, happened the first world recession since World War II; EU GDP decreased by 4.1% (except Poland); The average unemployment rate in the EU rose from 6.1% in 2008, to 10% in 2010 (Santos, 2016). The financial crisis has become an economic crisis which was reflected in CBM&As.

Researchers in international business have long theorized that firms face inherent costs when doing business abroad (liability of foreignness), that arise from the unfamiliarity of the environment, from cultural, political, and economic differences (Zaheer, 1995). Liability of foreignness may be due to the foreign firm's lower familiarity with the market, the lack of information networks, unfamiliarity with, or lack of roots, in the local environment, political influence in the host-country, lack of legitimacy of foreign firms and the economic nationalism of particular countries, or even the foreign firm's inability to appeal to nationalistic buyers (Zaheer, 1995). Whatever the source, the liability of foreignness implies that there are higher costs for a foreign firm operating in a market, compared to a local firm (Zaheer, 1995). In fact, for many firms, understanding the institutional environment of the target country may be an obstacle to an acquisition (Dikova et al., 2010). Thus, the larger (smaller) the institutional distance between the target and acquirer countries, the greater (lesser) the level of uncertainty that foreign firms need to manage (Dikova et al., 2010). Institutional differences may require managers to engage in greater effort to deal with the acquisition (Dikova et al., 2010), by planning and organizing the operation from an economic, financial and legal point of view (Caiazza & Pozzolo, 2016). The analysis of the institutional environment of the target country may generate more time in the acquisition process (Dikova et al., 2010). Since institutional distance plays a major role in the completion likelihood of CBM&A deals (Reddy et al., 2016) it should be taken into consideration during strategic transaction planning by the managers (Buczek, 2016).

Although M&As are a popular mean to conduct business, the strategy does not always deliver completing successful deals (Dereeper & Turki, 2013). Though a lot of research has been done about the financial, economic and strategic aspects of M&As (Otterspeer, 2016), little progress has been made in terms of empirical studies focusing on the pre-deal completion phase (Butler & Sauska, 2014; Shimizu et al., 2004). In fact, previous studies are limited and focused on specific aspects such as strategy and performance (Cai et al., 2015), and they do not provide comprehensive understanding of the acquisition completion. There are hardly a few empirical/survey studies that analyze abandoned deals or completion likelihood of M&A negotiations (Cai et al., 2015; Dikova et al., 2010; Ferreira et al., 2017; Reis, 2017). Besides that, most of the studies pay attention to a single dimension of institutional distance (Malhotra et al., 2009; Xu & Shenkar, 2002; Zhang et al., 2011). Among the few studies that examine deal duration, the focus has largely been on the firm or deal level (Luypaert & De Maeseneire, 2015). For example, Dikova et al. (2010) analyzed why firms abandon or fail to materialize the previously announced acquisitions, focusing on the institutional environment, noting that about 25% of the announced acquisitions are abandoned. However, this study does not differentiate the countries of origin of the acquirers, nor of the target firms. In this master dissertation I intend to fill this gap by evaluating the effect of institutional distances on CBM&As time to completion, in the EU context. I assume the approach of Dikova et al. (2010) as a starting point and extend the context by introducing the moderating effect of

EU membership on the effect of institutional distances on deal time to completion. The research questions are as follows:

(1) Does institutional distance, measured as political, economic, administrative and cultural distance, influence CBM&As time to completion?

(2) Does EU membership, from both target and acquirer firms, moderates the effect of institutional distances on CBM&As time to completion?

I argue that firms with higher institutional distances will face difficulties when performing a CBM&A deal, increasing the time to completion. The foundation supporting my argument is that differences in institutions lead to uncertainty, and firms need to adapt and face costs when performing a CBM&A deal (Dikova et al., 2010). Therefore, a CBM&A deal between countries with similar institutional environment will probably be concluded faster than a deal between countries with higher institutional distances. Besides, being part of an open market should diminish the distances, and therefore, reduce the time to completion of the deal.

This study makes several contributions to the existing literature. First, it is different from prior studies, that focus only on domestic M&As or in a specific industry (Dikova et al., 2010; Ferreira et al., 2017; Reis, 2017). I examine the impact of institutional distances on deal time to completion on a wide-ranging number of cross-border deals during 2011. I argue that political, economic, administrative and cultural distances will affect the time to completion of a CBM&A deal. First, the findings help reinforce previously documented evidence that institutional differences influence deal time to completion (Dikova et al., 2010; Ferreira et al., 2017; Reis, 2017). Second, I make a novel contribution to the existing literature on the topic by documenting evidence of the moderating effect of EU membership on the relationship between institutional differences and time to completion of CBM&A deals. The findings help provide new insights to firms that undertake CBM&As in different institutional contexts and broaden the understanding of complicity associated with institutions in the strategic location decisions of EU. This study will also aim to inform managers of the possible dangers of distance preventing future costs related to the duration of the pre-acquisition phase. Besides that, this study points to important clues that can be followed by managers and firms that intend to expand across borders into EU.

This master dissertation is organized as follows. First, on section 2, I review the general theory of M&As and their time to completion. Then I exam the Institutional

Environment, with an insight on Political, Economic, Administrative and Cultural Distances. Later, I analyze the EU. On section 3, I present the conceptual model positing institutional distances do have a positive impact on CBM&As time to completion, and the effect of those distances is moderated by EU membership, for both target and acquirer countries. On section 4, I discuss the sample, the measurement of variables, as well as the method that I used to study the hypotheses formulated in the previous section. Results are presented on section 5, and discussion is addressed in section 6. I conclude this dissertation, in section 7, by referring the limitations of this study, recommending and commenting on future research directions.

2. Literature Review

This chapter aims at looking at the relevant literature on the subject of CBM&As; Time to Completion; Institutional Environment, with focus on the different types of distance: political, economic, administrative and cultural; EU; and the relationships between these factors. More specifically, this review will focus on how the natures of institutional distance impact on CBM&As time to completion, on the context of EU.

2.1. Mergers and Acquisitions

M&As are often researched and discussed together (Otterspeer, 2016), but for purposes of clarity, it is relevant to distinguish their concept. Acquisitions are referred to the purchases of enough shares in an already existing firm, in an amount sufficient enough to confer control (Kogut & Singh, 1988). This means that a majority stake of the firm is being sold to at least one other firm (Ayar, 2014). Acquisitions are often called as takeover, of one firm by another, which means that the buyer takes over the target firm and establishes itself as owner (Dutcik, 2017). There are friendly and hostile deals, and the word itself is clear on its meaning: in a friendly acquisition, the managers of the target firm welcome the acquisition and, on the contrary, in hostile acquisitions the firm's management does not desire to be acquired. In turn, a merger is a combination of firms build up, either by the transfer of all assets and liabilities (Buczek, 2016) to one surviving firm, or by the joining together of the firms into a single new one (Ayar, 2014), meaning that two firms, at least, get combined to form a new one. The merging firms become one, jointly owned with a single identity.

Furthermore, mergers are categorized in three different types: downstream; upstream and sidestream. The first one occurs when a parent firm is absorbed into one of its subsidiaries. The upstream merger leaves the parent firm as the surviving legal framework. Finally, sidestream mergers describe the merger of two associated companies at the same level (Ayar, 2014). Above all, they can be classified in three types: as horizontal, vertical and conglomerate. The first type arises between competing firms in the same industry, firms join resources in order to achieve synergies and greater power. Vertical ones occur between firms with client-supplier relations. They combine efforts to benefit from economies of scope. The last one, the conglomerate, can occur between firms without any relatedness regarding the industry they operate. They usually happen to diversify risk (UNCTAD, 2012).

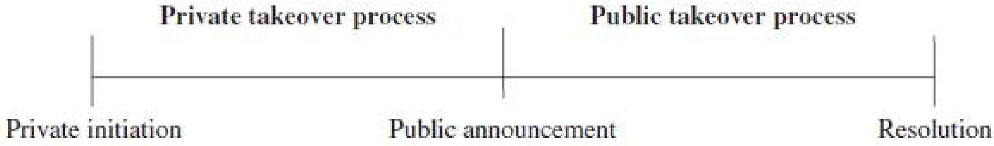
Looking at the history of M&As, we can divide them into six major waves: The first in the early 1900s, the second in the 1920s, the third in the 1960s, the fourth in the 1980s, the fifth in the 1990s, and the last one, the sixth, in the beginning of 2000's, more precisely 2003-08 (Dutcik, 2017). However, in Europe, the most significant wave is considered to be the fifth. The waves before that were almost unnoticed, but the fifth wave has opened an unprecedented demand for M&A transactions in Europe (Dutcik, 2017). The numbers are clear: total monetary value of the fifth wave is estimated to be US 5.6 trillion, which is more than eight times the value of the 4th wave. The introduction of the common currency and an internal market among the EU member states, technological innovation, and globalization process are believed to be one of the many reasons for active participation in the fifth M&A wave in Europe (Dutcik, 2017). A slow-down along the years has been noticed, however, a recovery, especially with focus on cross-border deals is expected in the long-run and indications show that the next wave will be driven by investments in emerging markets (Ayar, 2014).

If both firms that are involved in the deal are located in the same nation, they are considered domestic; if the transaction involves two companies from two different countries they are deemed CBM&A (Pablo, 2009; Shimizu et al., 2004).

Firms undertake CBM&A deals for several reasons. CBM&As are one of the most important strategic decisions for a firm and are arguably one of the most resource-intensive forms of Foreign Direct Investment (FDI) (Moschieri et al, 2014; Pablo, 2009) as they represent an important and faster alternative for strategic expansion (Shimizu et al., 2004). Firms merge when combining them increases the value or utility from the perception of the acquiring firm’s managers (Erel et al., 2012). Several scholars argue that M&As are a common and important response to globalization and the changing market environment (Lodorfos & Boateng, 2006). CBM&As have been motivated by the necessary search for new opportunities across different geographic locations and markets in a turbulent and continuously changing environment (Shimizu et al., 2004). Acquiring a foreign existing business allows the acquiring firm to obtain expertise, technology, products (Lodorfos & Boateng, 2006), gain its resources, such as knowledge base, technology, and human resources (Shimizu et al., 2004), reduce exposure to operational and financial risks (Ferreira et al, 2014), and achieve economies of scale and scope (Lodorfos & Boateng, 2006). Firms undertake CBM&As whether for exploitation of synergies, growth opportunities, managers' interest in acquisitions, strengthening of market power or reaction to changes in the business environment (Višić, & Škrabić, 2010), accessing strategic assets and improve firm’s efficiency (Wu, 2014). In fact, Porter (1985) considers that the primary reason for an M&A is to achieve synergy by integrating two or more business units in a combination with an increased competitive advantage. Regardless of the motivations, CBM&As are a common and important response to globalization and the changing market environment (Lodorfos & Boateng, 2006) and assume great practical importance in strategic, monetary, and social terms (Gomes et al., 2013).

M&As deals have very complex processes and involve various interconnected steps (Caiazza & Volpe, 2015; Very & Schweiger, 2001). So, it is important to understand how this process is conceived in the literature. According to Buczek (2016), there are three main phases of the M&A deal: preliminary, which is defined as the period in which the merging companies seek counterparts to such a transaction and establish initial contacts; the transaction phase, which serves as the starting point for the negotiations. In this phase, information is gathered to make a joint valuation of the merging entities; and finally, integration phase begins: the merged companies synchronize their business processes and organizational structure in order to achieve the economic synergies. Other authors propose that the M&A process can be decomposed into two periods: private takeover process and public takeover process, divided by three events (Boone & Mulherin, 2007) (See Figure 1).

Figure 1 - Acquisition process



Source: Boone and Mulherin (2007)

The private takeover process is the period from the private initiation of the takeover, to the first public announcement of the deal (Boone & Mulherin, 2007). In this phase, the bidder(s) obtain private information and manifest their preliminary interest. It involves negotiations between the potential acquirer(s) and the target firm, after a confidentiality agreement is signed (Dikova et al., 2010). Basically, both parties engage in initial negotiations and sign a preliminary contract (Muehlfeld et al., 2012). Even though a target firm may negotiate with multiple bidders, only one bidder makes a public offer for the deal (Dikova et al., 2010). The private takeover process ends when the deal is officially announced. This is the moment when it starts the public takeover period (Lim et al., 2014). In this intermediary phase, the acquirer firm gets additional information, assess risks and negotiate the terms of the deal (Ferreira et al., 2017). The completion of the deals is dependent on the approval from competition authorities and other regulatory agencies (Boone & Mulherin, 2007). So, this period may last for months or even years, extending the temporal hiatus between the formal announcement and the actual completion of the deal (Dikova et al., 2010; Ferreira et al., 2017). The official consummation date (informing the public about completion/ abandonment) marks the end of this phase (Muehlfeld et al., 2012). This master dissertation focuses on the public takeover phase: it begins with the announcement date and ends with the resolution date (completion). In addition to these phases, the M&A deal can be separated into two major parts: pre-merger and post-merger (Boland, 1970). The pre-merger phase begins once the decision to merge has been made, but the public announcement and all legal issues have not yet taken place (Appelbaum et al., 2000). The moment when ownership is transferred from the target to the acquiring firm sets this point.

M&As are not completely understood and they are a phenomenon that has gained the attention from scholars (Reis, 2017). In fact, CBM&As have interested scholars and practitioners for a long time (Caiazza & Volpe, 2015) and researchers have assumed several paths regarding its motivations. For Stahl & Voigt (2008), companies acquire new companies purely for financial reasons or to improve competitiveness. Other studies focus on how new markets can leverage existing skills, maximize shareholder wealth and increase profits (Aoun et al., 2008) and on the learning potential of CBM&As (Barkema & Vermeulen, 1998; Hayward, 2002; Vermeulen & Barkema, 2001). CBM&As promote cost reduction by sharing resources, give access to new technologies and knowledge (Schriber, 2012), to diversify product portfolio or customer service (Ciobanu, 2015). Scholars such as Iyer and Miller (2008) focused on integration and post-acquisition performance; Zou and Ghauri (2008) focused on knowledge sharing, and Toral (2008) suggests that firms can expand by strategic needs. In fact, research on CBM&As have focused on a number of important issues, such as entry mode or FDI (Barkema & Vermeulen, 1998; Brouthers & Brouthers, 2000; Hennart & Reddy, 1997; Kogut & Singh, 1988;), performance outcomes from acquisitive entry (Brouthers, 2002; Li & Guisinger, 1991), and shareholders' wealth creation by the CBM&As (Datta & Puia, 1995; Harris & Ravenscraft, 1991; Markides & Ittner, 1994; Morck & Yeung, 1992).

More attention has been paid to post-acquisition issues, such as integration processes; integration processes from an employee viewpoint; post-acquisition turnover of acquired firm executives; post-acquisition performance of acquired and acquiring firms and the resulting knowledge transfer and organizational learning (Shimizu et al. 2004). Nevertheless, a lot of research has been done concerning the financial, economic and strategic aspects of M&As (Otterspeer, 2016), but little progress has been made in terms of empirical studies focusing on the pre-deal completion phase (Shimizu et al., 2004; Butler & Sauska, 2014). However, recently, there has been some studies regarding the pre-completion phase of an M&A (Reis, 2017). In terms of the pre-merger phase, the factors that have received significant attention from the scholars include choice and evaluation of the strategic partner; price paid and form of payment; power and status similarity between firms; accumulated merger experience and future compensation policies defined during the pre-merger stage (Stahl et al., 2013). However, several studies have been carried out in order to identify environmental differences between two countries that may have CBM&As: macroeconomic characteristics (Pablo, 2009), formal institutions such as laws and regulations (Dikova et al., 2009; Rossi & Volpin, 2004) or informal institutions such as culture (Dikova et al., 2009; Kogut & Singh, 1988). M&A research is quite fragmented with distinct approaches, contradictory results and lacking a unifying theory (Reis, 2017).

According to UNCTAD (2013), a substantial number of CBM&As have been withdrawn for regulatory or political reasons, such as competition issues, economic benefits tests and national security screening or political opposition. Studies suggest that the pursuit of CBM&As is not without challenges, mostly because crossing national borders adds uncertainty to the operations (Erel et al., 2012). The CBM&A process is complex and requires extensive information at its early stages. If too much time is spent in this stage it may cause the failure of the deal (Deminova, 2014). In fact, a large number of operations are abandoned after being announced (Zhang et al., 2011), and high rates of failure are commonly reported in the M&A literature, suggesting there are inherent complexities in merger process management that are yet to be fully understood (Stahl et al., 2013). Despite of the importance, there are hardly a few studies that analyze abandoned deals or completion likelihood of M&A negotiations (Lim et al., 2014). However, managers, researchers, and investors should still be aware to the hazards of M&A failure rates (Cartwright & Schoenberg, 2006).

2.2. Time to Completion

Prolonged duration of the acquisition process has negative consequences for target and acquirer firms and bear significant costs for both parties (Dikova et al., 2010). Prolonged deal completion times give rise to vast direct costs (Luypaert & De Maeseneire, 2015), it offers more room for competitors to initiate a bidding contest, resulting in a larger probability of deal abandonment (Luypaert & De Maeseneire, 2015). Additionally, prolonged deal duration may cause firms reputational losses (Muehlfeld et al., 2007), extra-legal charges and create diversion of managerial attention from other investment opportunities (Bainbridge, 1990; Dikova et al., 2010). Prolonged delays in completion can result in direct costs in the form of out-of-pocket expenditures and other indirect costs such as a lowered legitimacy, especially in foreign market entries (Cai et al., 2015).

A considerable amount of CBM&As are delayed due to a variety of regulatory hurdles that companies must overcome (Ekelund et al., 2001). The decision to delay, or even to cancel, a previously announced CBM&A could also be driven by shareholders or managers of the acquiring or the target firm (Chakrabarti & Mitchell, 2016). First and foremost, publicly-listed firms need approval from shareholders' meetings (Dikova et al. 2010). Hostile deals and unsolicited deals on the bidder’s side are difficult to conclude

(Luypaert & de Maeseneire, 2015) and other mechanisms to defend takeovers on the target side may also increase deal duration (Cai et al., 2015).

Some studies have focused on identifying the specific reasons for the cancellation of M&A (Dereeper, & Turki, 2013). However, there are only a handful of studies analyzing the process of deal announcement and deal completion and rationales beyond deal duration in the management literature (Cai et al., 2015). In fact, there is a deficiency of research on the completion likelihood of CBM&A deals (Reddy et al., 2016). Bick et al. (2017) used a sample of 4,381 M&As that occurred between United States firms, between 1985 to 2014. The authors examined the impact of proximity between target and acquirer as a measure of information asymmetry. The results suggest that time to completion increases for activity involving a smaller target firm as the geographical distance between firm's increases. However, time to completion for deals involving large target firms decreases with additional geographic distance between firms in 2005–2014.

Other scholars, such as Campa and Moschieri (2008) analyzed the main features of M&A activity in Europe in the period 2001-2007, by looking at a sample of 2,122 CBM&As. Among other conclusions, not related with time to completion, the authors suggest that large transactions take longer to complete, while transactions paid in cash only are completed faster. In turn, Cai, et al. (2015) studied the effect of the quality of acquirer and target country institutional environment in cross-border acquisition deal duration, by analyzing 500 domestic deals and 155 cross-border deals in Brazilian firms, between 2000 and 2014. The results indicate that regulatory agencies and merger control are very important determinants of deal duration by emerging market acquirers. Dikova et al. (2010) explore the role of formal and informal institutions and suggest that both forms of institutional distance between the firms' countries negatively affect the likelihood that an announced cross-border acquisition deal will be completed. Based on 2,389 announced CBM&As deals in the global service industry between 1981 and 2001, the authors find evidence to support their hypotheses. The authors report that different elements of institutional distance such as expropriation risk distance, procedural complexity distance, power distance difference and uncertainty avoidance difference will influence the likelihood of deal completion and deal duration. Also, Ekelund et al., (2001) studied whether mergers in regulated industries take longer to complete than mergers that were not subject to the scrutiny of both antitrust and regulatory agencies. Using a sample of 553 mergers during the years 1990 through 1998, the author's statistical analysis indicates that mergers in regulated industries do take longer to complete (160 days) than mergers in unregulated industries (94 days).

Time to completion was also scrutinized by Ferreira et al. (2017) that used data from 741 acquisitions of Brazilian firms between 2008 and 2012. The authors examine how institutional (cultural and regulatory), technological complexity and the effect of prior acquisition experience in Brazil impact on the time needed for deal completion. The results show that these factors do impact for hastening the process and that recent experience with acquisitions in Brazil shortens the time needed to complete the deal. Luypaert and De Maeseneire, (2015) also studied the antecedents of deal duration in a sample of 1,150 M&As between listed US companies, from 1994 to 2011. The authors advocate that complexity critically affects time to completion: stock offers, deal hostility, mergers and larger deals are characterized by a lengthier acquisition duration. However, strong and clear shareholder support accelerates deal completion, as does the likelihood of overpayment, and experienced bidders succeed in more rapidly completing transactions, implying learning effects. Finally, Reis (2017) used a sample of 368 operations (attempted and completed) in seven South America countries from thirty-six countries, in 2012, using data on institutional distance between acquirer and target countries, using Berry et al. (2010) work. The results, however, have provided some mixed conclusions: while the geographic distance's effect on time to completion was supported, administrative and knowledge distance were found to have a negative effect (meaning that it should reduce the time to completion) while a positive effect was expected.

Despite the effort of scholars to understand the time it takes for an M&A deal to be completed (Dikova et al., 2010), the pre-completion phase of an M&A is still not fully understood, and it requires further research (Dikova et al, 2010; Reis, 2017).

2.3. Institutional Environment

Institutional Theory has its basis on Economics (North,1990) and Sociology (Scott, 1995). The definition of institutions is not unanimous, however, they are often posited as "rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction" (North, 1990: 3) or "social structures that have attained a high degree of resilience (…) [that] provide stability and meaning to social life" (Scott, 1995: 33). An institution-based view suggests nations differ significantly in formal and informal institutions (Scott, 1995). While formal institution defines the formal, legally sanctioned rules of game, informal institutions refer to customs, norms and cultural values which describe the socially acceptable behaviors (Dikova et al., 2010; Kostova,1997; Scott, 1995).

Institutions matter (Peng et al., 2009). Institutions are important for the functioning of any economy, as they constrain or facilitate business (Meyer, 2001). Understanding the differences in institutional context between countries is critical for firms who operate abroad (Timothy & Laszlo, 2010). Institutional distance impacts the relative attractiveness of country's markets, tradeoffs among foreign market entry strategies, the management of subsidiaries abroad, and firm performance (Bae & Solomon, 2010). The principal issue for CBM&As are the legal challenges, governance-related problems, general differences in the macroeconomic structure of both countries, uncertainties related to exchange rates and the reliability or unreliability of the local currency (Erel et al., 2012). Furthermore, there are differences in corporate culture, communication patterns, as well as differing compensation structures (Erel et al., 2012). Firms engaging in CBM&As face risks such as the ''liability of foreignness'' (Zaheer, 1995). Greater institutional distance increases the costs of doing business in a foreign country, because it is associated with greater uncertainty and non-familiarity with the local environment (Zhang & Xu, 2017). Differences in customer preferences, business practices, national culture, and institutional forces, such as government regulations, can hinder firms from fully realizing their strategic objectives (Shimizu et al., 2004). Under the institutional perspective, firms must have legitimacy to operate in a certain country to overcome the liability of foreignness (Salomon & Wu, 2012; Zaheer, 1995) in terms of regulatory structures, governmental agencies, laws courts, professions, interest groups and public opinion (Oliver, 1991:147) in the target country.

Institutional distance occupies a significant place in international business research (Salomon & Wu, 2012). Distance has been connected to the location choice ownership, entry mode and performance of foreign firms in addition to the contributions on the conceptualization and measurement of the construct (Salomon & Wu, 2012). Institutional distance seems to influence firms' operations abroad (Bae & Salomon, 2010). When facing large institutional distance, acquirer firms may find it difficult to reconcile the different legitimacy requirements in the target country (Liou & Rao-Nicholson, 2017). Some scholars state that institutional distance has a negative impact on firms because they are confronted with costs in order to gain legitimacy (Hernández & Nieto, 2015). Perhaps that is the reason why institutional distance, particularly the cultural one (Wu, 2014) may negatively impact the firm's performance (Liou & Rao-Nicholson, 2017). Institutional distance negatively influences FDI (Bailey & Li, 2015; Bénassy-Quéré et al., 2007; Lankhuizen et al, 2011). Kostova and Zaheer (1999) suggest that the institution distance between acquirer and target countries brings less FDI due to difficulties in organization practices and implementation. Zhang and Xu (2017) posit that institutional distance is a key factor that affects MNEs entry mode choices. In fact, legal, political and administrative systems tend to be the internationally framework whose costs determine in international attractiveness of a location (Bevan et al., 2004). The institutional structure may provide entry barriers, such as legal restrictions on ownership. Foreign governments sometimes adopt restrictions to protect domestic owners from outsiders (Shimizu et al., 2004). Actually, Di Guardo et al. (2016) posit that the distance is a critical factor in the probability of one firm performs a CBM&A deal. Institutional distance increases information asymmetry between partners which could augments the likelihood of an M&A deal to fail and enlarge the time it takes to complete a deal (Reis, 2017). On the other hand, Wu (2014) suggest that formal institutional distance (political, economic and administrative) positively affect firm performance. Equally, Lankhuizen et al. (2011) results did not offer robust support for a negative effect of institutional distance on either trade or FDI.

Firms undertaking CBM&A deals in institutionally more distant countries are more likely to withdraw the deal (Dikova et al., 2010). Several researchers suggest that not only deal and firm specific factors, but also investor protection, macroeconomic indicators, financial markets development, border tax policies, government and bureaucrat's behavior, political influence and cultural factors have different effects on the completion likelihood of CBM&A deals (Reddy et al., 2016). Extant literature on CBM&A suggests that "deal success and the time required for deal completion" are influenced by organizational and deal specific characteristics, and importantly, country-specific factors such as economic indicators, institutional laws, political factors, and cultural issues (Dikova et al., 2010; Erel et al., 2012; Zhang et al., 2011). Additionally, greater institutional distance between the acquirer and target countries, delays the time required to complete a publicly announced transaction (Reddy et al., 2016). Rather than taking institutions as an immutable constraint when making decisions, a firm can cultivate and exploit its ability to successfully manage diverse institutional distances in its target country environment (Henisz & Delios, 2000). Hence, it is crucial that additional research on institutional distances and on M&A deals is conducted, since this phenomenon it is not yet fully understood (Reis, 2017).

Firms that operate abroad must face significant differences between home and host countries' institutions. The differences or similarities in the institutions are often posited as distances (Kostova, 1999). For Xu and Shenkar (2002: 608) is "the extent of similarity or dissimilarity between the regulatory, cognitive, and normative institutions of two countries". This definition is built upon Scott's (1995) three institutional pillars: Regulatory, Normative and Cognitive. Regulatory institutions refer to the formally codified, enacted, and enforced structure of laws in a community, society, or nation; Normative institutions are less formal and are typically manifest in standards and commercial conventions such as those established by professional and trade associations, and business groups. Finally, cognitive institutions are the axiomatic beliefs about the expected standards of behavior that are specific to a culture, which are typically learned through social interactions by living or growing up in a community or society (Manolova et al, 2008). The differences or similarities in the institutions are often posited as distances (Kostova, 1999) and may be different for each of the institutional pillars (Kostova et al., 2008).

Nevertheless, other types of institutions may be used. North (1990) considered formal and informal institutions. Ghemawat (2001) developed the "CAGE" model based on this theory. CAGE model categorizes institutions on Cultural, Administrative, Geographic and Economic distances. Cultural distance comprises the social and human norms, language and education differences between countries; geographic distance is the actual gravity distance between countries' major cities in miles or kilometers; administrative distance implies the political and bureaucratic environment differences between host and home countries; economic distance includes national economic differences such as GDP or the exchange rate. More recently, Berry et al. (2010) proposed a framework with nine dimensions that summarizes most of the previous institutional distance research (Wu, 2014): political, economic, cultural, financial, knowledge, global-connectedness, demographic, administrative and geographical distance. Berry et al. (2010) have created three new distances: demographic, knowledge and global-connectedness distances. With regard to political institutions, Kaufmann constructs six indicators: voice and accountability, political stability and lack of violence, government effectiveness, regulatory quality, rule of law, and control of corruption (Kaufmann et al., 1999, Kaufmann et al., 2007, Kaufmann et al., 2009). In every case, institutional distance is considered the extent to which the institutions of two given countries differ and influence firms (Berry et al., 2010). My study partially adopts this framework to discuss institutional influences on CBM&As time to completion. Table 1 represents the institutional dimensions of distance studied in this dissertation and that were used in previous studies.

Table 1 - Dimensions of distance and examples of previous studies

Dimensions of distance	**Previous studies**
Economic	Campa & Guillén (1999);
Political	Guler & Guillén (2010); Karunaratne (2012); Kwok & Tedesse (2006); Toral (2008); Yu & Liao, (2008)
Administrative	Guler & Guillén (2010); Newburry &Yakova (2006); Schriber (2012)
Cultural	Hofstede (1980); Johanson & Vahlne (1977); Kogut & Singh (1988); Morosini et al. (1998); Sarala & Vaara (2010); Sun e Xu (2010); Tihanyi et al. (2005)

Source: Author

Berry et al's. (2010) dimensions and component variables are explained in table 2A in appendix, however a more directed explanation of the institutional distances that I use in this work are provided in the following subsections of this dissertation.

2.3.1. Political Distance

Political distance refers to the differences between countries in terms of political stability, democracy, and trade bloc membership (Berry et al., 2010). It denotes the country's differences in the development of market-supporting institutions (Liou & Rao-Nicholson, 2017). This means that political differences emphasize the differences in political systems, democratic character and trade relationships (Bailey & Li, 2015).

Governments influence, and sometimes dominate transactions within an economy through laws, regulations, and institutions (Rodriguez et al., 2005). Political institutions are relevant as they may determine issues such as tax rates, regulations, restrictions to foreign trade and investments (Chan et al., 2008) and reduce transaction costs by improving the security of property rights and contract enforcement (Chan et al., 2008; North, 1997; Rodriguez et al., 2005). Governments may protect local firms by hindering operations from a foreigner firm or, on the contrary, seek to attract foreign investments (Chan et al., 2008; North, 1990). This means that policies issued and followed by political institutions may hinder or promote the international operations of firms, especially the host country policies (Henisz & Zelner, 2005). Political institutions can influence and affect firm's operation whether that by the possibility of expropriation or nationalization of the investment, or other government actions or unexpected changes in the political situation that could have a negative effect on economic activity (Kobrin, 1979; Robock, 1971). So, it is important for firms to understand the political environment in which they are going to operate, be aware of the differences between both countries and to be prepared for unexpected changes.

Political distance measures most often used in the international business literature emphasize the effectiveness of political institutions and the uncertainty of the political environment (Bae & Salomon, 2010). Kaufmann et al. (2007), measured six features of political institutions: political stability, government effectiveness; voice and accountability, regulatory quality, rule of law, and control of corruption. However, in this dissertation, I will use Berry et al. (2010) framework.

Political distance between countries in international business has not received sufficient attention in recent literature (Umana Dajud, 2013). However, political distance has been examined on political instability, government systems (Berry et al.,2010) and entry modes (Dai et al., 2013), survival of a subsidiary (Henisz, 2000) or location decisions (Dunning & Lundan, 2008). Some studies suggest that political systems with predictable rules minimize the risks of internationalization and increase the likelihood of FDI (MacCarthy & Atthirawong, 2003) and that stable and open-policy institutions attract more inward M&As in the OECD countries (Wu, 2014). Thus, organizations tend to maximize their utility and minimize risk by internationalizing into more politically developed countries (Kraus et al., 2015).

Political uncertainty plays a significant role in firm investment and behavior (Henisz, 2000). Henisz and Delios (2000) found that firms take lower levels of equity ownership in subsidiaries located in politically unstable countries. The uncertainty and risk related to differences in political institutions between countries affect the stability of their markets, which affects foreign companies aiming to do business there (Quer et al., 2012). Although uncertain political conditions often discourage investment in the first place (Henisz & Macher, 2004), firms can develop strategies to decrease the risk associated with operating in politically volatile environment (Henisz & Delios, 2000). In fact, Quer et al. (2012) suggest that Chinese firms tend to invest in countries with higher levels of risk. By capturing political vulnerability and adapting to different political institutions in the target country, firms gain legitimacy (Meyer & Rowan, 1977). The greater the political distance foreign firms face, the more difficult it becomes for them to anticipate changes in the host country and to operate effectively (Martin et al., 2010; Gaur & Lu, 2007). Thus, performing deals, such as CBM&A is easier for acquirers to adapt to target country's political institutions if they are similar to the political institutions of the home country (Kostova & Zaheer, 1999). Besides that, political institutions can quick CBM&As with less time and money consumed on dealing with local governments and rules; as a result, reduce transaction costs of doing business in the host country (Kaufmann et al., 2007). This means that political distance also leads to uncertainty and costs (Berry et al., 2010).

2.3.2. Economic Distance

Economic institutions determine the constraints and the incentives for economic activity (North, 1990). The differences in the institutions are described by economic distance, which are referred as the dissimilarities among countries, regarding the economic activity such as consumers income level and distribution, consumer habit of consumption, level of inequality, consumer wealth and the cost and quality of natural, financial, human resources, infrastructure and information or knowledge (Ghemawat, 2001), inflation rates and intensity of trade (Berry et al., 2010). Basically, economic distance refers to the economic development difference between the acquirer and target markets (Liou & Rao-Nicholson, 2017) and considers cross-country differences in patterns of exchange, economic structure, market orientation, and market stability (Ghemawat, 2001; Miller & Parkhe, 2002).

Despite having a great importance in international businesses, economic distance has received less attention than the other distance dimensions, possibly because it is not considered a key factor identified in institutional economics or new institutionalism (Bae & Salomon, 2010). Besides that, patterns of exchange, economic structure may be seen as the result of firms and markets reacting to regulatory, political, and cultural institutions (Bae & Salomon, 2010). However, some authors in international business have studied the effect of economic distance on the choice of foreign market and entry mode (Berry et al., 2010). Though, other studies were conducted. For instance, studies suggest that resemblance in economic institutions encourages economic exchange (two countries or trading blocs will have greater trade and investment if they are closer in economic size) (Bae & Salomon, 2010); other authors suggest that foreign banks may operate less efficiently when their home country's financial market orientation is very different from that of the host country (Bae & Salomon, 2010); scholars advance that firms are more likely to agglomerate in economically risky; and other found that geographic proximity, weighted by economic development (investment, education levels, and the availability of resources) positively affects location choices (Bae & Salomon, 2010).

Economic distance often reflects differences in factor costs and in technological capability between two countries (Tsang & Yip, 2007). So, we can consider that two countries, with a relevant economic distance, will also have pertinent technological distance. The technological level reflects the knowledge bases and expertise level of one country (Favre, 2014). Thus, the more differences between the technological level of two countries, the more challenging it will be for firms to enhance their ability to share knowledge and communicate.

The investment through CBM&A in a certain country is driven by their economy characteristics (Ciobanu & Bahna, 2015). In fact, economic difference between the countries where the target and acquirer come from also determine the likelihood of a CBM&A (Pablo, 2009). When internationalizing to a country with a dissimilar profile, the firm must adapt its business model. In contrast, if the country presents a similar economic environment it facilitates CBM&A (Malhotra et al., 2009), because it is easier for the firm to replicate the already existing business model and to directly apply its processes and knowledge (Wu, 2014). Thus, the similarity of the economy is a factor for the development and the performance of the CBM&A, influencing the easiness of applying the business model, processes and products in the new market. The smaller the similarity between economic profiles, the higher the economic distance and the harder the adaptation, influencing negatively the CBM&A performance (Ramos, 2017). This means that similar economic institutions in home and host countries have a positive influence in the performance of a firm, much in the same way that economic institutions in acquirer and target countries would decrease uncertainty and allow for deals to be completed (Reis, 2017).

The smaller the economic distance between the acquirer and target countries, the more similar the countries are in terms of their income and wealth profiles, reflected in the attitudes and lifestyles of the consumers (Campbell et al., 2012) and thus the more alike they should be in their consumer purchasing power and preferences, macroeconomic stability and the openness of the economy to external influences (Berry et al., 2010).

2.3.3. Administrative Distance

There are several synonyms to address to administrative distance. Some call it "governance", "administrative" or "regulatory" distance, but all of them can be defined as the extent to which the administrative system of one country, meaning, laws, regulations and government policies, differ from another (Ghemawat, 2001; Xu & Shenkar, 2002). This means that administrative distance refers to the distance resulting from differences in societal institutions. It underlines differences in bureaucratic patterns due to colonial ties, languages, religions, and legal systems (Berry et al., 2010). Informal ties between countries developed through colonization, shared language, shared religion, and common origin of the legal system are path-dependent and tend to have persistent effects (Makino &Tsang, 2011). When countries share colonial history, language, religion and legal systems, there is little, or no uncertainty associated with transactions a result, firms are likely to find that with relatively low information costs, it is relatively easy to gain legitimacy in the target country that is closer to the acquirer country in an administrative dimension (Konara & Wei, 2014).

Several studies in international business field were conducted regarding administrative distance. Firms entering countries with a radically different administrative system experience high levels of uncertainty and will find it difficult to successfully business there (Timothy & Laszlo, 2010). Olie (1994) advance that the degree of compatibility of administrative practices between countries, contribute to explain the difficulties encountered in the post-merger integration process in a CBM&A. Authors such as Xu et al. (2004) propose that large regulatory distance leads firms to choose lower ownership stakes in their foreign subsidiaries. In fact, Xu & Shenkar (2002) suggested that firms are more likely to enter in countries through minority-owned joint ventures rather than through wholly or majority owned ventures. In turn, Habib & Zurawicki (2002) found that greater absolute differences in corruption levels between countries lead to smaller FDI flows between them. Other researchers argue that administrative factors such as colonial ties (Frankel & Rose, 2002), language (Johanson & Vahle, 1977), religion (Ghemawat, 2001), or legal systems (Berry et al., 2010; Porta et al., 1998) strongly influence a firm's strategic decisions (Bailey & Li, 2015). Above that, legal system is significant in explaining the number of M&A's in the world (Ciobanu & Bahna, 2015). In turn, Hejazi & Ma (2011) propose that language affects FDI stocks. Instead of focusing on the administrative distance between target and acquirer countries, some studies focused on aspects of the administrative quality of the target country. Globerman and Shapiro (2003) advance that countries with a high-quality administrative system receive more US FDI; Habib and Zurawicki (2002) found that corrupt countries receive significantly less FDI than non-corrupt ones, probably because corruption are known for creating a higher administrative distance for depressing trade and investment (Ramos, 2017). Complex administrative environments create situations that inhibit CBM&A activity (Vermeulen & Barkema, 2001). Examining administrative aspects has contributed to elucidate the effectiveness of new international business between countries with greater proximity and their influence on managerial decisions for multinational companies (Henisz, 2000).

Despite the debate whether regulatory distance is truly conceptually distinct from political distance (Bae & Solomon, 2010), I have considered Berry et al. (2010) approach that considers that they are different. The inclusion of the influence between colonized colonizer, common language, legal and religious institutions in the measures finds justification for breaking the national political systems, originate formal and informal institutional arrangements that transcend the purely political nature of the nation-state (Berry et al., 2010). So, administrative distance is determined by historical and political associations that are the reflection of these rules, norms and principles (Ramos, 2017).

2.3.4. Cultural Distance

Culture consists of beliefs, values, and norms (Scott, 1995). Values define what is desirable, while norms define how things should be done (Bae & Solomon, 2010). These normalize the behavior of organizational actors within societies (Hofstede, 1980; North, 1991; Scott, 1995). Culture is measured by indicators of individual values and beliefs, such as trust and respect for others, and confidence in individual self-determination (Tabellini, 2010). Cultural values underlie the rules that determine how institutions function (Sousa & Bradley, 2008) and affect the way people interact in organizations and in groups. People are rarely fully aware of their own national cultural values which are path dependent and transferred from generation to generation, and reinforced by institutions (Olie, 1990).

National cultural distance is defined as the degree to which cultural norms, routines and repertoires for organizational design, new product development, and other aspects of management in one country are different from those in another country (Kogut & Singh, 1988). Cultural distance reflects how individuals from different countries observe and react differently to certain behaviors and their attitudes towards authority, trust, family and work (Berry et al., 2010). Strategic decisions and actions of top managers are often influenced by their cultural background (Hofstede, 1980). People of different cultures will encounter similar problems but view them from different angles (Reus & Lamont, 2009), so cultural distance is closely linked to information asymmetry that exists between the negotiating parties to a transaction (Wu, 2014). Cultural distance can lead to difficulties in communication and coordination between firms, reducing operational effectiveness. It can also make the local market more difficult to understand and thus to penetrate successfully (Bae & Solomon, 2010). It is, therefore, crucial that cultural differences are recognized and accommodated by the manager (Sousa & Bradley, 2008).

Cultural distance is the most widely studied concept in CBM&A research (Wu, 2014). The first papers to address the cultural encounter in CBM&A were by Olie (1990), who focused CBM&A integration, highlighting that both organizational and national cultures meet in CBM&As (Faulkner et al., 2012). International business literature has focus enormously in cultural differences between countries, but the findings of researchers on their effect on CBM&As are, however, contradictory (Reis, 2017). While some authors argue that cultural differences can be a source of value creation, innovation and learning (Morosini et al., 1998; Vermeulen & Barkema, 2001) others state that cultural differences lead to misunderstandings and conflicts (Datta & Puia, 1995). Some studies have argued that cultural differences do not always have a negative impact on M&A performance (Gomes et al., 2013). In fact, studies consider that there is a benefit for firms to operate in countries with cultural distance (Stahl & Voigt, 2008). Morosini et al. (1998) suggest that there is a positive relation between cultural distance and firm performance. In turn, Brouthers and Brouthers (2001) found a counter-intuitive result in their studies, further known as the “cultural distance paradox”. This paradox is explained in the literature by greater cultural distance maybe offers firms a different set of resources which may complement the existing pool of resources (Morosini et al., 1998), or because firms may require higher control to cope with uncertainty which arises with cultural distance, namely in interacting with local firms (Slangen & Hennart, 2008). On the contrary, other studies support the idea that cultural distance has a negative impact on firms’ operations. Some studies suggest that firms prefer higher equity participations when cultural distance factor is low or, when performing foreign direct investment, firms prefer locations with lower cultural distance (Reis, 2017). For instance, Xu and Li (2011) indicated that cultural distance is negatively correlated with China's FDI, meaning that the greater cultural difference between China and the target country, the less FDI to that country. The greater cultural distance between countries may lead to misunderstandings (Adler, 1997; Lincoln et al., 1981). Consequently, similarity in national culture, or smaller cultural distance, facilitates interaction, while dissimilarity or greater cultural distance hinders it (Sousa & Bradley, 2008). Cultural differences are, often claimed to be the major cause of the high failures rates in M&As (King et al., 2004**)**. And, the proximity increases the number of CBM&As between countries (Malhotra et al., 2009, Shimizu et al., 2004). Regardless of the field of study, cultural differences between target and acquirer countries, there are several challenges for the acquirer (Dikova & Sahib, 2013) and they do matter in CBM&As (Otterspeer, 2016).

Hofstede's work has some limitations (Shenkar, 2001), however it is used in this dissertation, because previous studies have shown that the results are still valid and very valuable, especially for M&As researches (Kirkman et al, 2006). In fact, Hofstede's work is the more widely adopted measure of national cultural distance in international business (Bae & Salomon, 2010).

Due to the difficulty of integrating an already existing foreign management, cultural differences are likely to be especially important the case of an acquisition (Kogut & Singh, 1988). When firms enter in an institutional environment with a different set of rules, they must meet social expectations to demonstrate social responsibility and build social legitimacy in the host country (Quer et al., 2012). Hence, negotiations in the context of a CBM&A require the acquiring firms not only to attend the local traditions and etiquette, but also to understand the deeper and subtle governance and decision-making processes shaped by national cultures (Ahammad et al., 2016). Culture represents an important element of CBM&As process (Lodorfos & Boateng, 2006).

2.4. European Union

Regional integration is a shifting of certain national activities toward a new center (Haas, 1958). Integration, therefore, is a form of collective action among countries in order to obtain a certain goal. This goal can be as great as political unification, as it is in the case of the EU (Feng & Genna, 2003). The purposes of trade blocs are better economic welfare for its members, prosperity, access to a secure and large market, growth in employment, and defense against other alliances/trading blocs (Barker & Kaynak, 1992). To accomplish these goals, trade blocs try to facilitate trade and to reduce export barriers between its member countries (Korneliussen & Blasius, 2008).

EU is the most powerful trading bloc in the world (Meunier & Nicolaïdis, 2006). However, EU was not always as big as it is today. The oldest of the regional blocs was born in the bipolar environment of the Cold War (Magnoli, 1997). Historically, internal trade liberalization and external trade policy served as the glue to bind together the former enemies within Europe (Meunier & Nicolaïdis, 2006). Europe had as major objective to strengthen economic cooperation on the assumption that the countries are dependent on economic activity and that this will helps to avoid possible conflicts. Since then, EU has been through a gradual process that reached the level of a large single market, with a common currency. What initially began as a union of economic interests, quickly became an active organization with an immense range of areas, ranging from development aid to the environment.

EU has a unique institutional framework (see table 3A in appendix). European integration deliberately attempted to harmonize institutions and policies in several areas, establishing common benchmarks and targets for institutional improvement (Alesina et al., 2017).The EU main priorities are defined by the European Council which brings together national and EU-level leaders; directly elected MEPs represent European citizens in the European Parliament; the interests of the EU, as a whole, are upheld by the European Commission, whose members are appointed by national governments; and governments defend their own country's national interests in the Council of the EU. The European Council Provides impetus and direction: it sets the EU's overall political direction but has no powers to pass laws. This institution is let by a President and comprising national head of state or government and the President European Commission. There are three main institutions involved in EU legislation: The European Parliament (which represents the EU citizens and is elected by them); the Council of the EU (represents the governments of each member country. The president of the Council is shared by the member states on a rotating basis); and the European Commission (that represents the interests of the EU as a whole) (Europa.eu) Regarding trade negotiations, Europe is formally represented by the European Commission. The large experience in negotiating international trade agreements on behalf of its state members have made the EU an essential player and a powerful bargainer in the multilateral trading system (Meunier & Nicolaïdis, 2006). Besides these important institutions, EU has two others with fundamental roles, that are the Court of Justice and the

Court of Auditors. Other institutions have specialized roles: The European Central bank; European External Actions Service; European Economic and Social Committee; European Committee of the Regions; European Investment Bank; European Investment Fund; European Ombudsman; European Data Protection Supervisor; Publications Office; European Personnel Selection Office; European School of Administration and other specialized agencies and decentralized bodies (Europa.eu).

Integration reduces the uniqueness of institutional structures among countries (Alhor et al., 2008). It increases access to sources of financing, research and educational facilities, and skilled labor pools, which improves the level of entrepreneurial activity (Alhor et al., 2008). The Treaty of Rome was specifically designed to promote economic exchange across national borders (Europa.eu). Fligstein and Stone Sweet (2002) identified a self-reinforcing cycle of reduced barriers to cross-border economic activity and increasing integration. In fact, “the process through which barriers to cross-border economic activity within Europe are removed… and the process through which common, supranational public policies are made and enforced … are not distinct processes but are endogenous to one another” (Fligstein & Stone Sweet (2002) pp. 1209–1210). Integration process of the group and the homogeneity of economic institutions across countries, must reinforce each other in order for an economic union to appear (Feng & Genna, 2003). Hence, one would expect to see institutional convergence in Europe (Alesina et al., 2017). In fact, an explicit goal of the process of European integration was the harmonization of policies and institutions. Europe often provided standards and incentives for harmonization and to diffuse best practices (Alesina et al., 2017). The integration process of EU refers to the incremental development in the areas of mobility and exchanges of goods, services, labor and capital, among member states, the existence and influence of supranational agency overseeing economic relationships among states, as well as the coordination of fiscal and monetary policies. Integration improves when member countries are able to reduce the variance of their economic institutions. So, integration reduce the heterogeneity of economic institutions (Feng & Genna, 2003). EU has focused on removing barriers to the full integration of its members’ economies (Cyrus, 2015). The removal of barriers to trade and capital mobility within the EU has changed the permeability of national borders and hence the locational advantages of member states and the Union as a whole (Barrell & Pain, 1999). In addition, control of immigration, environmental protection, foreign policy, defense against terrorism, a common army, research, and innovation may all be best addressed at the European rather than at the national level (Alesina et al., 2017). The EU has emerged as a great accomplishment by bringing member countries together in a cohesive political and economic unit (Feng & Genna, 2003). This means that the role of institutional distance in determining trade flows may to be neutralized when EU countries are trading with each other (Aylward, 2016).

The ongoing harmonization of Europe's political environment has started a process of corporate restructuring throughout Europe (Bley & Madura, 2003). Europe has undergone fundamental changes in political structure following the collapse of the communist bloc, formal and informal trade barriers have been removed or reduced because of deepening and widening regional integration (Kokko & Tingvall, 2014). EU It is the result of a process of political integration between the nation-states of Europe (Hix & Høyland, 1999).

Political integration is mainly based on welfare increasing effects of integrated policy making (Molle, 2006). This means that EU is able to affect other countries' policies and positions (Meunier & Nicolaïdis, 2006). International political integration has occurred in Europe, where nation states have imposed limits on their sovereign use of certain policies and have delegated control over some relevant competencies, such as trade policy and antitrust (Brou & Ruta, 2011). There is a negative side of political integration, because the policy of one country has effects in another. For instance, if the objectives of two countries are inconsistent, the policy of one country will frustrate the policy of the other. However, Coricelli et al. (2016) suggest that the growth and productivity effect from deep integration (meaning, political benefits from EU membership) are substantially positive. So, it seems to pay-off being an EU state member.

Economic integration includes mechanisms such as developing common markets, eliminating tariffs, and creating common currencies, which all support market incentives for entrepreneurial strategies (Alhor et al., 2008). For instance, being part of the Eurozone makes it possible for the EU state members to transfer economic resources from countries with healthy economies to those suffering economic setbacks; such actions work to improve the aggregate economic situation of the integrated area in the long run (Alhor et al., 2008). Besides, the static and dynamic gains from regional integration schemes result in both long and short run economic gains (Benito et al., 2003). Entering into higher levels of economic integration, countries are likely to stimulate their cross-border entrepreneurial activity since such activity is directly associated with cross-border venture capital investment flows to and from other member nations (Alhor et al., 2008). In fact, since the beginning of the century, M&A activity has increased, especially in Europe (Moschieri & Campa, 2014). In fact, the rise of M&A activity in 2000s may be driven by the increasing legal and economic integration of European countries and to the introduction of the Euro (Campa & Moschieri, 2008). Europe has become an attractive market to foreign investors and researchers believe that this is a consequence of the European Commission's intervention to create a homogeneous and fertile ground for corporate acquisitions in Europe (Moschieri & Campa, 2014). Besides, the introduction of the Euro, deregulation and privatization, technological innovation and the globalization process, have encouraged EU companies to take part in M&As deals (Campa & Moschieri, 2008).

Increasing integration in the EU is reducing the administrative distance between member states (Angué & Mayrhofer, 2009). In EU, common legislation and coordination occurs through the structure of supra-regional institutions, which results in a convergence of issues such as tax rates, quality of infrastructure, competition law, incentive schemes, corporate governance, procurement regulations, etc. (Eliassen & Monsen, 2001). There are three main institutions involved in EU legislation: The European Parliament, the Council of the EU and the European Commission (Europa.eu). The primary source of law and policy-making power in the EU are the Treaties. New treaties need to be ratified by all member governments and they are the basis or ground rules for all EU action. the Treaties constitute the ultimate source of mandate and legitimacy for all EU institutions and for all their legislative and judicial authority. Secondary legislation comprises a broad and differentiated range of binding and non-binding legal instruments. includes regulations, directives and decisions – are derived from the principles and objectives set out in the treaties (Alesina et al.,2005). Legislation in the EU is typically initiated and prepared by the Commission, who can also sign legislative acts. Before the Maastricht Treaty, other legislative acts were signed only by the Council. Pressures from the European Parliament have resulted in the so-called co-decision procedure, where the Parliament also must sign (and with its refusal can veto) certain acts (Alesina et al.,2005).

In Europe, the effects of cultural distance between the countries are particularly relevant (Aylward, 2016). In table 4A, in appendix, it is possible to see a brief analysis on the cultural dimensions in Europe. Each European country has specific cultural values (Aureli & Demartini, 2010), but the continuing process of globalization in Europe may have reduced cultural differences between them (Kokko & Tingvall, 2014). Free movement of people within EU state members is one of the most fundamental freedoms (Vandenbrande et al., 2006) and as individuals move, they join new ingroups (Triandis, 1989), allowing interaction and integration into new cultures. This interaction may lead to a more homogeneous culture within the EU. In fact, there are studies that support the assumption that countries in Europe can be systematically clustered within culture clusters (House et al., 2004; Kolman et al.,2003; Ronen & Shenkar, 1985). Other studies test whether culture in European regions has a causal effect on the economic development (Tabellini, 2010), and an explorative study on European CBM&A suggest that national culture differences play an important role in affecting acquirer's perceptions of target companies, which have important consequences for the negotiation of the deals (Ahammad et al., 2016).

The harmonizing legal basis within the EU for cross-border mergers occurred via Cross-Border Merger Directive (CBMD) (Campa & Moschieri, 2008). This mechanism was necessary to block the problems that are believed to arise in a cross-border framework (Dutcik, 2017). The CBMD applies to mergers when at least two of the merging companies are from different EU Member States. By introducing this Directive, the European legislator intended to increase the mobility of companies within the EU by providing the tools to companies to restructure and cooperate at the European level (Dutcik, 2017). The directive aimed to create favorable conditions for the emergence of a European market for corporate control: efficient takeover mechanisms, a common regulatory framework and strong rights for shareholders (European-Commission, 2007). The purpose of the directive was to create conditions for the development of an active, cross-border European market for corporate control, to help exploit the benefits of a harmonized market for takeovers at European level, and to promote integration of European capital markets (European-Commission, 2007). Although the CBMD harmonizes M&A legislation across the EU, it still allows deviation at national level, because member states can choose not to execute the provisions on takeover defenses at the national level (Campa & Moschieri, 2008). This means that domestic governments can oppose to a merger in order to protect 'public interests' (Serdar Dinc & Erel, 2013). Besides, CBMD guidelines are still restricted to acquirers from the EU. The same rules do not necessarily apply to outside EU acquirers, for the same European target firm (Campa & Moschieri, 2008). Nevertheless, CBMD has positive effects. It made mergers possible in all EU member states by improving the effectiveness with simplified procedures and, most important, it resolved some issues related to conflicts between different domestic laws of EU member states (Dutcik, 2017). This directive provided a clear and predictable framework for carrying out cross-border mergers within the EU, which permitted that these deals happened in a fast, predictable, structured and less costly way (Dutcik, 2017). This means that is a positive effect, because the success of the transaction is greater, which is shown by the growth of mergers and acquisitions market (Ciobanu, 2015). The deregulation of many economic sectors has decreased the cost of making corporate acquisitions across European borders. (Moschieri & Campa, 2014). For all the motives mentioned above, EU seems to be as important variable to consider in this study.

3. Conceptual Development

In this section, I argue that institutional distance influences CBM&As time to completion, and that EU membership moderate the effect of institutional distance on CBM&As time to completion. I develop a framework which summarizes the different relationship between the variables. In the following subsections I develop hypotheses based on the literature. Four hypotheses test whether the institutional distance influence CBM&As time to completion, and another four test whether the EU membership has a moderating effect on the relationship between institutional distances and CBM&As time to completion.

Firms face several problems when acquiring in another country (Very & Schweiger, 2001). According to CBM&A literature, internal factors (firm and deal specific) and external factors (country level factors) determine the success of CBM&A deals. The reasons behind the unsuccessful deals include firm-specific factors (status of the firm, ownership structure, and previous acquisition experience), deal-specific factors (deal structure, deal type, payment mode, advisors to the deal, and their experience), and external factors (institutional issues such as political, legal, and socio-cultural differences) (Reddy et al., 2016). In fact, rules, regulations, and norms of doing business in foreign countries can be quite different from those in MNEs' home countries. Such differences present challenges for acquirer firms (Gaur & Lu, 2007). The lack of market transparency in relation to M&As relevant facts: such as shareholders, accounting differences, country restrictions, currency control regulations, tax laws, other legal hurdles such as environmental issues, ethical problems, anti-trust law or knowing how to negotiate in a particular country, due to limitations of knowledge regarding that particular country (Very

& Schweiger, 2001) are some of them. National boundaries between countries are indicative of economic, social, political, demographic, geographic, legal and cultural dimensions that differ among countries and comprise the national institutions (Berry et al., 2010) and that may have impact on CBM&As time to completion (Dikova et al., 2010).

First of all, it is crucial to consider this important premise: Institutional distance impacts firm performance (Bae & Salomon, 2010). The speed in which a CBM&A deal is completed, or the number of days taken from the announcement of the deal until its completion, is an important barometer of the success and efficiency of a deal. (Cai et al., 2015) and is considered by managers, of both target and the acquirer firms, as a measure of a firm's performance (Shimizu et al., 2004). Therefore, it is important to assess the impact of institutional distance on CBM&As completion. We scrutinize the effect of institutional distance considering four dimensions: political distance, economic distance, administrative distance and cultural distance (Berry et al., 2010).

3.1. Political Distance

Political institutions determine issues such as tax rates, laws, regulations, restrictions to foreign trade and investment and government protection on private property and intellectual property (Chan et al., 2008) and are key determinants of CBM&As decision (Ciobanu & Bahna, 2015). This means that governments influence and, sometimes, dominate transactions within an economy (Rodriguez et al., 2005), which may deter firms from operating in a given country (North, 1990). In fact, it has been found that political risk jeopardizes the success of CBM&As in several ways (Moschieri et al., 2014) and studies confirm that political systems, with predictable rules, minimize risks (Kraus et al., 2015).

Political institutions have a direct impact on deal duration (Cai et al., 2015), and studies show that the larger the political distance the more likely a CBM&A deal not to be completed (Reis, 2017). This may be due to the fact that political distance increases the complexity of a deal (Zhang & Xu, 2017), possibly due to information asymmetry (Akerlof, 1970). When acquirer firms face large political distance, they may find it difficult to reconcile the different legitimacy requirements and institutional environment in the host market. (Liou & Rao-Nicholson, 2017). In fact, if political institutions are similar to those of the home country, it might be easier for acquirer to adapt to target country (Kostova & Zaheer, 1999). Therefore, firms must develop capabilities and knowledge to adapt to the local institutional environment which may be a long process (Muehlfeld et al., 2012), increasing the time required to complete a CBM&A deal. Hence, I hypothesize the following:

Hypothesis 1: *The greater the political distance between acquirer and target countries, the longer the time to complete a CBM&A deal.*

3.2. Economic Distance

Economic institutions determine the constraints and the incentives for economic activity (North, 1990). The differences in the institutions are described by economic distance, which are referred as the dissimilarities among countries, regarding the economic activity such as Income, Inflation, Exports and Imports (Berry et al., 2010). Moreover, the economic distance often reflects differences in factor costs and in technological capability between two countries (Tsang & Yip, 2007).

When home and target countries are more economically dissimilar, firms that undertake a CBM&A deal must face higher costs (Reis, 2017) and they have to adapt to the local economic environment firms, in order to develop capabilities and knowledge, which can become a long and expensive process, leading to a delay in the profitability (Reis, 2017). On the contrary, similar economic institutions in acquirer and target countries, have a positive influence in the performance of a firm (Bevan et al., 2004).

Economic distance is likely to induce risk in internationalization due to misunderstandings and problems in accessing foreign stakeholders (Ghemawat, 2001). So, if economic distance between two countries is large, the acquiring firm perceive high risk which could lead to deal abandonment (Lim et al., 2014). Thus, similar economic institutions in home and target countries decrease uncertainty and risk (Bevan et al., 2004), which allow for deals to be completed in a quicker way. Therefore, I hypothesize the following:

Hypothesis 2: *The greater the economic distance between acquirer and target countries, the longer the time to complete a CBM&A deal.*

3.3. Administrative Distance

Administrative distance exists because countries have different bureaucratic, working and political structures, caused by colonization linkage, language, religion or legal differences (Berry et al., 2010). Evidence supports the fact that CBM&As are more likely to occur between countries that share a common religion, a common language and a common origin of legal systems (Ahern et al., 2015). Existing commercial laws are rooted in two main origins: the common and the civil law (Porta et al., 1998). Differences in the legal system of home and target countries (civil law versus common law or vice versa) may cause acquirer firms to withdraw the CBM&A deal, due to the rise of the costs of doing business (Dikova et al., 2010). So, it is safe to say that the larger the differences between the legal and regulatory issues of target and acquirer countries, more challenging it would be for acquirers to overcome those barriers (Zhou et al., 2016). This means that efficient legal infrastructure reduces institutional uncertainties and reduces the transactions costs of doing business by facilitating the establishment and enforcement of contracts (Bevan et al., 2004).

Different government policies are an important source of administrative distance (Ghemawat, 2001). In order to protect domestic companies, the government of the target country, may raise barriers that can cause delay in the negotiations (Malhotra et al., 2009). Similarly, a country's government can be ineffective, with excessive regulations which lead to the necessity of spending more time and money to overcome the regulations (Kaufmann et al., 2007). Besides that, the level of complexity of each country's fiscal rules and the differences in tax rates play an important role as determinants of CBM&As (Monteiro, 2012). In fact, excessive regulations lead to increased costs (Kaufmann et al., 2007) and consequently, affect the likelihood of deal success (Caiazza, & Pozzolo, 2016). Furthermore, unfamiliarity of rules and regulations of the target country may create substantial risk and uncertainty of operations (Hutzschenreuter et al., 2014). So, firms have to adapt to the administrative environment of the target country, what can be a long and costly process, hindering the negotiations. Therefore, I advance the following:

Hypothesis 3: *The greater the administrative distance between acquirer and target countries, the longer the time to complete a CBM&A deal.*

3.4. Cultural Distance

Firms are embedded in a system of social and cultural norms that often affect the processes and outcomes of CBM&As (Shimizu et al., 2004). Cultural distance makes it more difficult for parties to come together, interact, and share ideas (Lane et al., 2017), what could result in misunderstandings and conflicts between the two merging organizations (Otterspeer, 2016). When there is a cultural proximity, it is easier to exchange knowledge, to combine capabilities, better integrate and communicate (Ramos, 2017). Communication may be the most important factor throughout the entire CBM&A process (Appelbaum et al., 2000). Even when language differences are not present, organization members are likely to prefer communicating with other members from similar cultures rather than with members from distant cultures (Lane et al., 2017).

Acquirers and targets with larger cultural differences are more likely to have different business priorities and different decision-making processes, which add an extra degree of difficulty to the process (Gomes et al., 2013). As a result, those deals are more likely to face disagreement and conflict during the negotiation stage (Alexandridis et al., 2016). In fact, empirical studies show that national culture has a significant impact on the internationalization decision of firms (Malhotra et al., 2009), and Kogut and Singh (1988) demonstrate that differences is culture between home and host countries increase the level of risk. Large cultural distance makes it very difficult for managers to precisely understand the foreign market, owing to the environmental complexity (Sousa, 2015). Additionally, Hutzschenreuter et al. (2014) suggest that cultural distance may delay learning and disturb the decision-making process.

Cultural distance negatively affects CBM&A's effectiveness (Ahammad et al., 2016) and performance (Wu, 2014), and time to completion is an important barometer of the success of a deal (Cai et al., 2015). If we consider that differences in values, rules, traditions and ways of doing business in a given country can induce risk, create misunderstandings and conflicts (Lincoln et al., 1981; Sousa & Bradley, 2008), we can expect that adaptation and resolution of those problems can take time and increase CBM&As time to completion. Hence, I hypothesize the following:

Hypothesis 4: *The greater the cultural distance between acquirer and target countries, the longer the time to complete a CBM&A deal.*

3.5. Moderating Effect of EU Membership

EU membership is a moderating variable (Chaudoin et al., 2016). EU membership constrains the policy autonomy of member states, which can change the relationship between the explanatory variables and the outcome variable (Chaudoin et al., 2016). This means that we may expect to see a different relationship between trade policy among EU members, compared to that relationship among non-members.

Regional integration promotes the widening of markets, and because state members have easier access to the larger market they are, they achieve a better position than the ones that do not belong to the regional integration (Benito et al., 2003). The regional integration schemes represent a specific subdivision of location advantages (Vernon, 1996) and MNE activity is more likely to take place within member countries (Benito et al., 2003). Open economies are known to remove unnecessary restrictions on exports and imports, thus, encouraging FDI flows, such as CBM&As (Jayanthi et al., 2016).

Studies show evidence that there are substantial benefits for MNEs operating within the EU, compared to those operating outside it (Benito et al., 2003). For instance, Moschieri et al.'s (2014) study deals with acquirers which are EU state members to see if the benefits of regional integration are confined to existing members, or whether they spill over to any acquirer regardless of EU membership. The results support that idea by indicating that political risk lose influence after the Takeover Directive that was issued by the EU Commission (Moschieri et al., 2014). Research also find out that CBM&A deals from companies outside the block are hampered by protective measures by the EU for non-EU foreign investors (Aktas et al., 2007; Campa & Hernando, 2004). Besides that, European firms prefer European counterparts, to partners located outside of the EU to reduce risks (Dutcik, 2017). Protectionism is a barrier to internationalization and free trade, and it is usually used to protect a country's home industry from countries that are competitors (Korneliussen & Blasius, 2008).

The ongoing harmonization of Europe's political environment has started a process of corporate restructuring throughout Europe (Bley & Madura, 2003). Europe has undergone fundamental changes in political structure following the collapse of the Communist bloc, formal and informal trade barriers have been removed or reduced because of deepening and widening regional integration (Kokko & Tingvall, 2014). EU It is the result of a process of voluntary economic and political integration between the nation-states of Europe (Hix & Høyland, 1999).

Adapting to target country's political institutions may be easier for acquirers if political institutions are similar to those of the home country (Kostova & Zaheer, 1999). CBM&As occur in the international business environment which means that firms have to face differences between countries, political issues and other institutions may delay firms' operations abroad (Ferreira et al., 2014). Above that, differences in the institutions between home country and target country means that firms must adapt to different political institutions to gain legitimacy to operate in a new country (Meyer & Rowan, 1977), what may take time and consequently delay the negotiations abroad. Since there is little variation in terms of the levels of political institutions among EU members (Coricelli et al., 2016), one may expect the following:

Hypothesis 5: *EU membership of both acquirer and target countries moderates the effect of political distance on time to complete a CBM&A deal.*

One of the purposes of the EU is to foster greater economic integration among its members (Alesina et al, 2017). Deep regional integration can result in an increasing similarity in the economic structures of the participating countries (Benito et al., 2003). In fact, existing studies find evidence of economic convergence in GDP per capita in the long run, due to the catch-up in growth of the poorer countries (Greece, Ireland, Portugal, Spain, and Eastern Europe, more recently) (Alesina et al., 2017). This makes EU an example of diminished economic distance (Ramos, 2017).

EU has taken significant steps towards the integration of its member countries, such as the adoption of the Euro as a single currency and the implementation of the Directive for Takeovers in Europe (Moschieri et al., 2014). In fact, the removal of cross-border barriers and the adoption of a single currency led to substantial economic integration among European economies (Bley & Madura, 2003). The presence of a stable, well-accepted currency increases FDI (Grosse & Trevino, 2005) and despite great differences in per capita income among member states and in national attitudes toward issues like inflation, debt, and foreign trade, the EU has a high degree of coordination of monetary and fiscal policies (Cia factbook, 2018). A common currency – the euro – circulates among 19 of the member states that make up the European Economic and Monetary Union (Cia factbook, 2018). The introduction of Euro in EU has two major impacts: first, creates a more liquid European capital market that provides companies new sources of financing and facilitating access to large amounts of funds (Campa & Hernando, 2004). Second, the euro signals member countries' commitment to advance the political and economic agenda of the Union, lowering transaction costs for CBM&As, and eliminating the barriers represented by trading with different currencies (Moschieri & Campa, 2014), improving the efficiency of the market (McCarthy & Dolfsma, 2015). Institutions behind EU are meant to protect its member-states more than outsiders (Moschieri et al., 2014), so it is plausible that companies from member countries may feel more secure about their investments in the EU, as opposed to firms from non-member countries. Additionally, uncertainty surrounding exchange rates between European countries is removed, membership in EU may reduce the time to completion of a CBM&A deal, thus I propose:

Hypothesis 6: *EU membership of both acquirer and target countries moderates the effect of economic distance on time to complete a CBM&A deal.*

Administrative distance refers to differences in bureaucratic patterns due to colonial ties, language, religion, and the legal system (Berry et al., 2010). Industry regulation, the efficiency of the financial markets and the legal framework for corporate decisions can affect the completion of corporate investments (Moschieri & Campa, 2014). To avoid monopoly created by mergers, antitrust and competition laws were created to address the competition concerns and ensure enough rivalry (Cai et al., 2015). Besides that, recent evidence shows that the more an CBM&A transaction threatens to harm rival European firms through increased competition, the greater the likelihood of European regulatory intervention, especially when the acquirer is foreign (Aktas et al., 2007). In fact, due to economic nationalism, regulatory agencies in host countries have incentives to block transactions to protect resources to be transferred to the foreign acquirer (Cai et al., 2015).

Increasing integration in the EU is reducing the administrative distance between member states (Angué & Mayrhofer, 2009). In EU, common legislation and coordination occurs through the structure of supra-regional institutions, which results in a convergence of issues such as tax rates, quality of infrastructure, competition law, incentive schemes, corporate governance, procurement regulations, etc. (Eliassen & Monsen, 2001). The "Takeover Directive" intention is to create favorable conditions for the rise of an European market for corporate control (Moschieri et al.,2014). The aim of this new regulatory framework is to harmonize different national takeover laws through consistent takeover rules across the EU (Moschieri & Campa, 2014). Key provisions in such a harmonization process, considered efficient takeover mechanisms, a common regulatory framework and the strengthening of shareholder rights (European-Commission, 2007). In fact, EU has a unique supranational law system in which, according to the Treaty of Lisbon, the law adopted by the Union, based on the Treaties, have primacy over the law of Member States (CIA Factbook, 2018). Hence, EU presents a similar administrative measure among its member states. This means that state members are accustomed to laws and regulations within EU, and outsider firms need to adapt and cope the differences, so it is expected that EU membership moderates the effect of administrative distance on CBM&As time to completion. Thus, I hypothesize the following:

Hypothesis 7: *EU membership of both acquirer and target countries moderates the effect of administrative distance on time to complete a CBM&A deal.*

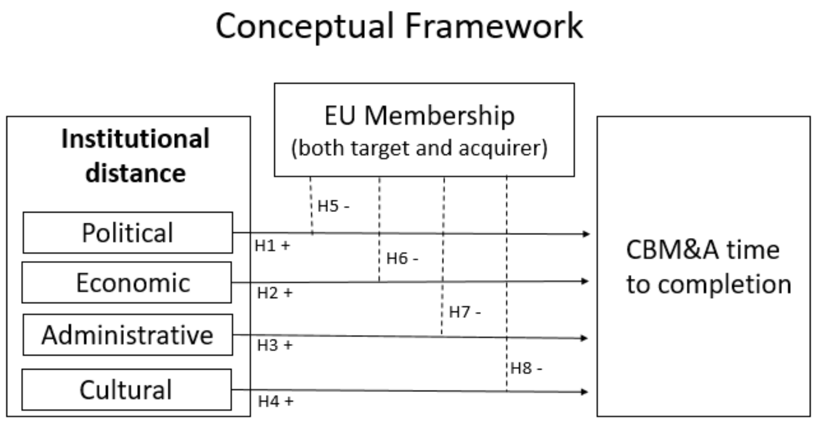
Cultural distance provides a static index of the potential problems that firms involved in CBM&As may face (Smith, 2015). The main negative effects of cultural distance are the clashes or conflicts that may arise due to differences in the perceptions and attitudes of the firm's managers (Vasilaki, 2011). It becomes more difficult to come together, interact and share ideas (Reus & Lamont, 2009), which can reduce firms effectiveness (Bae & Salomon, 2010). Additionally, countries that are similar to each other in terms of culture can be expected to have facilitated trade agreements (Kokko & Tingvall, 2014).

The effects of cultural distance between countries are especially relevant to Europe (Aylward, 2016). The aim of European collaboration has been to integrate national markets into one large European market and reduce all internal barriers to trade. Each European country has specific cultural values (Aureli & Demartini, 2010), but the continuing process of globalization in Europe may have reduced cultural differences between them (Kokko & Tingvall, 2014). Barriers such as physical and administrative borders, as well as a common currency for some state members, no longer exist and EU state members should be nearly completely integrated into one market (Frieden & Eichengreen, 2018). Free movement of people within EU is one of the most fundamental freedoms and a necessary precondition for building a single market (Vandenbrande et al., 2006). Mobility confers the right for EU nationals to move to another Member State freely, to take up employment and to establish themselves in the host country, with their family members (www.europa.eu). As individuals move, they join new ingroups (Triandis, 1989), allowing interaction and integration into new cultures. This interaction leads to a reduction of cultural distances in the EU. Thus, it is expected that EU membership moderates the effect of cultural distances in CBM&As time to completion. Hence, I hypothesize the following:

Hypothesis 8: *EU membership of both acquirer and target countries moderates the effect of cultural distance on time to complete a CBM&A deal.*

The greater the similarity between two countries' institutional systems and structures, the more likely an investor will recognize and take advantage of opportunities existing across national borders (Alhorr et al., 2008). Thus, the inexistence of trade barriers in EU should stimulate CBM&As and reduce their time to completion. The hypotheses mentioned above are schematically represented in the figure below.

Figure 2 - Conceptual model



Source: Author

4. Method

In this chapter, I describe the sample, the measurement of the variables and the approach that I use to understand the effect of institutional distances on CBM&As time to completion, and the moderating effect that EU membership has in this relation. I start by describing the sample, then I present the variables that were used and, finally, I describe the statistical procedures that I used to test the model.

4.1. Data and Sample

The empirical data for this study was collected from five distinct sources. Country level data regarding institutional differences was retrieved from two sources: Berry et al. (2010) for political, economic and administrative distance, and Hofstede's website (2010) for the cultural dimension. Additional country-level data was collected from https://europa.eu website (EU membership) and inflation rate was retrieved from World Development Indicators. The firm-level data and deal-level data was obtained through Thomson Reuters' Securities Data Corporation Platinum (SDC Platinum), which is one of the leading databases for financial transactions (Reis, 2017).

Previous research used these sources (Dikova et al., 2010; Ferreira, et al., 2017; Reis 2017). SDC Platinum has been extensively used in academic research on M&As (Caiazza

& Pozzolo, 2016; Dikova et al., 2010; Ferreira et al., 2017; Malhotra et al., 2009; Monteiro, 2012; Zhang et al., 2011; Zhou et al., 2016). Likewise, institutional distance data from Berry et al. (2010) has been widely used by international business scholars (Ferreira et al., 2017; Reis, 2017; Wu, 2014; Zhou & Guillén, 2015). Similarly, CD index (Kogut & Singh, 1988) using Hofstede's (1980) scores has been broadly used in international business research (Ferreira et al., 2017; Malhotra et al., 2009; Quer et al., 2012; Zhang & Xu, 2017), and has been identified as one of the major sources for failing in CBM&A deals (Kummer, 2007). Despite the criticism on Hofstede's measures of cultural distance (Shenkar, 2001), it continues to be largely used in studies, including in M&A (Stahl & Voigt, 2008). This index is considered to be the best measure of national cultural distance available, because Hofstede's scores are accessible for a vast amount of countries and many researchers have confirmed their validity (Otterspeer, 2016).

The sample collection procedures involved several steps. SDC Platinum was used to get an exhaustive list of mergers and acquisitions that took place during the year of 2011. The original data comprehended 37,441 deals, in which I further impose several selection criteria in order to collect valid data to test my hypothesis. First, I was only interested in deals whose target firm was EU state member. Hence, I eliminated all deals that did not fulfill this condition. Second, because I wanted to measure time to completion of a CBM&A deal, I deleted all deals that did not present the status as "completed". Third, and because my intention was to assess the impact of institutional distance between countries, I excluded all deals that occurred within the same country. Then, using OECD (2000), I excluded all countries that were considered tax havens (See table 5A in Appendix). These countries are low-tax jurisdictions that provide investors opportunities for tax avoidance (Desai et al., 2006). Finally, I excluded the deals with insufficient data in the variables of interest. With this selection principles, my final sample includes 2,110 acquisitions, within the 27 state members of EU, in 2011 (see table 6A in appendix) and 60 acquirer countries (see table 7A in appendix).

Table 2 presents the top countries involved in the deals. 51.1% of the deals occurred between EU state member countries and 49.9% happened with acquirer countries that were not members. The top five acquiring countries in CBM&As are United States (532, representing 25.2% of the sample), followed by United Kingdom (194, 9.2%), France and Germany (153, 7.3%) and Switzerland (110, 1.3%). The countries which have received more operations were United Kingdom (472, representative of 22.4% of the sample), Germany (357, 16.9%), France (206, 9.8%), Sweden (149, 7.1%) and Spain (137, 6.5%).

Table 2 - Top country deals

Acquirer Country	**Freq.**	**%**	**Target Country**	**Freq.**	**%**
United States	532	25.2	United Kingdom	472	22.4
United Kingdom	194	9.2	Germany	357	16.9
France	153	7.3	France	206	9.8
Germany	153	7.3	Sweden	149	7.1
Switzerland	110	5.2	Spain	137	6.5

Source: Author

4.2. Variables

I present my dependent, independent, moderating and control variables as follows.

4.2.1. Dependent Variable

The dependent variable is CBM&As time to completion. This variable is measured in days, calculated as the difference between the formal announcement date and its completion. (Cai et al., 2015; Dikova et al., 2010; Ferreira et al., 2017; Reis, 2017). The dates were taken from SDC Platinum.

The completion date is an indicator that both parties involved perceive most crucial issues for the acquisition were resolved (Dikova et al. 2010). The time interval between a CBM&A announcement and completion (completion time) will be influenced by several factors (Ekelund et al., 2001), and deals which are profitable for both parties involved tend to be closed quickly, suggesting that if too much time passes after the announcement, the likelihood of a deal being completed decreases (Butler & Sauska, 2014; Caiazza & Pozzolo, 2016).

4.2.2. Independent Variables

The independent variables in this study are the different dimensions of institutional distance presented by Berry et al. (2010) regarding Political, Economic and Administrative issues and Hofstede’s (1980) work for Cultural distance. The data consists on the distance, for each institutional dimension, between the acquirer and target country.

Political distance. Political distance reflects aspects such as policy-making uncertainty; democratic character and size of the state; world trade organization membership and regional trade agreement (Berry et al., 2010). Meaning that it considers the influence that the government of each country has on the economy, property rights, democratic level, political stability, and participation in trade bloc agreements (Berry et al., 2010). In fact, governments influence, and sometimes dominate transactions within an economy through laws, regulations, and institutions (Rodriguez et al., 2005). This measure has been used previously by Buckley et al. (2007), Duanmu, (2012) and Duanmu and Guney, (2009). Political distance was calculated through Mahalanobis distance from Berry et al. (2010). This method is the best choice when measuring distances between pairs of countries, because it is scale invariant and takes into consideration the variance–covariance matrix in computation (Berry et al., 2010).

Economic distance. Economic distance regards differences on stability and economic development and considers factors such as income (GDP per capita), inflation (GDP deflator), exports and imports (Berry et al., 2010). This means that it represents the differences in income level and distribution, consumer habits of consumption, level of inequality, consumer wealth and the cost and quality of natural, financial and human resources. The wealth of a nation or consumer income is the most economically important attribute in the distance between countries with a significant effect on levels of trade and the types of partners each country achieves (Ghemawat, 2001). In fact, the examination of these indicators is correlated with purchasing power and consumer preferences, economic stability, and the openness of the economy to external influences (Berry et al., 2010). These factors influence the selection of entry mode into international markets, the study of a firm's performance and survival (Caves, 1996). For this variable I have used Berry's et al. (2010) Mahalanobis distance.

Administrative distance. Administrative distance comprehends the regulative differences between target and acquirer country in aspects such as colonizer-colonizes linkage, common language and religion and legal system (Berry et al., 2010). If companies have the same set of laws, rules and mechanisms, they are able to predict the behavior of their partners, increasing the mutual trust (Favre, 2014). On the contrary, when they do not share the same laws, rules and mechanisms, these differences cause insecurity and relational risks. So, we can say that the higher the administrative distance, the less the companies will be able to predict their partners' behavior, the higher the insecurity and relational risks will be (Favre, 2014). This variable was measured with Berry et al. (2010) Mahalanobis distance.

Cultural distance. Cultural distance is the degree of difference between the cultural norms of the acquirer nation and the target country in question (Kogut & Singh, 1988). People of different cultures will encounter similar problems but view them from different angles (Reus & Lamont, 2009), that is why is closely linked to information asymmetry that exists between the negotiating parties of a deal (Wu, 2014). I measured cultural distance, using Kogut and Singh's (1988) formula, combining Hofstede's (2010) four most common cultural dimensions – individualism, uncertainty avoidance, power distance and masculinity, as follows:

$$Cultural\,Distance = \sum_{j=1}^{4}\{(H_{Aj} - H_{Tj})^2/V_j\}/4$$

Where H A,j is the acquiring country for Hofstede's cultural dimension j. H T,j represents the target country score for the corresponding cultural dimension j and V j is the variance of the index score of cultural dimension j.

Power distance corresponds to the acceptance and expectation of difference of power and inequalities inside a population. The individualism versus the collectivism is whether a society is looking for each other and expects help from other members of the community or not. The masculinity versus femininity is looking at whether the society is competition and achievement oriented or cooperation and consensus-oriented. The uncertainty avoidance is linked to the risk tolerance and the discomfort the risk brings. The values correspondent to each country, were obtained through Hofstede website.

4.2.3. Moderating Variable

EU membership. EU membership is a dummy variable that assumes the value one if both acquirer and target firms are from EU state members (see table 6A in appendix) and zero otherwise. EU membership data was obtained through https://europa.eu. The greater the similarity between two countries' institutional structure and systems, the more likely an investor will be aware of the opportunities existing across national borders (Alhorr et al., 2008). Thus, the lowering of trade barriers through the adoption of a common European market, would stimulate cross-border flows, and reduce risk-related barriers (Alhorr et al., 2008). In addition to that, EU membership constrains policy autonomy of member states, which can change the relationship between the explanatory variables and the outcome variable (Chaudoin et al., 2016).

4.2.4. Control Variables

I included several control variables that may be linked to CBM&As time to completion.

Inflation. Inflation rate of the target's country has been identified as one of the determinants of CBM&As (Uddin & Boateng, 2011). This variable is a sign for stability of an economy (Kummer, 2007). A more stable situation should encourage FDI, while a high inflation rate may reflect macroeconomic instability in the target country and therefore deter FDI flows (Duanmu & Guney, 2009). This means that volatile and unpredictable inflation rates in a target country discourages investments by creating uncertainty (Buckley et al., 2007), what turns to be particularly challenging for foreign investors (Meyer, 2001). Furthermore, an instable inflation rate is a sign for the government's inability to maintain consistent monetary policy (Grosse et al., 2005). Thus, acquiring companies face increased risk due to uncertainty and potential costs, which may lead to a longer decision time regarding the investment and consequently increase the time needed to complete the deal. The inflation rate in the target country, uses data from the World Development Indicators, and it has been used in several previous studies. (Alhorr et al., 2008; Uddin & Boateng, 2011).

Previous experience in EU deals. Higher experience, manifested through previous M&As, gives the possibility to obtain more and specific knowledge about different markets and related factors (Ramos, 2017). These skills and knowledge can be transferred from one acquisition to another (Shimizu et al., 2004; Zhang et al., 2011). Consequently, internationally experienced acquirers are more likely to be aware of CBM&As pitfalls and are more capable at resolving related conflicts. (Dikova & Sahib, 2013). Therefore, experience should help attenuate the distance factor, as it would be easier and more efficient to overcome problems and differences (Ramos, 2017), and is expected that this facilitates deal completion (Cai et al., 2015). In fact, experience with acquisitions decreases the time duration from announcement to completion (Ferreira et al., 2017). However, if prior acquisitions are significantly different from the current acquisition, the gained knowledge may not be applicable to a specific situation (Shimizu et al., 2004). The idea that a firm can use its prior experience in the same country is in line with the concept of 'experiential' knowledge (Johanson & Vahlne, 1977) and therefore success in merging and acquiring a firm in the same country will be more likely (Favre, 2014) So, one can say that local experience is a more direct measure of relevant experience (Ferreira et al., 2017). Therefore, I have considered EU as the “local” previous experience, which assumed the value of one if the acquirer was involved in as EU CBM&A deal in the previous five years, and zero otherwise. This information was obtained through SDC Platinum.

Relatedness. Non-related acquisitions tend to be more complex and involve greater uncertainty and difficulty (Ferreira et al., 2017). When target and acquirer operate in the same industry, the level of perceived risk would be minor, because both firms share the same level of knowledge and understanding of the industry (Lim et al., 2014). So, it is expected a reduction on information asymmetries (Aguilera et al., 2008; Luypaert & De Maeseneire, 2015;), and firms may be able to more easily negotiate (Ngo & Susnjara, 2016). I compared the four-digit Standard Industrial Classification (SIC) codes from acquirer and target firms, creating a dummy variable, which assumed the value of one if the 4-digit SIC codes match and zero otherwise (Aguilera & Dencker, 2008; Ahammad et al., 2015; Ferreira et al., 2017; Hernández & Nieto, 2015; Lubatkin et al., 1993; Zhang et al., 2011; Zhou et al., 2016). The SIC codes were obtained in SDC Platinum.

Acquirer advisors. Considering the complexity and diversity of problems regarding the entry in a foreign market, firms often seek help from advisors in the country where the target firm is located (Shimizu et al., 2004). Hiring an adviser has the objective of reducing the effect of institutional distance on CBM&A time to completion (Reis, 2017) and assist the firm in achieving a better performance (Hayward, 2002). Legal, financial and strategic advisors are commonly used, and there is a high global concentration of advisors across Europe (Campa & Moschieri, 2008). An acquirer advisor, by reducing the risk involved in a CBM&A deal, may reduce the negotiation’s period. Using information from SDC Platinum, I have considered the intervention of acquirer advisors by using a dummy variable which takes the value of one if an acquirer hires an advisor and zero otherwise. (Reis, 2017; Zhang, et al., 2011).

Bidders. Competing bids are less likely to be completed (Campa & Moschieri, 2008). The degree of competition may have implications for target and acquirer bargaining behaviors when there is more than one bidder (Deminova, 2014). Multiple bidders may also signal an impending bidding war, causing some bidders to end negotiations early (Ngo & Susnjara, 2016). If there is more than one bidder, it becomes less probable that the target will quickly reach an agreement with one (Luypaert & De Maeseneire, 2015), and complex deal structures such as are competing bids, might increase deal duration (Cai et al, 2015). Hence, following previous studies (Aguilera, & Dencker, 2008; Ngo & Susnjara, 2016) a dummy variable, reported by SDC Platinum, was assigned to measure the existence of multiple bidders, through the number one if there were multiple bidders, and zero otherwise.

Tender Offer. A tender offer is the purchase of a significant package of shares that provides effective control of the target, from a single or a group of investors. (Campa & Moschieri, 2008). A deal being carried out by means of a tender offer, is posited to influence CBM&As (Reis, 2017; Alexandridis et al., 2016) and might increase deal duration. (Cai et al, 2015). Thus, with data from SDC Platinum, I have used a dummy variable with the value of one for tender offers, and zero otherwise.

The summary of the variables is presented in the following table.

Table 3 - Summary of the variables

Variable name	Measurement	Source
CBM&As Time to Completion	Number of days between the announcement and the end of the deal.	SDC Platinum
Political Distance	Differences in the nature of political systems, namely in: policy-making uncertainty, democratic character, size of the state, world trade agreements and regional trade agreement. Computed with Mahalanobis distance.	Berry et al. (2010)
Economic Distance	Differences in Income, Inflation, Exports and Imports. Computed with Mahalanobis distance.	Berry et al. (2010)
Administrative Distance	Difference in bureaucratic patterns, influenced by: colonizer-colonized link, common language, common religion, legal system. Computed with Mahalanobis distance.	Berry et al. (2010)
Cultural Distance	Difference in cultural values and norms calculated using the Kogut and Singh (1988) Euclidean distance, based on the four cultural dimensions of Hofstede (1980).	http://geert-hofstede.com
EU Membership	Dummy variable with a value of 1 if both target and acquirer countries are EU state members, and 0 otherwise.	https://europa.eu

Inflation	Value of Inflation rate of the target country in 2011.	World Development Indicators from https://data.worldbank.org
Previous experience in EU deals	Measure of acquirer's previous experience in undertaking CBM&A EU. Dummy variable with a value of 1 if acquirer was involved in EU CBM&A deals in the previous 5 years, and 0 otherwise.	SDC Platinum
Relatedness	The acquirer's business is related to the target's business, based on matching 4-digit SIC codes for the acquirer and target firm. Dummy variable with a value of 1 if the target and acquirer belong in the same industry, and 0 otherwise.	SDC Platinum
Acquirer Advisors	Existence of advisors in the CBM&A deal. Dummy variable with a value of 1 if the acquirer hires advisors, and 0 otherwise.	SDC Platinum
Bidders	Existence of multiple bidders in the CBM&A deal. Dummy variable with the value of 1 for existence of multiple bidders, and 0 otherwise.	SDC Platinum
Tender Offer	Dummy variable with a value of 1 for tender offers, and 0 otherwise.	SDC Platinum

Source: Author

4.3. Procedures

Using a sample of 2,110 deals that occurred during 2011 in EU, I test in which manner the institutional distance factors effect CBM&As time to completion, by estimating a linear regression model. CBM&As time to completion can be estimated by either Linear Regression (OLS) or Poisson regression: Luypaert and De Maeseneire (2015) estimated both models, and the results of a Poisson count regression were similar to the linear regression model. Thus, for the simplicity of interpretation, I used a linear regression model.

Regression is a statistical model that is used to predict the behavior of a variable (Pestana & Gageiro, 2005), in this case, the time elapsed between announcement and completion of a CBM&A deal. This statistical model is composed of a set of statistical techniques used to model relationships between variables and to predict the value of one or more dependent variables from a set of independent variables (Maroco, 2003). This model allows us to evaluate the effects of the independent variables on the dependent variable, being used to measure: the existence of the relationship between dependent and independent variables; the strength of the relation between variables, realizing the amount of variation of the dependent variable that is explained by the independent variable; the form of this relationship; and a prediction of values of the dependent variable (Malhotra & Birks, 2007).

The dependent variable time is continuous, measured in days, elapsed between the announcement of the acquisition and its completion, and it did not present operations classified as pending. Regression model has the advantage that coefficients are easier to interpret. (Dikova et al., 2010; Reis, 2017) and is the best linear unbiased estimator (Favre, 2014).

The empirical analysis is formalized as follows:

CBM&A time to completion *= β_0 + β_1 political distance + β_2 Economic distance +β_3 Administrative distance + β_4 Cultural distance + β_5 political distance*EU membership + β_6 Economic distance*EU membership +β_7 Administrative distance*EU membership + β_8 Cultural distance*EU membership + $\sum\beta_{9-15}$ Controls + ε*

The application of the multiple linear regression model presupposes the verification of some assumptions, namely the absence of autocorrelation in the errors or residues, the absence of multicollinearity, the normality of the residues and the homoscedasticity.

Starting the global evaluation of the linear regression model, I tested the hypothesis of multicollinearity, which would indicate if the independent variables would be strongly correlated (Maroco, 2003). I analyzed multicollinearity between the variables through two methodologies: Pearson correlation coefficient and the VIF (See table 4 - Descriptive statistics and correlations). Pearson correlation coefficient determines the strength of the linear relationships between the dependent variable and the independent variables, varying from -1 to 1, indicating respectively a perfect negative or positive association between the variables (Pestana & Gageiro, 2005). The closer the Pearson's correlation coefficient R is to -1 or 1, the better the quality of the model and the stronger the relationship between the variables under analysis. Pearson’s correlations are not especially high, except between Political distance (PD) and EU membership.

VIF also examines the level of multicollinearity in the regression, by quantifying the estimated regression coefficient resulting from collinear between variables. In this study, the VIF, is ranged between 1.017 and 2.135, which are well below the suggested threshold by Belsley et al. (1980), revealing there is no multicollinearity problems.

To test the autocorrelation between the residues, I used the Durbin-Watson. Whenever the value belongs to the region of acceptance [1.36; 2.64], the autocorrelation between the residues is null (Pestana & Gageiro, 2005). In this study the values in all the model's tests are within the regions of acceptance, which means that there is no autocorrelation between the residues.

5. Results

This chapter refers to the presentation of the results of the empirical study. In this study I used a linear regression model, in which its assumptions were analyzed and verified. All the VIF values are ranged between 1.017 and 2.135, which are well below the suggested threshold by Belsley et al. (1980). Thus, no multicollinearity issues were evident in my sample.

5.1. Results

The descriptive statistics (means and standard deviations) and correlations of the variables that I have used in this research are presented on Table 4.

Table 4 - Descriptive statistics and correlations

		N	Mean	S.d.	1	2	3	4	5	6	7	8	9	10	11	12	VIF
1	Time to completion	2,110	19.580	46.080	1.000												
2	Inflation	2,110	3.150	0.978	0.034	1.000											1.031
3	Previous Experience in EU deals	2,110	0.431	0.495	0.013	-0.034	1.000										1.038
4	Relatedness	2,110	0.518	0.500	-0.016	0.032	-0.058**	1.000									1.021
5	Acquirer Advisors	2,110	0.252	0.614	0.292**	0.013	0.039	-0.060**	1.000								1.092
6	Bidders	2,110	1.001	0.031	0.072**	0.029	-0.027	-0.032	0.238**	1.000							1.108
7	Tender Offer	2,110	0.017	0.130	0.209**	0.022	0.026	-0.019	0.190**	0.234**	1.000						1.093
8	Political Distance	2,110	1534.041	1255.809	0.074**	0.138**	-0.067**	0.015	0.026	-0.010	-0.018	1.000					2.111
9	Economic Distance	2,110	4.778	7.638	0.050*	0.045*	-0.068**	-0.043*	0.008	0.021	0.088**	-0.048*	1.000				1.065
10	Administrative Distance	2,110	15.029	20.752	0.038	-0.020	0.023	-0.027	0.026	-0.016	-0.023	0.015	-0.008	1.000			1.017
11	Cultural Distance	2,110	1.928	2.186	0.073**	0.084**	-0.058**	-0.097**	0.043*	0.051*	0.070**	0.030	0.167**	0.036	1.000		1.054
12	EU membership	2,110	0.500	0.500	-0.067**	-0.106**	0.147**	0.002	0.016	0.000	0.029	-0.711**	-0.066**	0.069**	-0.022	1.000	2.135

**. The correlation is significant at 0.01 (2-tailed)

*. The correlation is significant at 0.05 (2-tailed)

Source: Author

The results indicate that the time gap from announcement to completion, amounts to 19.580 days on average which is quite different to the mean number of days reported by Ekelund et al. (2001), 94 days, or by Dikova et al. (2010), 96 days, the 107 days by Campa and Moschieri (2008) or even the 112 reported by Luypaert and De Maeseneire (2015). However, the results were similar to ones obtained by Reis (2016), which were 24.6 days.

Acquirer Advisors, Bidders, Tender Offer, Political Distance, Economic Distance and Cultural Distance have a positive and significant relationship with the dependent variable (p-value < 0.01 and p-value < 0.05 for economic distance). In turn, EU Membership have a negative and significant relationship with the CBM&As time to completion variable (p-value < 0.01). Pearson's correlations are not especially high, except between Political distance (PD) and EU membership (-0.710). In this study, the VIF is ranged between 1.017 and 2.129, which are well below the suggested threshold by Belsley, Kuh and Welsch (1980), revealing there is no multicollinearity problems.

The relatedness variable was split in half, meaning that 51.8% of the firms operate in the same industry. Similarly, 50% of the deal occurred between EU state members. At average, 1.001 were the number of bidders in a CBM&A deal.

A basic measure to evaluate the significance of the model is the analysis of the determination coefficient, or R2. R2 measures how much of the variation of Y is explained by the model and varies between 0 and 1. A value closer to 1 means a model with higher quality (Pestana & Gageiro, 2005). Observing the adjustment of the models (See table 5 - Results of the regression analysis) one can see that Model 10 (R2 = 0.118) is slightly better than the baseline model (R2 = 0.109). Low explanatory power usually happens for large panel datasets (Dikova et al., 2010). However, my focus is on the contribution of my theoretical hypothesis, rather than on explaining as much as possible the variation of CBM&A time to completion.

Another way of evaluating the quality of the model is through the F test of the ANOVA table. The ANOVA table analyzes the existence of significant differences between the mean of the various samples of a variable and verifies if the variance explained by the model is significantly greater than the error of the model. The F test validates the model overall and not each of the parameters alone (Pestana & Gageiro, 2005). Considering the values obtained, for a significance level of 5%, the F test has a p-value of less than 0.05 (Sig. = 0.000), so it is safe to conclude that the global model is statistically significant. (see table 5 – Results of the regression analysis).

The results of the linear regression models testing my hypotheses are presented on Table 5. Model 1 includes only the control variables. In the subsequent four models, I introduced the institutional distance dimensions: model 2 represents political distance between acquirer and target countries of the firms involved in the CBM&A deals; model 3 considers economic distance and model 4 regards administrative distance and model 5 studies the impact of cultural distance. The moderating effects were tested in Models 6 to 9, one at a time. On Model 10 I performed a joint test of the distance variables (See table 5).

Table 5 - Results of the regression analysis

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
(Constant)	55.298	50.556	54.250	53.095	55.431	57.069	58.993	54.023	58.982	51.110
	(32.465)	(32.422)	(32.459)	(32.476)	(32.428)	(32.651)	(32.365)	(32.407)	(32.368)	(32.641)
Inflation	1.302	0.873	1.235	1.331	1.107	0.857	1.058	1.105	0.849	0.988
	(0.970)	(0.977)	(0.970)	(0.970)	(0.972)	(0.976)	(0.975)	(0.974)	(0.982)	(0.993)
Previous Experience in EU deals	-0.180	0.210	0.044	-0.244	0.111	0.713	1.033	0.867	1.097	1.125
	(1.920)	(1.919)	(1.924)	(1.919)	(1.922)	(1.939)	(1.936)	(1.932)	(1.936)	(1.941)
Relatedness	0.118	0.071	0.265	0.196	0.579	0.163	0.487	0.514	0.700	0.968
	(1.903)	(1.899)	(1.905)	(1.903)	(1.911)	(1.900)	(1.899)	(1.899)	(1.906)	(1.909)
Acquirer Advisors	20.053**	19.871**	20.076**	19.965**	19.974**	20.021**	20.162**	20.047**	20.009**	19.958**
	(1.608)	(1.606)	(1.608)	(1.608)	(1.607)	(1.608)	(1.602)	(1.602)	(1.602)	(1.605)
Bidders	-45.807	-43.884	-45.681	-44.860	-47.693	-45.158	-48.487	-44.304	-48.039	-46.958
	(32.370)	(32.303)	(32.357)	(32.360)	(32.342)	(32.299)	(32.266)	(32.237)	(32.254)	(32.258)
Tender Offer	58.753**	59.271**	57.675**	59.077**	57.721**	59.458**	59.188**	59.575**	58.754**	58.721**
	(7.603)	(7.588)	(7.629)	(7.602)	(7.607)	(7.590)	(7.612)	(7.578)	(7.598)	(7.638)
Political Distance		0.002**				0.001				0.001
		(0.001)				(0.001)				(0.001)
Economic Distance			0.203				0.472*			0.354
			(0.125)				(0.185)			(0.201)
Administrative Distance				0.078				0.234**		0.206*
				(0.046)				(0.085)		(0.086)
Cultural Distance					1.058*				1.338*	0.835
					(0.439)				(0.565)	(0.606)
EU membership						-5.699	-4.205	-4.239	-5.529*	-0.112

						(4.024)	(2.275)	(2.418)	(2.581)	(4.737)
Political Distance*EU						0.000				0.000
						(0.002)				(0.002)
Economic Distance*EU							-0.534*			-0.389
							(0.250)			(0.263)
Administrative Distance*EU								-0.204*		-0.181
								(0.101)		(0.102)
Cultural Distance*EU									-0.719	-0.249
									(0.887)	(0.914)
N	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110
F-value	43.847**	39.228**	37.990**	38.030**	38.500**	30.942**	31.663**	31.821**	31.634**	19.728**
Model R^2	0.111	0.116	0.112	0.112	0.114	0.117	0.119	0.120	0.119	0.124
Adjusted R^2	0.109	0.113	0.109	0.109	0.111	0.113	0.116	0.116	0.116	0.118

**. Significant at the 0,01 level (2-tailed)

*. Significant at the 0,05 level (2-tailed)

Dependent variable: Time to completion

Std. error in parentheses.

Model 1 includes only the control variables. Number of Acquirer Advisors (20.053; p-value <0.01) and Tender Offer (58.753; p-value <0.01) are statistically significant. In Model 2, I entered the political distance variable which allow us to test hypothesis 1 (H1). This variable is statistically significant (p-value <0.01), with a positive coefficient of 0.002. This result suggests that political distance increases time to completion of a CBM&A, thus confirming H1. Model 3 considers economic distance. The results are not statistically significant, which means that hypothesis 2 (H2) is not confirmed. In model 4, I considered administrative distance. Similar as in the previous model, the relationship is not significant, thus, not confirming hypothesis 3 (H3). Model 5 studies the impact of cultural distance on time to completion of CBM&As, which presents a statistically significant (p-value <0.05), positive coefficient of 1,058, consistent with hypothesis 4 (H4). This result suggests that the greater the cultural distance between acquirer and target country, the greater the time to completion of a CBM&A deal.

The hypothesized moderating effects of EU membership were tested in Models 6 to 9, one at a time. Model 6 considers the moderating effect of EU membership in the influence of political distance on CBM&A time to completion. The results are not statistically significant, hence, not confirming hypothesis 5 (H5). Model 7 reflects the effect of economic distance and EU membership as a moderator. This model is statistically significant (p-value <0.05) and it has a negative coefficient of -0.534. This result confirms hypotheses 6 (H6), which states that the economic distance effect on CBM&A time to completion is moderated by EU membership of both target and acquirer country. Model 8 includes administrative distance and the effect of the moderating variable EU membership. This result has a statistically significant result (p-value <0.05) with a negative coefficient of -0.204. This seem to suggest that administrative distance effect is also moderated by EU membership, confirming hypotheses 7 (H7). In model 9 I have tested the effect of cultural distance, together with the moderating variable EU membership. The result does not present statistical significance. Thus, not confirming hypotheses 8 (H8). On model 10, I performed a joint test of the Institutional distance variables and the moderating effect of EU membership.

Table 6 presents a summary of the hypotheses tested, presenting both the expected relationship and the empirical conclusion.

Table 6 - Results of the hypotheses testing CBM&As time to completion

	Hypotheses	Relationship	Conclusion
H1	The greater the political distance between acquirer and target countries, the longer the time to complete a CBM&A deal.	Positive and significant	**Supported**
H2	The greater the economic distance between acquirer and target countries, the longer the time to complete a CBM&A deal.	Not significant	No Effect
H3	The greater the administrative distance between acquirer and target countries, the longer the time to complete a CBM&A deal.	Not significant	No Effect
H4	The greater the cultural distance between acquirer and target countries, the longer the time to complete a CBM&A deal.	Positive and significant	**Supported**
H5	EU membership of both acquirer and target countries moderates the effect of political distance on time to complete a CBM&A deal.	Not significant	No Effect
H6	EU membership of both acquirer and target countries moderates the effect of economic distance on time to complete a CBM&A deal.	Negative and significant	**Supported**
H7	EU membership of both acquirer and target countries moderates the effect of administrative distance on time to complete a CBM&A deal.	Negative and significant	**Supported**
H8	EU membership of both acquirer and target countries moderates the effect of cultural distance on time to complete a CBM&A deal.	Not significant	No Effect

Source: Author

5.2. Robustness tests

To strengthen the findings, I conducted some robustness tests. Some studies use Berry's cultural distance dimension (Ferreira et al., 2017). To make my study comparable and in line with these study, by examining cultural differences in cross-border acquisitions, I re-estimated the model with cultural distance based on Berry's cultural dimension (see table 7). With this new cultural measure, the coefficient is not statistically significant.

Table 7 - Robustness test – Alternative measurement of Cultural distance

Variable	Model 1	Model 2
(Constant)	53.495	57.145
	(32.564)	(32.532)
Inflation	1.459	1.200
	(0.984)	(1.001)
Previous Experience in EU deals	-0.191	0.721

	(1.936)	(1.951)
Relatedness	-0.313	-0.215
	(1.920)	(1.916)
Acquirer Advisors	19.959**	19.993**
	(1.615)	(1.611)
Bidders	-46.268	-46.200
	(32.439)	(32.352)
Tender Offer	58.738*	59.324**
	(7.737)	(7.728)
Cultural Distance Berry	**0.180**	0.181
	(0.095)	(0.108)
EU membership		-4.160
		(3.285)
Cultural Distance Berry*EU		**-0.242**
		(0.239)
N	2,110	2,110
F-value	37.565**	30.833**
Model R^2	0.113	0.118
Adjusted R^2	0.110	0.114

** - Significant at the 0.01 level (2-tailed)

* - Significant at the 0.05 level (2-tailed)

Dependent variable: Time to completion

Std. error in parentheses.

I also conducted a robustness test on the experience variable (Dikova et al., 2010). The measure of experience used only considers deals that took place in EU, so, it narrows the location of the experience variable. Thus, I conducted an additional test using the previous experience gained globally, not only in a specific location such as EU. The results for the institutional variables remained unchanged (see table 8).

Table 8 - Robustness test - Experience

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
(Constant)	49.778	46.624	48.592	47.521	49.888	53.254	54.636	49.778	54.822	46.892
	(32.471)	(32.422)	(32.462)	(32.484)	(32.430)	(32.675)	(32.394)	(32.438)	(32.396)	(32.663)
Inflation	1.331	0.911	1.256	1.361	1.125	0.890	1.083	1.135	0.868	1.016
	(0.969)	(0.976)	(0.969)	(0.968)	(0.971)	(0.976)	(0.974)	(0.973)	(0.982)	(0.992)
Previous Experience Total	3.671	3.222	3.908*	3.662	3.947*	3.264	3.679	3.473	3.639	3.787*
	(1.913)	(1.914)	(1.916)	(1.912)	(1.913)	(1.914)	(1.913)	(1.908)	(1.911)	(1.917)
Relatedness	0.261	0.180	0.416	0.343	0.738	0.246	0.573	0.596	0.784	1.069
	(1.900)	(1.896)	(1.901)	(1.900)	(1.907)	(1.897)	(1.896)	(1.895)	(1.902)	(1.905)
Acquirer Advisors	19.900**	19.755**	19.923**	19.810**	19.815**	19.918**	20.047**	19.935**	19.894**	19.847**
	(1.607)	(1.605)	(1.607)	(1.608)	(1.606)	(1.607)	(1.602)	(1.602)	(1.602)	(1.605)
Bidders	-42.551	-41.356	-42.384	-41.570	-44.506	-42.928	-46.096	-41.919	-45.741	-44.630
	(32.354)	(32.291)	(32.338)	(32.345)	(32.322)	(32.291)	(32.253)	(32.228)	(32.242)	(32.243)
Tender Offer	58.409**	58.985**	57.242**	58.725**	57.335**	59.219**	58.877**	59.319**	58.478**	58.380**
	(7.596)	(7.583)	(7.621)	(7.595)	(7.598)	(7.585)	(7.606)	(7.572)	(7.592)	(7.632)
Political Distance		**0.002***				0.001				0.001
		(0.001)				(0.001)				(0.001)
Economic Distance			0.221				0.491*			0.369
			(0.125)				(0.185)			(0.201)
Administrative Distance				0.077				0.238*		0.209*
				(0.046)				(0.085)		(0.086)
Cultural Distance					**1.108***				1.369*	0.850
					(0.438)				(0.565)	(0.605)
EU membership						-5.554	-3.836	-3.892	-5.217*	0.180
						(4.012)	(2.262)	(2.407)	(2.564)	(4.727)

Political Distance*EU						0.000				0.000
						(0.002)				(0.002)
Economic Distance*EU							**-0.544***			-0.397
							(0.250)			(0.263)
Administrative Distance*EU								**-0.209***		-0.185
								(0.101)		(0.102)
Cultural Distance*EU									-0.716	-0.224
									(0.886)	(0.913)
N	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110
F-value	44.536**	39.684**	38.660**	38.617**	39.185**	31.290**	32.094**	32.214**	32.051**	19.999**
Model R^2	0.113	0.117	0.114	0.114	0.115	0.118	0.121	0.121	0.121	0.125
Adjusted R^2	0.110	0.114	0.111	0.111	0.112	0.114	0.117	0.118	0.117	0.119

** - Significant at the 0.01 level (2-tailed)

* - Significant at the 0.05 level (2-tailed)

Dependent variable: Time to completion

Std. error in parentheses.

The results corroborate the findings in my model: H1, H4, H6 and H7 are still statistically significant (p-value < 0.05), that is: as the political and cultural distances between the home and target country increases, higher it will be the time to complete a CBM&A deal and that EU membership, for both acquirer and target country, moderate the effect of economic and administrative distance effect on CBM&As time to completion.

To measure the robustness of the linear model prediction time to completion I used a Tobit estimation. This technique is the most appropriate for cases of left or right censoring (Ferreira et al., 2017), and in this case, the dependent variable is left censored at 0. Though I do not present the results here, they remained identical. The robustness tests did not reveal relevant changes in the coefficients results.

6. Discussion

In this Master dissertation I intend to analyze the impact of Institutional Distance on CBM&As time to completion. This subject is not yet completely understood, despite the latest interest of scholars (Dikova et al., 2010; Ferreira et al., 2017; Reis, 2017). I developed a model that hypothesizes the negative effect of political, economic, administrative and cultural distances on CBM&A time to completion. Nevertheless, I assume that membership, of both target and acquirer countries, in EU, weakens that effect, since this is a free trade area, an economic union, with the possibility of a political union formation (Feng & Genna, 2003) and has advantages for member states, as a whole (Barrell & Pain, 1999).

I test my model by using a sample of completed deals which occurred in EU during the year of 2011. To the best of my knowledge, this is the only study that considers institutional distance effect on time to completion of CBM&A deals within EU context. I have tested four distance dimensions: political, economic and administrative distance, developed by Berry et al., (2010); and cultural distance provided by Hofstede (2010), suggesting that more distance would lead to a higher temporal hiatus between the announcement and completion of a CBM&A deal.

The coefficients of the results came as expected, but only two of my hypotheses concerning the effect of institutional distance on CBM&As time to completion were empirically supported: Political and Cultural distance. In H1 I argue that the greater the political distance, more time will be required to complete a CBM&A deal. In fact, previous studies indicate that institutional difference and, precisely, political distance, are positively significant when related to CBM&As performance (Sun, n.d.; Wu, 2014). Thus, a similar outcome could be expected when considering time to completion as a measure for performance. CBM&As time to completion is an important barometer of the success and efficiency of a deal. (Cai et al., 2015) and is considered as a measure of a firm's performance (Shimizu et al., 2004). Besides that, Jimenez et al. (2014) argued that some firms might use a capability of dealing with political risk to negotiate better, and consequently, faster conditions of entry. These capabilities would reduce institutional distance and therefore diminish the time hiatus of negotiation.

Cultural distance also presented a significant and positive outcome. This result suggests that the higher the cultural distance, longer it will be the time required to complete a CBM&A deal. Previous studies presented diverse findings. Ferreira et al. (2017), on a Brazilian study context, have found a significant negative effect of the cultural differences between target and acquirer countries on time to completion of a CBM&A deal. This means that the temporal hiatus decreases for firms originating from more culturally distant countries. This result can be justified by the fact that companies might be aware of cultural differences and have prepared themselves better for the deal. In turn, Sun (n.d.), advocates that cultural distance between the acquirer and target firm, in CBM&A performance, is positively significant in a Chinese sample, but negatively significant in Taiwan. Nevertheless, Otterspeer's (2016) results indicate that CBM&As performances are lower when countries are more culturally distant. So, firm performance is significantly affected by large cultural distance (Wu, 2014), which can increase the negotiation period.

The effect of economic and administrative distance on CBM&As time to completion did not present statistical significance, meaning that the hypotheses were not supported. The results obtained by Reis (2017) concerning the effect of administrative distance are divergent from his proposition: The author hypothesized that the greater the administrative distance between home and host country, the greater the period from announcement to decision of the CBM&A deal. However, the results indicate that administrative distance leads to a quicker decision, meaning, that greater the administrative distance, less time will be necessary to conclude a CBM&A deal. This reveals that further investigation is needed. Economic distance, also, did not confirm to have any effect on CBM&As time to completion. This dimension has not received as much attention from scholars as the other institutional distances, maybe because it is not identified as a key factor in institutional economies (Bae & Salomon, 2010). However, Reis (2017) also did not provide support for the effect of economic distance on time to decision of a CBM&A deal.

I proposed a moderating negative effect of EU membership on the impact of institutional distances on CBM&A time to completion. The results for my hypothesis regarding the moderating effect of EU membership on the impact of Political distance on CBM&As time to completion were not significant, thus not confirmed. Europe has undergone fundamental changes in political structure following the collapse of the Communist bloc, trade barriers have been reduced or removed because of deepening and widening regional integration (Kokko & Tingvall, 2014), however, despite the intention to create a political union in the EU, this has not yet been materialized, this means that political differences are still present in Europe (Campa & Moschieri, 2008). In fact, signs of the differences in the political orientation of the principal EU members have been frequent (Vernon, 1996), so, one should not expect that a political convergence happens in a quick manner.

Economic distance effect on CBM&As time to completion seems to be moderated by EU membership. The results present a significant and negative coefficient, which means that EU membership seems to moderate the effect of economic distance on time to completion. EU has been through an economic convergence process (Alesina et al., 2017) which removed unnecessary restrictions (Jayanthi et al., 2016) and consequently, decreasing costs of making corporate acquisitions across this trade block. (Moschieri & Campa, 2014). In addition to the abolition of cross-border barriers, the adoption of a single currency has led to substantial economic integration (Bley & Madura, 2003), that eliminated problems associated to trading with different currencies, (Moschieri & Campa, 2014). This allowed to remove uncertainty surrounding exchange rates between EU countries, resulting on a more intense cross-border competition (Bley & Madura, 2003). Hence, despite great differences in per capita income among member states and in national attitudes toward issues like inflation, debt, and foreign trade, EU achieved a high degree of economic convergence (CIA Factbook) which is reflected by the moderating effect of EU membership on the impact of economic distance on CBM&As time to completion.

EU membership, for both target and acquirer countries, seems to have a moderating effect on the impact of Administrative distance on CBM&As time to completion. The results have been found to have a significant negative effect, thus, supporting my hypothesis. This result can be explained by the increasing integration in the EU that is reducing the administrative distance between member states (Ramos, 2017). This means that trade blocs, can have an additional positive effect on trade with other countries, by providing more homogeneous rules and regulations of trade with each member country of the trade bloc (Korneliussen & Blasius, 2008). In fact, harmonization of institutions and policies was a goal of the process of European integration (Alesina et al., 2017) which are expressed in a set of treaties, that must be agreed and ratified (become part of the law of the member state). Regarding M&A deals, recent evidence shows that the more a transaction threatens to harm rival European firms through increased competition, the greater the likelihood of European regulatory intervention, especially when the acquirer is foreign (Aktas et al., 2007). Hence, we can assume that EU law protects its state members, thus the administrative distance aspects, regarding the negotiation process of a CBM&A deal, are reduced.

The moderating effect of EU membership on the impact of cultural distance on time to completion of a CBM&A deal was not statistically significant. Therefore, my hypothesis was not confirmed. The explanation for this result might be linked with the fact that within Europe, various cultural clusters can be distinguished (Hofstede, 1991) so, Europeans are too different from each other in terms of culture and they have not become culturally more similar during the last three decades (Alesina et al., 2017). In fact, the illusion of a homogeneous culture in EU countries may be misleading and confusing in business activities (Kaasa, et al., 2016). If we think that cultural distance comprehends the social and human norms, language and education differences between countries (Ghemawat, 2001), EU does not have that type of convergence. In each EU country, the individuals react differently to certain behaviors and attitudes towards authority, trust, family and work (Berry et al., 2010), meaning that individual countries in this common market area still differ widely in cultural values and believes, so it is not surprising that the expected moderating effect was not verified.

7. Conclusion

This study investigates whether the CBM&A time to completion is influenced by institutional distances, and if this effect is moderated by EU membership, for both target and acquirer countries. This study examines 2,110 deals involving target firms located in EU during the period of 2011, and a linear regression model is used to examine the relationship between CBM&A time to completion and institutional distances (political, economic, administrative and cultural). My empirical setting was, to the best of my knowledge, innovative in CBM&A research: by focusing on EU CBM&As, I analyze the influence of institutions in the main block of the world, which allows to build theory that is context-specific to regional economic block.

This study has theorized and indicates that not all distance dimensions have a negative effect on CBM&A time to completion: the results suggest that political and cultural distance are positively related to CBM&As time to completion, meaning that greater the distance between the countries, more time it will be required to complete the deal. Above that, results suggest that EU membership moderate the effect of economic and administrative distance, by reducing the time hiatus between announcement and completion of a CBM&A deal.

European authorities are skeptic about the existence of a homogeneous European M&A market (Moschieri & Campa, 2014). European authorities have long claimed that the existence of different national systems of takeover regulation, the retention of costly structural and technical barriers to takeovers, and the legal, normative, and political differences in the framing of economic policy are still hindering progress towards a European active M&A market (European-Commission, 2005, 2007).

7.1. Contributions

Research on time to completion of CBM&A is in the early stage, only a handful of institutional studies have looked at this subject (Cai et al., 2015; Dikova et al., 2010; Ferreira et al., 2017; Reis, 2017;). So, they do not provide a complete comprehensive understanding of acquisition completion. Hence, this dissertation enriches the research agenda of international business and helps to fill the gap through investigating institutions and CBM&A time to completion. First, the findings help reinforce previously documented evidence that institutional differences influence deal time to completion. It helps to understand some factors that lead to longer negotiations, which in turn, increase the costs of doing business abroad (management costs, negotiation costs, costs with auditing and loss of managerial focus from other activities (Ferreira et al., 2017). It is possible to cut these costs by reducing the time hiatus between CBM&A time to completion.

Second, I make a novel contribution to the existing literature on the topic, by documenting evidence of the moderating effect of EU membership on the relationship between institutional differences and time to completion of a CBM&A deal. Institutional distance has been connected to location choice, entry mode strategy, and performance. By focusing on EU, I hold constant the influence of target country institutions which allows us to build theory that are context-specific. Thus, EU member state firms can, on a sustained basis, choose a deal over another, based on the location, in or out of the EU.

7.2. Managerial implications

This study has important managerial implications. Carrying out a CBM&A deal in an institutionally distant country has benefits, but also risks and costs that must be considered. In fact, firms face inherent costs when doing business abroad arising from the unfamiliarity of the environment, from cultural, political, and economic differences (Zaheer, 1995). Thus, understanding institutional distances between countries is crucial. It is only through the awareness of these differences that companies can, on the one hand, choose the business that is most favorable to them and, on the other, prepare themselves properly in order to reduce risks and costs associated to long negotiation. In essence, this means that a firm needs to observe and understand the impact of the external institutional environment on their business operations in order to prevent future costs related to the length of the pre-acquisition phase.

Managers arguably recognize the importance of geographic and cultural distances (Reis, 2017). However, my study focuses on other institutional distances (political, economic and administrative) that may have impact on a CBM&A deal. Hence, my findings allow managers to be aware that other institutional contexts carry hurdles that should be considered. Similarly, this study points to important clues that can be followed by managers whose firms are located in EU or intend to expand to this market. Despite EU being an open market there are still institutional distances that should be considered in order to extract the desired benefits from the CBM&A deal. Briefly, understanding the effect of institutional distances on CBM&A time to completion will provide managers a framework to enhance the effectiveness and efficiency when performing such a deal.

7.3. Limitations and suggestions for future research

This study is subject to several limitations, which presents some opportunities for future research. First, it is worth noting that this study is limited to a specific region. Clearly, EU represents a unique group of countries in terms of size and proximity to one another. Therefore, the same results may not be realized when applied to other countries, regions or trading block. Thus, future research could consider other locations, or economic blocks.

Second, this study relies upon one moment in time, and neither the number or characteristics of the deal, nor other variables (country or firm level related), should be extrapolated to other periods of time. So, future research could consider other periods of time to investigate this issue and eventually, confront the results with the ones obtained through this dissertation.

Third, this study does not differentiate CBM&A by the industry firms operate. Certain industries may be more sensitive to some of the institutional distances than another. Ghemawat (2001) suggests that electricity, for instance, is highly sensitive to administrative and geographic factors but not at all to cultural factors. Scholars such as Dikova et al. (2010) studied business service industry; Ferreira et al., (2017) considered CBM&As of high technology firms in their research and Reis (2017) considered firms in non-financial industries. Thus, future research could distinguish the industry in which the firms operate and study the different effects of institutional distances.

Fourth, I only studied some of institutional distances, provided by Berry et al. (2010) and Hofstede (2010). And, when a phenomenon is analyzed, it has been shown that the different dimensions of institutional distance have different effects on it (Pogrebnyakov & Maitland, 2011). Hence, other institutional distance variables could be used in the future to investigate their effect on CBM&A time to completion.

Fifth, my sample did not allow to differentiate deals by its size, and CBM&A deal size can be influenced by institutional distance (Wu, 2014). Legislators may pay more attention to a particular CBM&A deal when it involves large amounts of money, causing delay in negotiations. However, the dataset in this study did not provide complete information on this matter, so it was not possible to provide this insight. Future studies, with use of more specific data, could allow to investigate this matter.

Sixth, my sample did not consider the motives for the deal. There are several explanations for why CBM&As occur, and understanding these motives is key for understanding deal success or failure (Calipha et al., 2010). Whether to get into different geographic locations, to access new markets, to grow and gain market power (Ramos, 2017), to secure resources, increase global outreach (Kummer, 2007), access strategic assets or improve firm's efficiency (Wu, 2014), the motive that lead a firm to pursue a CBM&A deal might have impact on time do completion of a deal, hence it should be interesting to analyze.

Finally, CBM&As time to completion's study is yet in an embryonic stage, so there are additional interactions that would be noteworthy to investigate in the future: hostile takeover attempt could affect deal time to completion; mergers are a type of business transaction where governments have both the opportunity and the motive to exert considerable influence (Cai et al., 2015) and consequently their impact on time to completion deserves further research.

8. References

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9. Appendices

Table 1A - Value of CBM&As, 2005 - 2011 (Millions of dollars)

Region/economy	2005	2006	2007	2008	2009	2010	2011
World	462 253	625 320	1 022 725	706 543	249 732	344 029	525 881
Developed economies	403 731	527 152	891 896	581 394	203 530	257 152	409 691
Europe	316 891	350 740	559 082	273 301	133 871	124 973	200 363
European Union	304 740	333 337	527 718	251 169	116 226	115 974	172 257

Source: UNCTAD, 2012

Table 2A – Berry et al. (2010) Dimensions of Institutional Distance and Component Variables

Distance	Definitions	Component variables
Political distance (PD)	Differences in political stability, democracy and trade bloc membership	Democracy score Regional trade agreement Membership in WTO Democracy score
Economic distance (ED)	Differences in economic development and macroeconomic characteristics	GDP per capita Exchange rate Export (%GDP) Import (%GDP)
Financial distance (FD)	Differences in financial sector development	Private sector (%GDP) Stock market size/value (%GDP) Number of listed companies
Knowledge distance (KD)	Differences in patents and scientific production	Number of patents per 1 million population Number of scientific articles per 1 million population
Global-connectedness distance (GCD)	Differences in tourism and internet use	International tourism expenditure (%GDP) International tourism receipts (%GDP) Internet users per 1000 people
Demographic distance (DD)	Differences in demographic characteristics	Life expectancy at birth (years) Birth rate Population under 14 (%) Population above 65 (%)

Administrative distance (AD)	Differences in colonial ties, language, religion and legal system	Colonizer-colonized link Common language (%Population) Common religion (%Population) Legal system
Cultural distance (CD)	Differences in attitudes towards authority, trust and individuality, and importance of work and family	Hofstede's 4 cultural dimensions: Power distance Uncertainty avoidance Individualism Masculinity
Geographic distance (GD)	Great circle distance between geographic center of countries	Great circle distance

Source: Berry et al. (2010)

Table 3A - EU Institutions

EU Institutions
European Parliament
European Council
Council of the European Union
European Commission
Court of Justice of the European Union (CJEU)
European Central Bank (ECB)
European Court of Auditors (ECA)
European External Action Service (EEAS)
European Economic and Social Committee (EESC)
European Committee of the Regions (CoR)
European Investment Bank (EIB)
European Ombudsman
European Data Protection Supervisor (EDPS)
Interinstitutional bodies

Source: Author, based in Europa.eu

Table 4A - Cultural dimensions in Europe

Cultural dimension	**Description**	**Analysis in Europe**
Power Distance (PDI)	This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The fundamental issue here is how a society handles inequalities among people.	There is a lot of variation in the EU in this dimension, but only a minority of cultures have a very low PDI score.

Individualism vs. Collectivism (IDV)	The high side of this dimension, called individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families. Its opposite, collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty.	There is a lot of variation in the EU in this dimension, but the vast majority of cultures lean toward individualism.
Masculinity vs. Femininity (MAS)	The Masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material rewards for success. Society at large is more competitive. Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented.	There is an extreme degree of variation in the EU in this dimension. We have some of the world's highest and the world's lowest MAS scores, with scores in between basically lining up in a very linear way. Very diverse.
Uncertainty Avoidance (UAI)	The Uncertainty Avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? Countries exhibiting strong UAI maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. Weak UAI societies maintain a more relaxed attitude in which practice counts more than principles.	The cultures in the EU clearly feel uncomfortable with uncertainty and ambiguity. Ireland, the UK, Sweden, and Denmark form a clear minority in this regard.
Long Term Orientation vs. Short Term Normative Orientation (LTO)	Every society has to maintain some links with its own past while dealing with the challenges of the present and the future. Societies prioritize these two existential goals differently. Societies who score low on this dimension, for example, prefer to maintain time-honoured traditions and norms while viewing societal change with suspicion. Those with a culture which scores high, on the other hand, take a more pragmatic approach: they encourage thrift and efforts in modern education as a way to prepare for the future.	There is clearly a lot of variation among cultures in the EU here, but the majority lean toward long term orientation and not short term normative orientation.

Source: Author based in Hofstede (2010)

Table 5A - List of countries classified as tax havens

OECD, 2000	
Andorra	Maldives
Anguilla	Marshall Islands
Antigua and Barbuda	Monaco
Aruba	Montserrat
Bahamas	Nauru
Bahrain	Netherlands Antilles
Barbados	Niue
Belize	Panama
British Virgin Islands	Samoa
Cook Islands	Seychelles
Dominica	Saint Lucia
Gibraltar	St. Christopher & Nevis
Grenada	St. Vincent and the Grenadines
Guernsey/Sark/Alderney	Tonga
Isle of Man	Turks & Caicos
Jersey	US Virgin Islands
Liberia	Vanuatu
Liechtenstein	

Source: Author based on OECD (2000).

Table 6A - EU state members in 2011

EU State member		
Austria	Germany	Netherlands
Belgium	Greece	Poland
Bulgaria	Hungary	Portugal
Cyprus	Ireland	Romania
Czech Republic	Italy	Slovakia
Denmark	Latvia	Slovenia
Estonia	Lithuania	Spain
Finland	Luxembourg	Sweden
France	Malta	United Kingdom

Source: https://europa.eu

Table 7A - Acquirer countries

Acquirer Countries						
Argentina	Croatia	Greece	Kuwait	New Zealand	Saudi Arabia	Thailand
Australia	Cyprus	Hungary	Latvia	Norway	Singapore	Turkey
Austria	Czech Republic	Iceland	Lebanon	Oman	Slovakia	Ukraine
Belgium	Denmark	India	Lithuania	Peru	Slovenia	United Kingdom
Bolivia	Egypt	Ireland	Luxembourg	Philippines	South Africa	United States
Bosnia	Estonia	Israel	Malaysia	Poland	South Korea	United Arab Emir.
Brazil	Finland	Italy	Malta	Portugal	Spain	
Canada	France	Japan	Mexico	Qatar	Sweden	
China	Germany	Kazakhstan	Netherlands	Russia	Switzerland	

Source: Author