

Is National Pride A Bane Or A Boon For Cross-Border Acquisitions?

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ABSTRACT

Although existing cross-border M&A research suggests that national pride is associated with higher bid premiums, the underlying rationale behind these national pride bids is unclear. We study two plausible explanations for this phenomenon: payment for a prearranged expansion strategy (real options) and bidders' lack of experience in a target country (organization learning). Using a sample of cross-border acquisitions of developed-country targets by developing-country acquirers, we perform an extensive media search to identify 36 acquisitions that involve national pride. We divide these 36 acquisitions into those with zero bids completed in that particular country prior to the national pride bid (non-foothold bidders) and those with at least one bid completed in that country before the national pride acquisition (foothold bidders). We find that the higher premium paid in so-called national pride bids is primarily attributable to the non-foothold acquirers. Since non-foothold characteristics can proxy for either lack of experience or higher value of embedded real options, or both, we perform further tests which confirm that the higher premium of national pride bids can be attributed to both channels, supporting both organizational learning theory and real options explanation. We further demonstrate that national pride acquirers underperform operationally post-acquisition, and such underperformance is also attributable to the non-foothold acquirers. One explanation for this finding is the lack of prior acquisition experience of non-foothold bidders.

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TABLE OF CONTENTS

	Page
Permission to Use	i
ABSTRACT	ii
ACKNOWLEDGMENTS	iii
1 INTRODUCTION	1
2 BACKGROUND LITERATURE AND RESEARCH QUESTIONS.....	10
2.1 NATIONAL PRIDE AND BID PREMIUM	10
2.2 REAL OPTIONS EXPLANATION AND ORGANIZATIONAL LEARNING THEORY IN CROSS- BORDER M&A.....	12
3 SAMPLE and VARIABLE DESCRIPTIONS	17
3.1 DATA AND SAMPLE	17
3.2 VARIABLES DESCRIPTIONS.....	19
3.2.1 Construction of National Pride	19
3.2.2 Construction of Foothold and Non-Foothold Characteristics.....	21
3.2.3 Dependent Variables.....	21
3.2.4 Control Variables	23
3.2.5 Summary Statistics and Pearson Pairwise Correlation	26
4 EMPIRICAL RESULTS	29
4.1 EFFECT OF NATIONAL PRIDE ON ACQUISITION PREMIUMS	29
4.2 RESEARCH QUESTION 1: IS THE OVERPAYMENT OF NATIONAL-PRIDE BIDS MAINLY ATTRIBUTED TO THE NON-FOOTHOLD ACQUIRERS?	31
4.3 RESEARCH QUESTION 2: DOES ORGANIZATIONAL LEARNING THEORY EXPLAIN THE HIGHER PREMIUM PAID BY NON-FOOTHOLD ACQUIRERS?	34
4.4 RESEARCH QUESTION 3: DOES REAL OPTIONS REASONING EXPLAIN THE HIGHER (LOWER) PREMIUM PAID BY NON-FOOTHOLD (FOOTHOLD) ACQUIRERS?.....	35
4.5 ADDITIONAL TEST OF OPERATING PERFORMANCE: DO NATIONAL PRIDE ACQUIRERS UNDERPERFORM?	37
4.6 ADDITIONAL TEST OF OPERATING PERFORMANCE: IS THE UNDERPERFORMANCE OF NATIONAL PRIDE ACQUIRERS MAINLY ATTRIBUTABLE TO NON-FOOTHOLD ACQUIRERS?	38
5 CONCLUSION	42
6 REFERENCES	45
Appendix A Three-step approach of national pride construction and media excerpt example	50

Appendix B Description of variables.....	52
Table 1 Distribution of acquisitions originating from developing countries for targets in developed countries	55
Table 2 Distribution of the national pride bids and the foothold acquirers	56
Table 3 Chronological distribution of full sample	57
Table 4 Summary statistics	58
Table 5 Pairwise Pearson correlation table.....	60
Table 6 Regression results for acquisition premium and national pride.....	62
Table 7 Regression results for acquisition premium and foothold / non-foothold characteristics	63
Table 8 Robustness test for acquisition premium and foothold / non-foothold characteristics under country classification by IMF	64
Table 9 Regression results for acquisition premium and past acquisition experience (number of acquisitions or number of years).....	65
Table 10 Univariate test of the difference in the level of future acquisition activity between the high-premium and low-premium group of national pride acquirers.....	66
Table 11 Regression results for post-acquisition operating performance and national pride.....	67
Table 12 Regression results for post-acquisition operating performance and foothold / non-foothold characteristics	68

1 INTRODUCTION

Worldwide acquisition activities come in waves, and the latest peak occurred in 2007, when the value of global acquisitions rocketed to a record high of \$4.5 trillion (Reus & Lamont, 2009). One of the major drivers for this growth is cross-border acquisitions. Specifically, in terms of dollar value, the proportion of cross-border acquisitions has increased dramatically from about 27% in 2002 to 45% in 2007 (Erel, Liao, & Weisbach, 2012). The main reason for this upward trend is that corporations from developed nations have been increasingly seeking low labor cost and searching for new markets overseas. These corporations often find it easier to achieve this goal by acquiring firms in developing countries. However, the acquisitions made by firms from developing nations targeting firms located in developed nations have emerged as a significant trend in recent years. According to the World Investment Report 2013, for firms in developing countries, merger and acquisition (M&A henceforth) is a major mode of entry into developed-country markets. This report also documented an increasing involvement of emerging economies in worldwide cross-border acquisitions. The fraction of M&A originating from emerging economies rose from 8% to 40% in terms of dollar value and from 5% to 20% in terms of the number of deals from 1990 to 2012.¹

In the cross-border merger wave of 2007, a noticeable characteristic is a series of high-profile acquisitions that involve developing-country bidders and developed-country targets. A portion of these deals not only generates media hype but also evokes national discussion, involves political interventions during the acquisition process, or has significant social impact after the acquisition. Some typical examples include the national acquisition of Nexen by

¹ Source: United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2013, Annex Tables 10 and 12.

CNOOC in 2013, the acquisition of Arcelor by Mittal Steel in 2006, and the acquisition of Corus (United Kingdom) by India's Tata Steel in 2006. While most of the CEOs of these developing-country acquirers claimed that synergies, market penetration or diversifications are the reasons for the overseas expansion, some media evidence suggests that nationalistic considerations might have had an impact on the price they paid for the targets. In the case of Tata Steel acquiring Corus, media articles suggest that the CEO of the acquiring company might have been under the influence of national pride. In an article published in Associated Press Newswires on October 20th 2006, the following was reported:

*"For India, Tata Steel's US\$8-billion bid for European steel maker Corus Group Plc. is more than just a corporate takeover. It's added to a sense of national pride that seems to be growing as fast as the country's economy, and business leaders here said Friday, as news of the bid spread, that it would boost the confidence of other Indian firms seeking to go global."*²

In an interview in 2007, Ratan Tata, the Chairman of Tata Steel, defended the move as a rational decision; in his own words, *"Those who accuse us of having paid too much are making a very short sighted judgment. We have to think globally. Corus provided Tata with a good take-off position in Europe, and the link-up had turned the relatively small Tata Steel into a global player in the consolidating steel sector."* (See Indo-Asian News Service, April 6th, 2007).³ Perhaps, national pride alone was not the underlying driver of this expensive bid; there might have been a rational strategic component to it as well. Another similar example is the acquisition of Southdown (US) by Cemex (Mexico). On one hand, the media indicates an influence of national pride: *"For years, US and European multinationals have gobbled up Latin American companies*

²Article Title: Tata Steel's Corus bid boosts confidence of Indian businesses, adds to national pride. Source: Factiva database.

³ Article title: Indian magnate Ratan Tata defends Corus takeover. Source: Factiva database.

in their quest for high-growth markets. Now, the direction has shifted. In November, Mexico's Cemex, the world's third-largest cement maker, bought Houston-based Southdown, the second-largest US cement producer...Lorenzo Zambrano, Cemex's CEO, said in October that the company was interested in striking a 'balance between our developed and developing-country markets'." (See Latin Finance December 1st, 2000).⁴ On the other hand, the CEO also revealed the firm's strategic motive behind this acquisition. According to his statement, "*This combination will not only expand our presence in the United States, but help us compete more effectively in all our markets. Integrating Southdown into a company with the scale and resources to prosper in a rapidly consolidating, global industry will create value for our shareholders.*" (See Business Wire, Sept 29, 2000).⁵

When it comes to explaining the high bid premium in M&A, the hubris hypothesis is commonly cited in the finance literature (Roll 1986; Hayward & Hambrick 1997). This hypothesis suggests that CEOs tend to overestimate their ability to run the target firm, thereby overestimating its value. In other words, the CEOs' individual pride may explain the overpayment. Recent literature suggests that external forces may contribute to CEOs' decision to acquire some firms by elevating their pride to such a level that there remains no room to look back. One such external force suggested by the literature is national pride. Hope et al. (2011) define national pride as "*an indication that national, social, or political considerations could influence decision-making of individual decision-makers (business owners or managers), either rationally or irrationally*" (page 131).

National pride, which could be considered as an extension of the hubris hypothesis, may be a reasonable motive behind M&A. However, it cannot be ruled out that while some managers

⁴ Article title: Cemex Strengthens the Mix. Author: Mark Piper. Source: Factiva database.

⁵ Article title: Cemex to Acquire Southdown in US\$2.8 Billion Transaction. Source: Factiva database.

may be perceived to *display* national pride, they are in fact rational economic agents. In this case, what is termed as national pride in the existing literature (Hope et al., 2011) may simply be an ex-post public reaction to high profile merger activities, while national pride has no effect on managerial decision processes in designing the bid price ex-ante. The bid price in the latter situation may rather be an outcome of other real economic motives that bring added synergies and/or options, such as an option to expand (including but not limited to the option to gain access to new markets, access to new resources, access to cheaper financing, the option to bid on government contracts) or simply to gain experience and build networks in new markets as a part of a larger expansion strategy. The value of such options may be substantial for firms if these options allow firms to gain access to a target country's financial markets, enhance their informational advantage, and aid in building up credible business contacts. Apart from this, in some countries, there could be home or firm size bias in granting government contracts. Therefore, having an established business in that country increases a firm's ability to successfully bid on such contracts. Many countries including, but not limited to the United States, Australia, New Zealand and Canada, have explicit price preference for domestic suppliers over foreign suppliers when awarding government contracts (McAeff & McMillan, 1989). Therefore, we posit that the high merger premium paid for so-called national pride bids may simply be motivated by the firms' desire to establish themselves in these markets and to further expand.

To estimate the value of aforementioned options that could be embedded in national pride acquisitions, we divide national pride acquirers into two groups, those with prior acquisitions in the target country and those without them. For simplicity, we label those acquirers with prior acquisitions as foothold acquirers, and those without prior acquisitions as non-foothold group. An acquirer is identified as a "non-foothold acquirer" if national pride acquisition is its first

acquisition in a new target country. An acquirer is identified as a “foothold acquirer” if it has completed at least one acquisition in the target country prior to the given national-pride acquisition.⁶ Many studies suggest that the option value ingrained in the first or first few acquisitions in a target country is substantially larger than that of subsequent acquisitions (Collan & Kinnunen, 2009; Bernardo & Chowdhry, 2002; Smit, 2001). For example, for a firm starting to set foot into a new market, or for the non-foothold acquirers, the value of options to expand is likely to be larger compared to that of a firm with a mature network in that particular market. This implies that firms with prior established business or with multiple acquisitions completed in a target country may already have exhausted such options, as in the case of the foothold acquirers. What we are trying to argue, from a rational perspective, is that the value of national pride acquisition is not the same for all bidders: some are worth more than others based on the value of real options they supposedly possess. This leads to our first argument which raises the question of whether the overpayment for national pride perceived from the media is actually price paid for a package of real options that builds on the initial acquisition by expanding through internal growth or further acquisitions.

As an extension to the option-based valuation argument, we also offer additional analysis based on organizational learning theory from the economics and management literature. This theory also suggests that the non-foothold acquirers, namely those without prior acquisition experience in the target country, are more likely to pay a higher premium in the national pride acquisition. From the learning perspective, the foothold or non-foothold characteristic is a proxy for prior acquisition experience. Organizational learning theory suggests that experienced

⁶ The “foothold” concept we construct is fundamentally different from the “toehold” concept, which describes the open market purchase of a small percentage of target firms’ share prior to the acquisition announcement.

acquirers will pay a lower premium as the insights gained from prior acquisitions allow them to have better judgment about the appropriate premium paid. In a cross-border M&A study, Collins et al. (2009) suggest considering the context of business environment when measuring acquisition experience. According to Collins et al. (2009), the country-specific acquisition experience has higher predictive power on the likelihood of subsequent cross-border acquisitions than general cross-border acquisition experience. The foothold and non-foothold concepts we construct are essentially proxies for acquisition experience specific to a target country and are consistent with Collins et al. (2009). We expect that the foothold position gives an acquirer an edge to learn from a brand new market and puts the acquirer in a better position when the expansion opportunity emerges. That is, the learning process in the same target country makes experienced acquirers, relative to novice acquirers, better bargainers when negotiating the premium paid. In summary, we posit that higher premiums paid for some national pride acquisitions could be attributed either to their option value or to bidders' lack of acquisition experience, or to both.

We are also interested in the post-acquisition operating performance of national pride acquirers. Existing literature demonstrates a negative relationship between premiums paid and post-acquisition performance (Hayward & Hambrick 1997, Sirower 1997). Therefore, we expect acquirers engaged in national pride bids to underperform relative to those not engaged in national pride bids as high premiums paid signals poor post-acquisition performance. If the national pride acquirers underperform, another question that intrigues us is whether the underperformance of national pride acquirers is mainly attributed to the non-foothold acquirers. Organizational learning theory again suggests that non-foothold acquirers are more likely to underperform due to lack of integration experience in the post-acquisition period.

We examine our research questions by using a sample of cross-border acquisitions originating from 20 developing countries to acquire targets in 11 developed countries. We first start by replicating the findings of Hope et al. (2011). We test whether the acquirers in bids that display national pride characteristics (“national-pride bids” or “national pride acquisitions” hereafter), compared with those involved in bids that do not show such a characteristic (“non-national-pride bids” or “non-national-pride acquisitions” thereafter), pay a higher premium.⁷ Consistent with Hope et al. 2011, we find that the premium in the national-pride acquisitions involving developing country bidders and developed country targets is higher compared to that of acquisitions not displaying national pride. We then divide national-pride acquirers into the non-foothold group and the foothold group, and examine whether non-foothold acquirers are paying higher premiums for higher option value and/or for lack of experience. We find that the overpayment by national-pride acquirers can be mainly attributed to non-foothold acquirers. We further find that national pride acquirers with more acquisition experience pay a lower acquisition premium, which supports organizational learning theory. We also find that among the high-premium and low-premium national pride bidder group, the former group has more future acquisitions completed in both the target country and all developed countries, which also supports the real options explanation: for those firms without prior acquisitions, the national pride acquisition is their first step towards further acquisitions and therefore they are more likely to place a premium on these acquisitions.

In post-acquisition performance tests, we find that the national-pride acquirers generally underperform the non-national-pride acquirers. Further analysis reveals that the underperformance of national-pride acquirers could be attributed to the non-foothold acquirers.

⁷ We do not distinguish among “bids”, “deals” and “acquisitions” and refer them in this paper interchangeably.

These findings support organizational learning theory that lack of prior acquisition experience is associated with underperformance in the post-acquisition period. These results also suggest a superior entry pattern in cross-border acquisitions, which is to initially acquire targets that are relatively small in size before conducting acquisitions of dominant and large-size targets (usually the targets of national-pride-driven acquisitions). Such an entry strategy is superior to the strategy of choosing a dominant or large-size firm as the target of the first acquisition for two reasons. Firstly, taking on a smaller target as an entry into a new market requires lower irreversible cost of simply putting a foot into a new market, compared to taking on a large target. Therefore, choosing a small-size target reduces the downside risk of an acquisition, which is the risk to divest a failed target. Secondly, the unique knowledge acquired through past acquisitions provides an acquirer with better insights into the choice of future targets, choice of the appropriate bid price, and choice of an appropriate post-merger integration strategy. Such insights dramatically improve the chance of success in an overseas acquisition.

To the best of our knowledge, this is the first study that provides empirical evidence supporting the real options explanation in the M&A literature. We also contribute by bringing forward the non-foothold (foothold) concept in cross-border M&A to capture the difference in country-specific acquisition experiences and difference in the option value of an acquisition. This is also the first paper that investigates acquirers' post-merger performance of national-pride-driven acquisitions. Another contribution is, in the context of cross-border expansions, we explore the benefits of obtaining a foothold position prior to conducting an acquisition of industry leaders (mostly the targets of national-pride-driven acquisitions) when entering a new market. Our results support the real options explanation as well as organizational learning theory. Our findings imply that, in the context of cross-border M&A, additional option value is

contained in the first acquisition relative to subsequent acquisitions. Smit (2001) proposes a similar view that firms should not ignore the substantial option value associated with the initial acquisition (or the platform acquisition as the author states) when a firm enters a new geographical area. Our findings provide empirical support to this theory as well as insights into the magnitude of option value. These findings also complement organizational learning theory by emphasizing the importance of country context when generalizing previous acquisition experience to future acquisitions.

The remainder of this thesis is organized as follows: Chapter 2 discusses the research questions and provides a review of related literature. Chapter 3 describes the data selection process, sample size and variables construction. Empirical results are presented in Chapter 4, while Chapter 5 concludes this study and makes suggestions for future research.

2 BACKGROUND LITERATURE AND RESEARCH QUESTIONS

2.1 National Pride and Bid Premium

In the M&A literature, the “hubris hypothesis” or “the winner’s curse” phenomenon was first proposed by Roll (1986) to explain the frequently documented overpayment phenomenon in M&A. The hubris hypothesis simply states that acquiring CEOs tend to overestimate their ability to run the new target company, and therefore are willing to pay a price that is too high. That is to say, it is the CEOs’ “individual pride” (hubris) in the acquiring firm that causes the overpayment for the target firm.

Hope et al. (2011) consider national pride as a source of pride beyond “individual pride/hubris” that could drive up acquisition premiums in cross-border acquisitions, where the ownership of a firm is transferred from one nation to the other. Although national pride and its related concepts are relatively new to the finance literature, broader economics and marketing literature shows that national pride affects individuals’ decision making (Muller-Peters, 1998; Balabanis & Diamantopoulos, 2004; Kwak, Jaju, & Larsen, 2006). In an examination of the attitude towards the Euro currency, Muller-Peters (1998) discovers a negative relationship between the national pride score and the attitude towards Euro currency across European countries. According to Muller-Peters (1998), the national pride score, which is extracted from the survey in the project of ‘Psychology of the European Monetary Union in 1997 (one year before the announcement of European Monetary Union formation by 11 out of 15 EU countries), is a measure of nationalism level that represents the individuals’ superiority feeling towards one’s own country. National pride also manifests itself in the form of domestic country product bias, which affects the preference pattern of consumers. The domestic product bias suggests that consumers, under the influence of national pride, loyalty and patriotism, tend to choose products

produced by domestic firms even though the quality or price of these products is inferior to foreign products (Zhang, 1996). Such preference for home-country products by individual consumers has been documented in the United Kingdom (Balabanis & Diamantopoulos, 2004), the US, South Korea and India (Kwak, Jaju, & Larsen, 2006).

Besides the evidence from economics and marketing literature, national pride also influences individuals' financial decision making. In an examination of portfolio deployment in domestic and foreign markets, Morse (2011) finds that countries with a higher degree of national pride tend to have bigger proportion invested in home-country equities instead of foreign-country equities. Morse's measure of national pride is based on the World Values Survey of 53 countries.

From the perspective of psychology, national pride is a result of national identity. As Ellemers et al. (2002) suggest, existing research has illustrated that people's social identities could strongly influence their individual identity, perceptions, emotion and, in certain situations, even their behavior. In the context of cross-border acquisitions, CEOs of the acquiring firm naturally belong to the social group of their country. Therefore, the individual managerial behavior could be impacted by this collective identity, and such collective identity could be manifested through CEOs' individual decisions in the process of acquisition.

The above literature provides two bases for considering national pride as a factor in influencing acquisition premiums in cross-border M&A. First, the above-mentioned evidence from psychology, economics, marketing and financial markets suggests that national pride, resulting from national identity, could have an impact on individuals' perceptions, decision making and behavior. Therefore, such influence could be extended to cross-border M&A, where national pride may affect the acquisition outcome through the influence on high-level management of acquiring firms. Second, national pride is naturally seen as an extension of

individual hubris, and is expected to elevate the acquisition premium, as the hubris hypothesis predicts. Consequently, we start by replicating the relationship between national pride and the acquisition premium as in Hope et al. (2011) and expect similar results as follows: In acquisitions of developed-country targets by developing-country acquirers, the bid premium is higher in cases where the transaction displays “national pride” characteristics.

2.2 Real options explanation and organizational learning theory in cross-border M&A

While we note that national pride sentiments influence the decision making process of managers in acquiring firms, another possible explanation could be that the national pride in some of the acquisitions might have been merely an ex-post market reaction to these eye-catching acquisitions captured by the media. In the latter case, the national pride captured by the media may have no impact on CEOs’ decision making in the acquisition process. In other words, the national pride on the surface may conceal the true rational or economic motive of acquiring firms behind their action of paying extremely high premiums for the targets. One of the possible explanations is that these overpayments could be the price paid for real options associated with breaking into a new market as the first step of their long-term strategic plan.

The concept of “real option” is first brought forward by Myers (1977), who suggests that a firm’s value should be composed of two parts, the value of real assets and the value of real options (or the value of possibilities). In the case of acquisitions, such options include, but are not limited to the option to expand into this new country through scaling up existing product lines or investing in multi-segment businesses, the option to access cheaper financing than what they might be able to access domestically, the option to gain access to new resources, as well as the option to access government contracts where home country bias exists. For most countries, it is common practice to favor domestic agents over foreign agents when issuing government

contracts (Branco, 1994). Even with the help of WTO to promote multilateral trade, the progress on eliminating discrimination in government procurement is still relatively slow (Evenett & Hoekman, 2005).

Furthermore, in cross-border M&A, the strategic value embedded in the initial acquisition is substantial when this acquisition is considered as the first step of a long-term strategic expansion plan, or as the prerequisite for future interrelated investments. For instance, Lenovo's global expansion would not have been so successful without the support gained through its initial acquisition, the acquisition of IBM's personal computer business in 2005. This initial acquisition not only enabled its speedy increase in global market share from 3% in 2004 to 4.1% in 2006 but also facilitated follow-on acquisitions, including the bids for IBM server business and Motorola Mobility.⁸ From another perspective, the value of options associated with the initial acquisition is likely to be larger relative to that of follow-on acquisitions because firms with multiple acquisitions completed in the target country may have already exhausted their option to expand. Smit (2009) argues that these acquisition-associated options have value because of uncertainty regarding future investments. When the uncertainty is resolved, the follow-on investments are either abandoned or executed depending on the circumstances. The first acquisition also provides option value because it serves as a prerequisite in a chain of interrelated acquisitions. That is, the initial merger helps the firm line up subsequent mergers. In these cases, the merger premium for subsequent bids would likely be lower than that of the first bid. The above literature leads to our research question #1: is the overpayment of national-pride bids mainly attributed to the non-foothold acquirers? As the previous studies suggest, option value is the greatest when an acquiring firm enters a new country or geographical area for the

⁸ Data source: Euromonitor Global Market Information Database (GMID).

first time, as in the case of non-foothold acquirers. Therefore, we expect that among the two types of national pride acquirers, the non-foothold acquirers group is likely to pay a higher premium as a price paid for a package of real options in their initial acquisition.

However, apart from the real options perspective, the high premium paid by the non-foothold acquirers can also be explained from organizational learning theory as the non-foothold characteristic is also a proxy for inexperience. Organizational learning theory has been widely studied in the management and economics literature. According to Dodgson (1993), organizational learning can be described as *“the ways firms build, supplement and organize knowledge and routines around their activities and within their cultures, and adapt and develop organizational efficiency by improving the use of the broad skills of their workforces”* (p. 2). More importantly, March (1991) emphasizes the importance of “experience” in shaping learning and argues that the experience of dividing resources and the distribution of consequences across time and space affects the lesson learned. In the context of M&A, organizational learning theory suggests that organizations learn from their past acquisition experience. According to Bruton et al. (1994), the experienced acquirers know when to acquire and when not to, and know more than inexperienced acquirers about the key factors for successful integration. In comparison, inexperienced acquirers tend to have unreasonable judgments about the price they pay for the target firm due to a lack of experience in price negotiation and a lack of knowledge in searching for an under-priced target.

In the cross-border M&A, country-specific experience is a stronger indicator for future acquisition activities in that particular country than general cross-border acquisition experience. Collins et al. (2009) claim that learning from prior acquisitions is more applicable to future acquisitions in that same country than it is in a different country. Stated differently, the transfer

of experience depends on the similarity of environments (Finkelstein & Halebian, 2002). For instance, due to substantial differences in legal systems in these countries, prior knowledge about Japan's legal system that a bidder gains through prior acquisitions is more readily transferable to subsequent acquisitions in Japan than those in a different country such as the US. Collins et al. (2009) also find that the cross-border acquisition experience in one country signals a higher likelihood of subsequent acquisitions in that same country, whereas general cross-border acquisition experience across all countries does not. As such, the foothold or non-foothold concepts we construct are also good proxies for country-specific cross-border acquisition experience and we expect that a lack of such experience will lead non-foothold acquirers to pay a higher premium in national-pride-driven acquisitions.

While both real options perspective and organizational learning perspective can provide reasonable explanations for the higher premium paid by the non-foothold acquirers, we are unable to tell which perspective is correct or whether both might be correct. In order to address this concern, we conduct further tests to confirm the validity of each perspective individually. This forms our research question #2: does organizational learning theory explain the higher premium paid by non-foothold acquirers? If the higher premium is a result of lacking prior acquisition experience, as organizational learning theory predicts, we expect that the more prior experience a national pride acquirer has, the less premium they will pay in national pride acquisitions, and vice versa. Testing the validity of real options explanation leads to our research question #3: does real option reasoning explain the higher premium paid by non-foothold acquirers? If the high premium is actually paid for higher option value embedded, then we expect to see that higher premiums paid are associated with more future acquisitions.

Other than the above three research questions, we are also interested in the post-merger performance of national-pride acquirers and non-foothold acquirers. One of the possible reasons for poor post-merger performance is that acquirers tend to pay too much for the target. The literature shows a negative relationship between the premium paid and the wealth of the bidding firm's shareholders. For instance, Krishnan et al. (2007) investigate a sample of 174 US domestic acquisitions and find that a higher acquisition premium signals a lower two-year average industry-adjusted return on sales (ROS). Considering the significantly high premium paid by national pride acquirers and by non-foothold acquirers, we expect that the national pride acquirers as a whole underperform relative to the non-national-pride acquirers, and such underperformance is mainly attributed to non-foothold acquirers.

In summary, we are interested in the following research questions: 1. Is the overpayment of national-pride bids mainly attributed to the non-foothold acquirers? 2. Does organizational learning theory explain the higher premium paid by non-foothold acquirers? 3. Does real option reasoning explain the higher premium paid by non-foothold acquirers?

3 SAMPLE and VARIABLE DESCRIPTIONS

3.1 Data and Sample

Our merger sample is taken from Thompson Reuters SDC Platinum database, a database from Thomson Financial. Most deal and firm characteristics are also obtained from this database. We extract proxies for operating performance from Compustat Global database. In the SDC database, the following criteria are used to collect our final sample:

- 1) The acquisitions are cross-border deals defined by the SDC “Cross Border Flag”.
- 2) Bids originate from 20 developing countries to acquire targets in 11 developed countries.
- 3) We use “Acquirer Ultimate Parent Nation” to identify the acquiring firm’s nation and use “Target Nation” to identify the target firm’s nation.
- 4) Deal Status is “Completed” or “Unconditional”, which means the deal is not in the status of pending, unknown, tentative or withdrawn.⁹
- 5) Data for the bid premiums are available.
- 6) The bid premium is greater than zero, where the bid premium is defined as the final offer price per share divided by the target’s closing price four weeks prior to the bid announcement, minus 1, then multiplied by 100.
- 7) The targets are public companies whereas the bidders can be public, private or subsidiary companies.

⁹Hope et al. (2011)’s sample consists of both completed bids (78%) and incomplete bids (22%). We believe that by excluding incomplete bids, we can filter the noise of unsuccessful attempts. Therefore our results are more robust and representative compared with Hope et al. (2011).

Our final sample consists of 322 cross-border acquisitions. The reason for criterion 3 is because we believe that “Acquirer Ultimate Parent Nation” is a more accurate measure of acquirers’ nationality whereas the “Target Nation” is a more accurate measure of target firms’ nationality. In the SDC database, “Acquirer/Target Ultimate Parent Nation” represents the nation of ownership, whereas “Acquirer/Target Nation” represents the nation where the acquirer/target is operating its business or the acquirer/target is listed. In the case of Tata Steel acquiring Corus from the United Kingdom, the “acquirer nation” of Tata Steel is defined as “the United Kingdom” because it is cross-listed on the London Stock Exchange. But the “Acquirer Ultimate Parent Nation” of Tata Steel, India, is a more accurate representation of the nationality of its parent “Tata Group”, an Indian multinational conglomerate company headquartered in India. Another example is Tata Motors acquiring Jaguar Cars, where the “Target Ultimate Parent Nation” of Jaguar is defined as the United States because Ford Motors previously acquired it. However, the “Target Nation”, defined as the United Kingdom, represents Jaguar’s true nation because it was founded and mainly operates in the United Kingdom.

There are two justifications for criterion 6. First of all, this restriction is widely used in past studies (Hope et al., 2011; Rossi & Volpin, 2004). Secondly, according to Officer (2003), SDC platinum database tends to report premiums below zero (an economically meaningful bound) and this criterion makes sure that the premium variable is within a logical range.

Following Hope et al. (2011), we adopt the United Nations Statistics classification to differentiate bidders and targets from “developed” or “developing” countries.¹⁰ There could be conflicting opinions around the classification between “developed countries” and “developing

¹⁰ Source: <https://unstats.un.org/unsd/methods/m49/m49regin.htm#developed>. According to the United Nations Statistics classification, developed regions include North America, Europe, Japan, New Zealand and Australia. All other regions and countries are classified as developing regions.

countries”, especially when the development status of some countries changes overtime (in most cases, a developing country evolves into a developed country). We respond to these concerns later by retesting our research questions by adopting a different country classification.

We follow Hope et al. (2011) to restrict our sample to acquisitions originating from developing countries to acquire assets in developed countries because we expect this situation represents greater achievement and is more likely to evoke stronger national pride. Ellemers et al. (2002) emphasize that the impact of social identity on the way people see themselves and others around them should not be isolated from the social context. Some of the social context features such as stability have an impact on the way people perceive social identity. For instance, when group status is unstable, people are more inclined to identify themselves as group members. Since emerging markets are generally perceived as being more unstable as they are undergoing economic, social, political and transitional changes, we expect people from developing countries to have a stronger inclination to identify with their own country groups. Furthermore, Pinkus (2005) proposes that individuals in highly developed countries tend to be less attached to their nations. Also, in the history of cross-border M&A, developing-country firms are usually the targets of developed-country firms. Therefore, developing-country firms are more likely to see an acquisition of a developed-country firm as a milestone signaling the rise of their countries’ economy. The acquisition of a developed-country firm by a developing-country firm is more likely to evoke national pride because such acquisition signals a turnaround of the history.

3.2 Variables Descriptions

3.2.1 Construction of National Pride

We construct a national pride dummy for each acquisition based on a manual media search methodology, and we follow the national pride definition brought forward by Hope et al.

(2011). According to Hope et al. (2011), national pride is defined as “an indication that national, social, or political considerations could influence decision-making of individual decision-makers (business owners or managers), either rationally or irrationally.” Since it is not possible to observe CEOs’ sense of national pride directly, we use media searches to identify the national pride sentiment captured by the media. We expect that the “national, social or political considerations” captured by the media could manifest themselves by influencing managers’ individual decision making in the acquisition process.

We use manual media searches to identify the nationalistic considerations involved in the acquisitions. Specifically, we use Factiva database, a search engine that provides access to more than 28,500 sources (including newspapers, journals, magazines, television and radio transcripts, photos, etc.) from 200 countries in 25 languages, including more than 600 continuously updated newswires from 1985 to present. Another reason to use Factiva is that Factiva has been described by scholars as the best approximation of public news for general investors (Bhattacharya, Galpin, Ray, & Yu, 2009). To make sure that our national pride measure has the same implication as Hope et al. (2011), we follow their three-step approach to construct national pride. The details about the three-step approach, as well as an example of media excerpts demonstrating national pride, are described in Appendix A.

The national pride characteristic in our paper is essentially a characteristic that is unique for every acquisition. We do not use a national pride index or score for specific countries which are widely available from the sociology literature because those national pride indices are usually stable for certain countries over a period of time. However, our media evidence suggests that national pride sentiment is not involved with every acquisition because most acquisitions of

foreign firms are based on CEOs' economic and rational motives. Therefore, we use deal-specific measure of national pride instead of using the country-specific measure of national pride.

3.2.2 Construction of Foothold and Non-Foothold Characteristics

To capture the difference in embedded option values and experience, we divide national pride acquirers into two groups, the non-foothold group and the foothold group. If the acquirer has completed at least one acquisition in the same target country prior to the given national-pride-driven acquisition, the “foothold” dummy equals one, otherwise zero for all the remaining observations. However, if the acquirer has not completed any acquisition in that target country prior to the given national-pride-driven acquisition, then the “non-foothold” dummy equals one, otherwise zero for all the remaining observations. From the organizational learning perspective, the foothold acquirers represent acquiring firms with prior acquisition experience, while non-foothold acquirers represent inexperienced acquiring firms. Each national pride acquisition is assigned a foothold dummy as well as a non-foothold dummy. For acquisitions not involved with national pride, we assign zero for both dummies. Our measure of “foothold” or “non-foothold” dummy uniquely captures the difference of past acquisition experience that is specific to certain target country.

3.2.3 Dependent Variables

For our research questions, we choose natural logarithm of acquisition premiums, calculated as the percentage that final offer price is higher than the target's closing price four weeks prior to acquisition announcement, as our main dependent variable. Acquisition premium is a proxy for how much higher an acquiring firm is willing to pay over a target firm's fair

market value. Our measure of acquisition premium is commonly used in the M&A literature (Rossi & Volpin, 2004; Hope et al. 2011), and is calculated following Formula 1 below. We believe that the stock price four weeks prior to the acquisition announcement represents target firms' fair market value. It is neither too close to the acquisition announcement date so that the chance of acquisition information leakage is relatively small, nor too far away from the announcement date so that the stock price reflects more recent market information. In our robustness tests, we also use premiums calculated using target firms' closing price one week prior to acquisition announcement. A list of all variables and their descriptions is also shown in Appendix B.

$$\text{Premium} = \left(\frac{\text{final offer price per share}}{\text{target closing stock price 4 weeks prior to announcement}} - 1 \right) \times 100 \quad (1)$$

For additional tests regarding post-merger performance, we choose ROA of the acquirer as a proxy for acquirers' long-term post-acquisition performance. We set the year of acquisition completion as the acquisition year and calculate the ROA of the acquirer for each year in the 3-year period after the acquisition year. Following Healy et al. (1992) and Cornett et al. (2007), we calculate ROA as operating cash flow (i.e. annual earnings before interest and tax plus depreciation and goodwill) divided by total assets. This definition accounts for different tax policies in different countries and the difference in the method of payments, and is consistent with Healy et al. (1992) and Yen and Andre (2007). Furthermore, this measure is comparable across firms with different financial leverage. The median of the ROA in the 3-year post-acquisition period is chosen as a proxy for post-merger operating performance. Using the same method, the median of the acquirer's ROA in the 3-year period prior to the acquisition is chosen

as a proxy for pre-acquisition performance of the acquirer (ROA_{pre}). Equation 2 shows the details of the calculation.

$$ROA_t = \frac{Sales_t - COGS_t - SG\&A_t + Depreciation_t + Goodwill_t}{Total\ Asset_t} = \frac{EBITDA_t}{Total\ Asset_t} \quad (2)$$

where $t=1, 2$ or 3 , representing the first, the second, and the third year after the acquisition completion year ($t=0$).

3.2.4 Control Variables

For the research question regarding bid premiums (research question 1 to 3), we control for the firm level, the deal level and the country level variables. For the firm level, we control for target size and targets' profit generating ability. For the deal level control variables, we use the existence of competing bids, the existence of tender offer, an acquirer being a financial buyer, the attitude of the bidder and the cash bid dummy (method of payment). The existence of competing bidders tends to drive up acquisition premiums due to competition (Hayward and Hambrick, 2002). Similarly, the existence of tender offer has the same effect of driving up acquisition premiums. An acquiring firm being a financial buyer usually indicates minority interests as well as a lower acquisition premium compensating for lack of control. If the attitude of the acquisition is hostile, we expect to see a higher premium due to resistance from the target firm. Method of payment (CashBid) may also affect the acquisition premium. There are three types of payment, cash, stock, or a combination of both. The means of payment hypothesis suggests that higher premium is associated with stock payment. However, empirical studies fail to support this hypothesis. According to Rau & Vermaelen (1998), in general, bidders do not pay higher premiums in stock-financed acquisitions. However, overvalued acquiring firms,

characterized by low book-to-market ratio, pay a higher premium in 100% stock-financed acquisitions. Similarly, Hayward and Hambrick (1997) fails to find a significant effect of stock payment on acquisition premiums in general.

The firm level controls are related to acquiring firms' or target firms' characteristics in terms of size and profit generating capability. Rossi and Volpin (2004) find a significantly negative association between target size and bid premiums in their sample of worldwide acquisitions. Following Hope et al. (2011), we also control target firms' ability to generate profits (TargetProfit). We expect acquiring firms to pay a higher premium for a target with higher profitability.

At the country level, we control for target country's shareholder protection level and the cultural distance between the acquiring country and the target country. As in La Porta et al. (1998), target countries' shareholder protection level is calculated as *Anti-director rights* multiplied by *Rule of law* divided by 10.¹¹ Past studies find that acquiring firms are willing to pay more for a target in a country with a higher level of shareholder protection (Rossi & Volpin, 2004; Hope et al. 2011). The cultural distance between the acquiring country and the target country is calculated based on Hofstede's four primary dimensions: power distance, individualism, masculinity, and uncertainty avoidance (see formula 3 below, where 1 indicates the acquirer country and 2 indicates the target country; PID denotes for Power Distance; IDV denotes for Individualism; MAS denotes for Masculinity; UAI denotes for Uncertainty

¹¹ In La Porta et al. (1998), *Rule of law* is an assessment of the law and order tradition developed by International Country Risk (ICR), scaling from 0 to 10, with lower scores indicating less tradition for law and order. *Anti-director rights* measure is an index aggregating the six "anti-director rights", scaling from 0 to 6, with 0 denoting no anti-director rights.

Avoidance).¹² The expected effect of cultural distance on acquisition premiums is unclear. Acquiring firms may prefer to pay a lower premium for wider cultural distance because of higher integration cost; but target firms may require a higher premium for wider cultural distance because the probability of successful integration is lower. In the literature related to cross-border acquisitions, Dikova and Sahib (2013) show that the relation between cross-border acquisition experience and post-acquisition performance becomes stronger as cultural distance increases whereas domestic acquisition experience has no effect on the performance of a cross-border acquisition. Their results are in line with the studies that emphasize the importance of dealing with cultural differences in cross-border acquisitions. The prior cross-border acquisition experience provides cross-border bidders a chance to gain a sense of cultural differences or conflicts, which help them overcome cultural distance and achieve superior long-term M&A performance (Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009). Hence, our control for cultural distance is an important one in our tests of post-acquisition performance.

$$\text{Cultural Distance}_{1,2} = \sqrt{\frac{(\text{PDI}_1 - \text{PDI}_2)^2 + (\text{IDV}_1 - \text{IDV}_2)^2 + (\text{MAS}_1 - \text{MAS}_2)^2 + (\text{UAI}_1 - \text{UAI}_2)^2}{4}} \quad (3)$$

For tests of operating performance, we first control for the pre-acquisition ROA on the ground that pre-acquisition performance strongly signals post-acquisition performance. We also control several deal characteristics, including competing bid, and 100% acquisition (or Full Acquisition). We further control the industry relatedness between the acquiring firm and the

¹² According to Prof. Hofstede's website, Power distance is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally; Individualism is the degree of interdependence a society maintains among its member; Masculinity is what motivates people, wanting to be the best (masculine) or liking what you do (feminine); Uncertainty avoidance is the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these.

target firm, the shareholder protection level of the target country, and the cultural distance between the acquiring country and the target country.

3.2.5 Summary Statistics and Pearson Pairwise Correlation

Table 1 presents the distribution of the 322 bids in terms of acquiring country and target country. From Table 1, we observe clustering of bids targeted at certain countries. The United States, Australia, Hong Kong and the United Kingdom tend to be the targets among developed countries while Singapore, China, South Africa and Malaysia complete relatively more acquisitions of developed-country targets.

[Insert Table 1 Here]

Among the 322 acquisitions, we identify 36 national-pride-driven acquisitions.¹³ The distribution of the 36 national pride bids is displayed in Table 2, Panel A. From the distribution, we find that India, Mexico, Singapore and South Africa tend to have more national pride bids compared with other developing countries. Among the 36 national pride bids, 20 of the acquirers are identified as “foothold” acquirers while 16 of the acquirers are identified as “non-foothold” acquirers. The distribution of the 20 acquisitions with a foothold position is shown in Table 2, Panel B. A relatively strong country-wise foothold pattern is observed in the South Africa-Australia pair and the Singapore-United States pair.

[Insert Table 2 Here]

¹³ A list of the national pride bids and the media excerpts that support their national pride identity could be provided on request.

The time series distribution of the full sample in terms of the number of bids is exhibited in Table 3. From the patterns, we find an upward trend along with time, as well as a peak in the late 2000's.

[Insert Table 3 Here]

The summary statistics for the whole sample is displayed in Table 4. Panel A presents summary statistics for the full sample including both the national pride and non-national pride bids. In the full sample, approximately 2% of the bids have at least one competing offer from other bidders; 36% are involved in a tender offer; 11% are initiated by a financial buyer; 2% of the bids are defined as hostile; and 61% are paid with 100% cash. Panel B shows the summary statistics for the 36 national pride bids. This subsample demonstrates similar patterns as the full sample. However, it contains a higher percentage of bids associated with competing bids (14%) and tender offers (58%). Descriptive statistics for the foothold acquisitions are exhibited in Panel C. Again, compared with national pride bids, the bid characteristics are similar. Un-tabulated statistics show that the average premium based on a four-week window is 39.89%. This figure is close to that of a similar study by Rossi and Volpin (2004), where they find an average premium of 41.6% for 4007 worldwide acquisitions between 1990 and 1999.

[Insert

Table 4 Here]

The Pearson correlations are illustrated in Table 5. Panel A presents the correlations for our full sample of 322 bids. Both measures of premium are significantly and positively correlated with the national pride measure (at the 0.05 level).

[Insert Table 5 Here]

4 EMPIRICAL RESULTS

4.1 Effect of national pride on acquisition premiums

This section aims at replicating the research question in Hope et al. (2011). The following regression model is estimated:

$$\text{Log (Premium)} = a + b(\text{National pride dummy}) + c(\text{Control variables}) + e \quad (4)$$

We regress the log of the bid premium measured with a four-week window on the national pride dummy variable. We control for three levels of control variables identified by previous research, country level, firm level and deal level controls.

Our regression results for acquisition premiums and national pride characteristics are exhibited in Table 6.^{14, 15} All regression results presented in the tables are based on Huber-White standard errors unless otherwise stated.¹⁶ Industry controls are based on Fama-French 12-industry classification, which is widely used in the finance literature for industry classifications (e.g. Malmendier and Tate, 2005; Denis et al., 2003). In model 1, we find that the natural logarithm of acquisition premium (based on a four-week window) is higher in the national pride acquisitions. We continue to find similar results after adding the cultural distance between the acquiring country and target country in model 2. In all models, the coefficient for national pride

¹⁴ The multicollinearity is not a concern in any of the results shown in the paper. Specifically, the highest variance inflation factor (VIF) for any independent variables in all regressions is merely 3.10.

¹⁵ We try winsorizing the top 1% of the premium measures and the bottom 3% of the targets' profit margin measures in all the tests. No inferences are affected except that the coefficient for profit margin changes from insignificant to significant in a few models.

¹⁶ Although we cannot completely rule out the possibility of endogeneity, we do not find significant issues of endogeneity. Plus, Hope et al. (2011) have already tested some of the possible omitted variables, including political connections, national pride index, the novelty of M&A occurrence, target firms' glamour, and ownership characteristics, and their results remain. Since our study is an extension of Hope et al. (2011), we do not feel the need to repeat tests of those omitted variables already addressed by Hope et al. (2011). Another cause for endogeneity is the possibility of reverse causality that high premium could cause media hype. We do not think of this as a major concern in this paper because we found that media are usually attracted by large-size deals, but they are seldom attracted by high bid premium alone.

dummy is positive and significant at the 0.05 level. More specifically, the coefficients for national pride dummy in columns 1 and 2 are 0.409 and 0.384, respectively. All else being equal, these findings also demonstrate economic significance: premiums paid for national pride bids are approximately 47% higher than those of non-national-pride bids.¹⁷ Consistent with our expectation and that of Hope et al. (2011), we find that the existence of national pride in a cross-border acquisition is an indicator for higher acquisition premiums. In other words, the national pride sentiment captured by the media is positively associated with the acquisition premium.

[Insert Table 6 Here]

The results show a positive effect of competing bid on bid premiums. This finding is consistent with that in both Rossi and Volpin (2004) and Hope et al. (2011). For the country level control variables, a positive association between the shareholder protection level and the acquisition premium is observed. Thus, acquirers are willing to pay more for a target firm if the target operates in a country with higher level of shareholder protection. This is consistent with “bonding hypothesis” proposed in the cross-listing literature (Coffee, 1999). However, we fail to find a significant effect of cultural distance on bid premiums. This is also consistent with Hope et al. (2011).

We also replicate our results using bid premiums estimated based on a seven-day window. The regression results are displayed in column 3 to 4 in Table 6. The sign and significance of national pride coefficient are similar to those in regressions with the four-week-window premium (LogPremium_{4w}).

¹⁷ Note that the dependent variable in our tests is the natural logarithm of the bid premium. Therefore a coefficient of 0.384 should be translated into a 47% higher premium.

In our tests thus far, we classify countries as developed or developing using the United Nations classification consistent with Hope et al. (2011). This classification is based on regions instead of specific countries and is slightly different from that of the International Monetary Fund. To address this issue, we replicate our results using country classifications brought forward by International Monetary Fund (IMF) in the April 2013 World Economic Outlook report. According to this report, 33 nations are classified as “advanced economies”. We retest this research question by using the sub-sample that complies with the IMF criteria.^{18,19} Un-tabulated results show that the coefficient of national pride dummy continues to be positive and significant.

4.2 Research question 1: Is the overpayment of national-pride bids mainly attributed to the non-foothold acquirers?

To address our research question of whether the non-foothold (or foothold) characteristic is associated with higher (or lower) bid premiums in national-pride-driven acquisitions, we estimate the following model (Equation 5) using the full sample of acquisitions involving developing country bidders and developed country targets. This model compares the foothold and non-foothold acquirers with those represented in non-national-pride-driven sub-sample.^{20, 21}

$$\text{Log(Premium)} = a + b(\text{Foothold acquirer}) + c(\text{Non-foothold acquirer}) + d(\text{Control variables}) + e \quad (5)$$

¹⁸ These 33 advanced economies are: Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, South Korea, Luxembourg, Malta, Netherlands, NZ, Norway, Portugal, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan, UK, and US.

¹⁹ The IMF criteria require removing the observations with South Korea or Singapore as the acquiring nation from the sample.

²⁰ There is no dummy variable trap in this model because our base group is the non-national-pride-driven acquirers that do not belong either to the foothold or non-foothold category.

²¹ An ideal way to test the effect of foothold and non-foothold characteristics in this research question is to test “Log(Premium) = a + b(Foothold Dummy) + d(Control Variables) + e” among the sample of 36 national pride bids. However, due to small sample size, we do not have enough observations/heterogeneity to conduct this. Therefore, we choose to test equation 5 using the full sample, which is essentially to compare the foothold acquirers and the non-foothold acquirers with the base group (acquirers in the non-national-pride acquisitions).

We first test the natural logarithm of premiums (using a four-week window) as the dependent variable. The foothold acquirer dummy represents the 20 acquirers that obtain a foothold position in the target country prior to the national pride acquisition while the non-foothold acquirer dummy represents the 16 acquirers that fail to obtain such a foothold position. Similar to the section 4.1, three levels of controls are implemented in terms of deal level, firm level and country level. The regression results are shown in Table 7. In Model 1, we find that non-foothold acquirers pay a significantly higher acquisition premium in the national-pride-driven acquisitions whereas the foothold acquirers do not. Specifically, we document a positive coefficient (0.6527) in Model 1, which is significant at the 0.05 level. In addition to being statistically significant, the coefficient of the non-foothold characteristic also demonstrates substantial economic significance. All else being equal, the results suggest that the bid premium paid by non-foothold acquirers is approximately 1.92 times that paid by non-national-pride acquirers while the bid premium paid by foothold acquirers is approximately 1.21 times that paid by non-national-pride acquirers. In other words, the non-foothold acquirers, rather than foothold acquirers, overpay for the national-pride-driven acquisitions. In Model 2, we continue to find significant coefficient of non-foothold dummy after adding cultural difference control.

These findings have two implications regarding the importance of obtaining a foothold position prior to the national-pride-driven acquisitions. Firstly, from the real options perspective, the overpayment by the non-foothold acquirers could be the price paid for options included in the first acquisition in the target country. The value of these options, including the option to expand, the option to have access to government contracts, the option to have access to cheaper financing, are substantially higher in the first acquisition in a new country compared with that in later

acquisitions. Secondly, from the organizational learning perspective, obtaining a foothold position provides acquirers a chance to learn and perfect the unique skills required to succeed in the target country. On the contrary, a lack of prior experience likely results in worse judgment regarding target selection and appropriate premiums. Put differently, the higher premium paid by non-foothold acquirers is either a result of lacking prior acquisition experience or paying for the strategic and growth options, or both.

As for the control variables, the existence of competing bidder and the level of shareholder protection positively affect the acquisition premium paid by acquirers, while the size of target firms negatively affects the acquisition premium. The results suggest that acquirers are willing to pay more for a target firm if it is in a country with higher level of shareholder protection (e.g. the United States or Canada) or if there are some other acquirers competing for the same target firm. These findings corroborate previous results in cross-border M&A studies (Rossi and Volpin 2004, Hope et al. 2011). Although the domestic M&A literature shows mixed results regarding the effect of target size (Laamanen, 2007), the cross-border M&A literature consistently shows a negative effect of target size on premiums (Rossi and Volpin 2004, Hope et al. 2011).

[Insert Table 7 Here]

For robustness, first we use the bid premium estimated in a one-week window. The regression results are shown in column 3 to 4 in Table 7. The sign and significance of coefficients are comparable to those coefficients in regressions of the four-week-window premium. The coefficient for the non-foothold dummy remains positive and significant, whereas the coefficient for the foothold dummy remains insignificant. Therefore, our inferences are not affected even when an alternative measure of acquisition premium is used.

The second robustness is to address the concerns regarding the country classification between developed and developing countries. Similar to research question 1, we adopt the classification by IMF and retest using the subsample that complies with this new criterion. Our regression results in Table 8 shows that our inferences remain.

[Insert Table 8 Here]

4.3 Research question 2: Does organizational learning theory explain the higher premium paid by non-foothold acquirers?

If organizational learning theory explains the higher (lower) premium paid by non-foothold acquirers, we expect that national pride acquirers with more acquisition experience will pay a lower premium. Here we use two continuous measures of acquirers' prior acquisition experience. The first measure is the number of acquisitions completed in the same target country prior to the national-pride-driven acquisitions. The second measure is the number of years between the first acquisition in the same target country and the national-pride-driven acquisition. We are interested in testing whether more acquisition experience, in terms of time length (i.e. number of years) or in terms of records (i.e. number of acquisitions), signals a lower future premium as predicted by organizational learning theory. Un-tabulated results show that, for the foothold acquirers, the average number of prior acquisitions is 4.1 while the average number of years since the first acquisition is 4.85. We regress the natural logarithm of premium on the acquisition experience and other control variables as in equation 6.

$$\mathbf{Log(Premium) = a + b(Acquisition\ experience) + c(Control\ variables) + e} \quad (6)$$

Our regression results in Table 9 show a negative and significant coefficient for the number of past acquisitions in Model 1, suggesting that each additional acquisition completed in

the past is associated with 2.8% lower premium paid in national-pride-driven acquisitions. However, in Model 2, the acquisition experience measured in time length does not have such a significant influence on acquisition premiums of the national pride acquisitions. This suggests that the experience accumulated through more acquisitions may equip bidders with the skills needed to negotiate a lower acquisition price in national-pride-driven acquisitions. However, the time length does not show such a significant effect. Model 3 shows the combined effect of these two experience measures. As the table shows, the coefficient of the number of acquisitions remains significant (at 0.05 level), while that of the number of years remains statistically insignificant. These results suggest that inexperienced acquirers, namely the non-foothold acquirers, tend to pay higher premiums in the national-pride-driven acquisitions as a result of lacking prior country-specific acquisition experience. Therefore, it supports organizational learning theory in explaining the higher premium paid in the non-foothold acquisitions. On the other hand, a longer time length in the target country may not necessarily suggest superior experience, but sometimes could imply dormant participation as the acquisition opportunities may have been depleted. This is consistent with the findings in Hayward (2002) that an inverted U-shape relationship exists between the post-merger performance and the time elapsed between the focal acquisition and the last acquisition.

[Insert Table 9 Here]

4.4 Research question 3: Does real options reasoning explain the higher (lower) premium paid by non-foothold (foothold) acquirers?

Although our results for question 1 show that non-foothold acquirers pay higher premiums, it is unclear whether the national-pride acquirers are actually paying more for the real options to

expand. If so, we expect that acquirers that pay a higher premium will have more future acquisitions completed in that same country or in that geographical area. A higher involvement in future acquisitions is an indication that these high-premium-paying acquirers are actually executing the long-term strategic expansion plan that they have paid a high price for. We, first, divide national pride acquirers into two groups, the high-premium group and the low-premium group. Then, we measure the number of future acquisitions completed and the value of acquisitions in million dollars in both the target country and all developed countries during the six-year period following the acquisition completion year. The mean and the univariate test results are presented in Table 10.

[Insert Table 10 Here]

The results show that the high-premium-paying group has substantially higher level of future acquisitions, in term of the number of acquisitions and the transaction value, in the six-year period following the national pride acquisitions than the low-premium-paying group. For instance, the high-premium-paying group completed, on average, eight acquisitions after the national pride acquisition while the low-premium-paying group completed only three acquisitions of the targets from all developed countries. Further univariate tests confirm the statistical difference in terms of transaction value in the same target country and in terms of the number of acquisitions in all developed countries.²² These results provide some evidence that high-premium-paying acquirers are actually executing their long-term strategic plan to expand in

²² The difference in terms of the number of acquisitions in the same target country and in terms of transaction value in all developed countries is not statistically significant, possibly because of the low statistical power of the test. However, it seems economically significant that the high-premium group completed approximately three times future acquisitions compared with the low-premium group in those two measures.

a new geographical area, for which they have paid a substantial price, supporting real options explanation.

4.5 Additional test of operating performance: Do national pride acquirers underperform?

To test the post-merger performance of national pride acquirers, we estimate the following model in the full sample.

$$ROA_{\text{post}} = \alpha + \beta(\text{National pride dummy}) + \gamma(\text{Control variables}) + \varepsilon \quad (8)$$

We use the median ROA in the 3-year period following the acquisition completion year as a proxy for acquirers' post-merger performance. We regress post-acquisition performance on the national pride dummy and a variety of control variables.

The regression results are reported in Table 11 below. The adjusted R² is between 39% and 54%. Looking at our key independent variable, national pride, we find that the coefficient of national pride is negative and significant in all models. This is consistent with Krishnan et al. (2007)'s finding that there is a negative association between premiums paid and post-acquisition operating performance, and one reason behind the underperformance is severe workforce reduction after paying a high premium. The coefficient for national pride is not only statistically significant but also economically meaningful. For instance, the coefficient in Model 2 is -0.0310, implying that the ROA of national pride acquirers is 3.1 percentage points lower than that of acquirers not involved in national pride acquisitions. This also represents economic significance since the average post-merger ROA of the whole sample is merely 10.64 percentage points. As for the control variables, pre-acquisition performance and the shareholder protection level of the target country have positive and significant effects on post-acquisition performance. The strong signaling effect of pre-acquisition performance supports our expectation, and corroborates the

findings in Yen and Andre (2007) and Krishnan et al. (2007). Higher level of shareholder protection in a target country also signals superior post-merger performance.

For robustness, we follow the country classification by the IMF and report regression results for the restricted sample in column 3 and 4. The coefficient of national pride remains negative and significant. Among the control variables, the effects of shareholder protection and pre-acquisition performance remain significant.

[Insert Table 11 Here]

4.6 Additional test of operating performance: Is the underperformance of national pride acquirers mainly attributable to non-foothold acquirers?

Before formally testing the operating performance of non-foothold acquirers, we first look into the anecdotal evidence of the impact of foothold/non-foothold characteristics on post-merger performance of national pride acquirers.

When investigating foothold acquirers, we found two notable examples. The first example is the expansion of Cemex, a Mexican cement producer, in the United States. Instead of immediately acquiring industry leaders, Cemex started its expansion through smaller acquisitions of two subsidiaries of its competitor Lafarge in 1994, six years before its high-profile acquisition of Southdown in 2000. Before the acquisition of Southdown, Cemex was a relatively small player in the United States with insignificant market share.²³ But after this acquisition, Cemex became the largest cement company in North America with 15% market share in 2004.²⁴ Another similar example is the expansion of Cia Vale do Rio Doce (CVRD thereafter) from

²³Source: Kevin K. Boeh, Paul W. Beamish. "Mergers and Acquisitions: Text and Cases". Page 230.

²⁴ Source: Mike Betts and Robert Crimes, "Construction and Building Materials Sector," JP Morgan European Equity Research, August 16, 2004; CEMEX.

Brazil into the Canadian market. CVRD used its acquisition of a small Canadian nickel mining company Canico Resources to pave its way towards the \$18.9 billion acquisition of Inco, the world's second largest nickel-miner, in 2006. This mega-deal acquisition turned CVRD into the largest nickel producer and the second-largest miner, and the strong performance of Inco was the main source for CVDR's significant profit increase in 2007.^{25,26}

We also provide two anecdotal examples to suggest that failure to obtain some footing position before pursuing industry leaders could have a negative impact on post-merger performance. One example is the acquisition of Corus in the UK by Tata Steel of India in 2008, which is marked as the first acquisition of Tata Steel in the United Kingdom. Although this \$8.1 billion acquisition has made Tata Steel the fifth largest steel firm in the world, it has also caused Tata Steel to struggle with the restructuring costs from 1700 job cuts of Corus in 2009.^{27,28} Also, Corus's reported annual loss of 75.04 billion Rupees was the main contributor for Tata Steel's downgrade from Moody and its loss of 20.09 billion Rupees in fiscal year 2010.^{29,30} Another similar example is Hindalco (India)'s expansion into the United States. Its acquisition of Novelis, the world's largest producer of rolled aluminum and a major recycler of aluminum cans, in 2007, is marked as its first acquisition in the United States. However, two years after the \$6 billion payment for the acquisition, Novelis's \$1.8 billion huge loss erode the net worth of the parent company Hindalco and stopped it from making further acquisitions worldwide.³¹

²⁵ Source: BBC News, 24 October 2006, "Brazilian miner buys Canada rival".

²⁶ Source: Reuters, May 3, 2007, "Brazil miner CVRD Q1 profit soars on nickel".

²⁷ Source: BBC news, 20 October 2006, "Corus accepts £4.3bn Tata offer".

²⁸ Source: BBC news, 4 December 2009, "Corus job cuts 'horrendous' for Teesside".

²⁹ Source: Factiva. Moody's Investors Service Press Release, 4 March 2009, "Moody's downgrades Tata Steel; continues review for possible downgrade".

³⁰ Source: Factiva. Daily News & Analysis. 19 July 2010, "Tata Steel arms script a terrific turnaround".

³¹ Source: The Indian Express, Feb 19 2009, "Novelis losses to eat into Hindalco network".

The above examples provide anecdotal evidence that failing to obtain a foothold position prior to national pride bids might result in worse performance. Therefore, the underperformance of national pride acquirers is likely caused by acquirers that fail to obtain foothold positions. We estimate the following model in the full sample.

$$\text{ROA}_{\text{post}} = \alpha + \beta(\text{Foothold acquirer dummy}) + \gamma(\text{Non-foothold acquirer dummy}) + \delta(\text{Control variables}) + \varepsilon \quad (9)$$

Similar to the test of national pride acquirers, we use the median ROA in the 3-year period following the acquisition completion as a proxy for acquirers' post-merger performance. If the under-performance of national pride acquirers is mainly attributable to the non-foothold acquirers, we expect coefficient γ to be negative and significant and coefficient β to be insignificant.

The regression results are shown in Table 12. Model 1 and 2 present the results for the whole sample. In all models, we find that the non-foothold acquirers perform significantly worse than the base group. Non-foothold acquirers are associated with lower ROA in the 3-year period following the completion of acquisition. A negative coefficient (-0.0392) for the non-foothold dummy in Model 2 is documented, which is significant at the 0.10 level. In addition to being statistically significant, non-foothold dummy is also economically significant. All else being equal, the post-merge ROA for the non-foothold acquirers is 3.92% lower than that of acquirers not involved in national pride acquisitions. Conversely, the coefficient for foothold acquirers is negative yet insignificant, suggesting that the underperformance of national pride acquirers is mainly attributed to the underperformance of non-foothold acquirers. These findings are in line with our expectations and support organizational learning theory in explaining the underperformance of national pride acquirers that lacking acquisition experience could have an adverse impact on post-merger performance. The results also suggest the importance of

acquiring a relatively small firm prior to acquiring industry leaders. Among the control variables, we find that post-merger ROA is positively associated with pre-acquisition ROA and target countries' shareholder protection level. Therefore, a target country with better shareholder protection provides better business environment and offers better chance for post-merger operating success. The adjusted R^2 across all models are between 39% and 48%, representing high degree of explanatory power of regression models. These findings are consistent with the findings in Yen and Andre (2007). We fail to find significant effect of competing bid documented by Yen and Andre (2007) but the negative sign of competing bid is consistent.

[Insert Table 12 Here]

Model 3 and 4 show the regression results under the IMF country classification. We find similar results compared to Model 1 and Model 2. The coefficient of non-foothold acquirers remains negative and significant while the coefficient of the foothold acquirers remains insignificant. As for the control variables, we observe similar patterns among the coefficients.

5 CONCLUSION

Consistent with the findings in Hope et al. (2011), we find that developing-country acquirers pay a higher premium in deals that can be classified as national-pride acquisitions, compared to those classified as non-national-pride acquisitions. However, it is unclear whether the national pride is the true motive behind such an acquisition or not. It is possible that the displayed national pride is merely an overly excited reaction from the public towards a nationalistic event, whereas managers are rational decision makers. In this study, we argue that there are other plausible explanations for the high premium paid by national pride acquirers, including payment for a long-term expansion strategy and payment for lack of country specific experience.

Using a sample of acquisitions of developed-country targets by developing-country bidders, we find that the national pride acquirers overpay for the target firm, and the overpayment is mainly attributed to the bids by non-foothold acquirers. In further tests, we find that the bid premium is a negative function of the number of past bids made by national pride bidders in that country, which we interpret as evidence supporting organizational learning theory. We also find that national-pride-bidders that pay a higher premium have a higher level of future acquisition activity (in terms of the number and transaction value) in the target country and in all developed countries, which we interpret as evidence supporting the real options explanation. Therefore, the aforementioned results suggest that national pride acquirers pay higher premiums both for the lack of experience and for real options that could be tied to a long-term expansion strategy. In further tests related to post-merger performance, we find that the national pride acquirers underperform operationally relative to acquirers not involved in national pride acquisitions, and the operational underperformance is mainly attributable to the non-foothold

acquirers. One explanation for this finding is the lack of prior acquisition experience of non-foothold acquirers.

We consider the two channels, the real options channel and the organizational learning channel, as two sides of the coin to explain the high premium payment by national pride acquirers. While the organizational learning channel emphasizes the impact of past acquisition experience, the real options channel highlights the influence of forward-looking viewpoint regarding the future market's potential and uncertainty. Therefore, we consider these two channels as complementary and inseparable to each other.

These results may imply that foothold acquirers represent the type of acquirers with cautious market entry strategy, which starts with acquisitions of smaller firms before pursuing dominant firms or industry giants, namely, the typical targets in the national pride acquisitions. On the contrary, non-foothold acquirers represent the type of aggressive acquirers that tend to adopt aggressive market entry strategy starting with acquisitions of industry leaders. They aim at acquiring industry leaders even before gaining a foothold position in a new market. However, our results show that such a radical market entry strategy is associated with overpayment and underperformance. In summary, our results suggest a superior market entry pattern, which is to start with gaining a foothold position in a new market by acquiring firms with relatively small size, before acquiring industry leaders.

We contribute to the literature by emphasizing the significance of gaining a foothold position in cross-border mergers and acquisition. We also provide empirical support for both organizational learning theory and real options reasoning in explaining the higher premium paid by the national pride acquirers. This is also the first study that investigates the post-acquisition operating performance of the national pride acquirers.

Our results are robust to the inclusion of a variety of controls, different measures of premium and use of different country development measures; yet, we acknowledge that there are some limitations that remain unaddressed fully. One of the limitations of this paper is the classification of developed and developing countries. First, development status may change during our sample period from 1990 to 2008. Second, there is no consensus regarding the classification of developing and developed countries. Therefore, we adopt two classifications from the United Nations and the IMF to ensure our inferences are robust to different classifications.

Another limitation of the paper is that there could be bias when using media search approach to construct national pride variable. The interpretation of national pride indication could be subjective in nature. Also, it is possible that some of the media hype could be aroused by the high-profile characteristic of the acquisition. The excitement presented in the media could be merely ex-post market reaction to these mega-deals, whereas managers are not under the influence of national pride. Therefore, to alleviate these weaknesses inherent in the media search methodology, future researchers interested in the impact of national pride can consider using a more direct measure of national pride through interviews or surveys with the decision makers.

With globalization and integration of global economies, it is likely that firms increasingly rely on cross-border acquisitions as a major mode of entry to a new country. Although national pride likely plays a role in the process of cross-border acquisitions, our preliminary analysis suggests that an indirect measure of national pride, through media search, could be inaccurate sometimes. Therefore, using a direct measure of national pride, through survey or interview methodology, could be a direction for future researchers interested in topics related to the role of national pride in cross-border M&A.

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Appendix A Three-step approach of national pride construction and media excerpt example

In step 1, we search by the following criteria for each deal on Factiva database:

a. Search “target name AND bidder name” in the whole article. In order to achieve the greatest coverage, we delete the suffix such as Inc.

b. Restrict date range to -3 months and +3 months around the acquisition announcement date. We restrict time period to one quarter surrounding the acquisition announcement so that the media articles most likely capture information about the given acquisition.

c. Choose “all sources”, “all companies”, “all subjects”, “all industries”, and “all regions”. Again, we do not exclude specific source so as not to miss important media articles.

d. Restrict to English language. As national pride is more likely to emerge in acquirer country’s media, the ideal way is to translate local media articles into English. However, due to cost and resource constraint, we decide to limit to English language.

e. Exclude republished news, recurring market and price data, sports news, obituaries, etc.

In step 2, we conduct a headline search for indication of national pride for each Factiva output from the first step. Specifically, we scan the headline and leading sentences and look for direct or indirect mention of patriotism, national sentiment in the completion of the deal, social impact, political interference/influence beyond the obvious business of the firms, excessive excitement about the bid, or excessive anticipation. Articles found to contain potential “national pride” indication are selected for detailed reading of the whole article to confirm its “national pride” characteristics.

The last step involves the identification of national pride for each acquisition. If we find at least one article that contains indication of “national pride” (as defined above), we code that acquisition a “national pride acquisition”. Eventually, we identify 36 acquisitions out of 322 as “national pride acquisitions”. A complete list of national pride bids and the corresponding media

excerpts can be obtained from the author upon request. To illustrate how national pride is captured through media, we provide an example of media excerpts that surround the acquisition of Southdown in the US by Cemex from Mexico in 2000.

National pride acquisition: The acquisition of Southdown (US) by Cemex (Mexico) in 2000

Publication: Latin Finance, December 1st 2000

Excerpts alluding to national pride:

Mexico's cement giant crosses the border to grab a prize US acquisition, boosting its cash flow and diversifying into a developed market. ... For years, US and European multinationals have gobbled up Latin American companies in their quest for high-growth markets. Now, the direction has shifted. In November, Mexico's Cemex, the world's third-largest cement maker, bought Houston-based Southdown, the second-largest US cement producer. After launching a tender offer of \$73 per share, Cemex acquired 91.7% of Southdown for more than \$2.4 billion. ... Lorenzo Zambrano, Cemex's CEO, said in October that the company was interested in striking a "balance between our developed and developing-country markets."

Appendix B Description of variables

Variable	Description	Source
Panel A: Deal-level variables		
NP-FootholdAcquirer	An indicator variable that takes on a value of 1 if the acquirer has completed at least one acquisition in the same target country ³² prior to the national pride acquisition; otherwise, it takes on a value of 0 for all other observations in the sample.	SDC platinum Author's computation
NP-NonFootholdAcquirer	An indicator variable that takes on a value of 1 if the acquirer has not completed any acquisition in the same target country ³³ prior to the national pride acquisition; otherwise, it takes on a value of 0 for all other observations in the sample.	SDC platinum Author's computation
National Pride	Following Hope et al. (2011), it's an indicator variable that equals 1 if the media coverage surrounding the transaction contains references to national pride or hubris or political considerations in the context of the transaction, 0 otherwise. Media articles are examined on the Factiva database using the target name and the bidder name in the search string during the time period three months prior to the date of announcement to three months after.	Author's manual search on Factiva
LogPremium-4w	Natural logarithm of premium calculated based on a four-week window. The four-week-window premium is defined as: $[(\text{final offer price per share}/\text{target closing stock price four weeks prior to announcement}) - 1] \times 100$	SDC platinum Author's computation

³² Note: The historical acquisition records are examined in the sample of all cross-border acquisitions from 1990 to 2008, including observations not included in our sample due to data availability.

³³ Note: The historical acquisition records are examined in the sample of all cross-border acquisitions from 1990 to 2008, including observations not included in our sample due to data availability.

Variable	Description	Source
Panel A: Continued		
LogPremium-1w	Natural logarithm of premium calculated based on a one-week window. The one-week-window premium is defined as: [(final offer price per share/target closing stock price one week prior to announcement) -1]x100	SDC platinum Author's computation
CompetingBidder	Indicator variable that takes on a value of 1 if the bid is accompanied by multiple rival bids, and takes on 0 if otherwise.	SDC platinum Author's computation
TenderOffer	Indicator variable that takes on a value of 1 if the bid is a tender offer, and takes on 0 if otherwise.	SDC platinum
FinancialBuyer	Indicator variable that takes on a value of 1 if the acquirer is a financial institution, and takes on 0 if otherwise.	SDC platinum Author's computation
Hostile	Indicator variable that takes on a value of 1 if the attitude of the bidder is hostile or unfriendly, and takes on 0 if otherwise.	SDC platinum Author's computation
CashBid	Indicator variable that takes on a value of 1 if the bid is a cash bid (100% paid in cash), and takes on 0 if otherwise.	SDC platinum Author's computation
Relatedness	Indicator variable that takes on a value of 1 if the acquirer firm and target firm are in the same industry or share the same 3-digit SIC code, and takes on 0 if otherwise.	SDC platinum Author's computation
FullAcquisition	Indicator variable that takes on a value of 1 if the percentage acquired by the acquirer is 100%, and takes on 0 if otherwise.	

Variable	Description	Source
Panel B: Firm-level variables		
ROA_post	A proxy for acquirer's long-term post-acquisition operating performance. It measures the median ROA of the acquirer in the 3-year period following the acquisition completion year, where the ROA is calculated as EBITDA over total asset.	COMPUSTAT Global Author's computation
ROA_pre	A proxy for acquirer's long-term pre-acquisition operating performance. It measures the median ROA of the acquirer in the 3-year period prior to the acquisition completion year, where the ROA is calculated as EBITDA over total asset.	COMPUSTAT Global Author's computation
TargetSize	Natural log of target's net asset one year prior to announcement(\$ml)	SDC platinum Author's computation
TargetProfit	Target's net income/Net sales one year prior	SDC platinum Author's computation
Panel C: Country-level variables		
ShareholderProtection	An indicator for the level of shareholder protection in the target country. Following Rossi and Volpin (2004): it is equal to <i>Anti-director rights</i> multiplied by <i>Rule of law</i> divided by 10. The definition for <i>Anti-director rights</i> and <i>Rule of law</i> can be found in La Porta et al. (1998).	Prof. Andrei Shleifer's website
CulturalDistance	Calculated based on Hofstede's four primary dimensions to assist in differentiating cultures: power distance, individualism, masculinity, and uncertainty avoidance	Prof. Geert Hofstede's website

Table 1 Distribution of acquisitions originating from developing countries for targets in developed countries

The columns represent the country of the acquirer's ultimate parent company while the rows represent that of the target firms. The entries of the matrix are therefore the number of cross-border acquisitions originating from the acquiring country for firms in the target country. Our sample period is from 1990 to 2008. All acquirer countries are developing countries while all target countries are developed countries.

Acquirer parent nation	Target nation											Total
	Australia	Belgium	Canada	France	Greece	Hong Kong	Japan	New Zealand	Norway	United Kingdom	United States	
Argentina	0	0	0	0	0	0	0	0	0	0	4	4
Brazil	0	0	3	0	0	0	0	0	0	0	0	3
China	6	0	3	0	0	41	0	1	1	2	3	57
Egypt	0	0	1	1	0	0	0	0	0	0	0	2
India	1	2	3	0	0	0	0	0	3	6	9	24
Indonesia	3	0	0	0	0	0	0	0	0	1	0	4
Kuwait	0	0	0	0	0	0	0	0	0	1	4	5
Malaysia	9	0	0	0	0	8	0	1	2	6	7	33
Mexico	1	0	1	0	0	0	0	0	0	1	10	13
Morocco	0	0	0	1	0	0	0	0	0	0	0	1
Philippines	2	0	0	0	0	2	0	0	0	3	0	7
Russian Fed	0	0	4	0	0	0	0	0	0	3	5	12
Saudi Arabia	1	0	1	0	0	0	0	0	0	5	2	9
Singapore	17	0	0	0	0	21	4	4	0	5	18	69
South Africa	23	0	1	0	0	0	0	0	0	12	5	41
South Korea	1	0	1	0	0	0	5	0	2	0	12	21
Thailand	1	0	0	0	0	0	0	0	0	0	3	4
Trinidad&Tob	0	0	0	1	0	0	0	0	0	0	0	1
UAE	1	0	2	0	2	0	1	0	0	2	2	10
Venezuela	0	0	0	0	0	0	0	0	0	0	2	2
Total	66	2	20	3	2	72	10	6	8	47	86	322

Table 2 Distribution of the national pride bids and the foothold acquirers

The columns represent the country of acquirers' ultimate parent company while the rows represent the country of target firms. The entries of the matrix are therefore the number of cross-border acquisitions originating from the acquiring country for firms in the target country. Our sample is from 1990 to 2008. All acquiring countries are developing countries while all target countries are developed countries. Panel A presents the distribution of national pride bids while panel B presents the distribution of bids involved foothold acquirers.

Panel A: National pride bids

Acquirer parent nation	Target nation							Total
	Australia	Belgium	Canada	Hong Kong	Norway	United Kingdom	United States	
Brazil	0	0	1	0	0	0	0	1
China	0	0	1	0	1	1	1	4
India	0	1	2	0	0	3	3	9
Malaysia	1	0	0	0	0	0	0	1
Mexico	1	0	0	0	0	1	4	6
Philippines	1	0	0	0	0	0	0	1
Singapore	1	0	0	1	0	0	4	6
South Africa	3	0	0	0	0	0	1	4
South Korea	0	0	0	0	0	0	3	3
UAE	0	0	0	0	0	1	0	1
Total	7	1	4	1	1	6	16	36

Panel B: Bids involved foothold acquirers

Acquirer parent nation	Target nation					Total
	Australia	Canada	Hong Kong	United Kingdom	United States	
Brazil	0	1	0	0	0	1
China	0	1	0	0	0	1
India	0	0	0	1	1	2
Malaysia	1	0	0	0	0	1
Mexico	0	0	0	0	2	2
Philippines	1	0	0	0	0	1
Singapore	1	0	1	0	3	5
South Africa	3	0	0	0	1	4
South Korea	0	0	0	0	2	2
UAE	0	0	0	1	0	1
Total	6	2	1	2	9	20

Table 3 Chronological distribution of full sample

This table presents the number of cross-border acquisitions of the full sample in chronological order, along with percentage and cumulative percentage.

Year	Freq.	Percent	Cum.
1990	7	2.17	2.17
1991	6	1.86	4.04
1992	6	1.86	5.9
1993	22	6.83	12.73
1994	21	6.52	19.25
1995	19	5.9	25.16
1996	11	3.42	28.57
1997	20	6.21	34.78
1998	10	3.11	37.89
1999	13	4.04	41.93
2000	16	4.97	46.89
2001	11	3.42	50.31
2002	13	4.04	54.35
2003	11	3.42	57.76
2004	15	4.66	62.42
2005	20	6.21	68.63
2006	28	8.7	77.33
2007	34	10.56	87.89
2008	39	12.11	100
Total	322	100	

Table 4 Summary statistics

This table presents the summary statistics for the dependent and independent variables in terms of the number of observations, mean, standard deviation, minimum, 25 percentile, 50 percentile, 75 percentile and maximum. Panel A presents the full sample and the subsample. The subsample (N=119) presents the testing sample for post-merger performance and the sample size decreases from 322 to 119 due to data unavailability. Panel B and C represent statistics for the national pride sample and the foothold acquirers sample, respectively.

Panel A: Bids initiated from developing countries for targets in developed countries

Variable	N	mean	sd	min	p25	p50	p75	max
<i>Full Sample</i>								
LogPremium1w	288	3.07	1.17	-2.12	2.48	3.27	3.82	6.40
LogPremium4w	322	3.15	1.14	-0.71	2.45	3.37	3.95	6.33
NationalPride	322	0.11	0.32	0	0	0	0	1
NP-FootholdAcquirer	322	0.06	0.24	0	0	0	0	1
NP-NonFootholdAcquirer	322	0.05	0.22	0	0	0	0	1
TargetSize	322	4.57	1.91	-0.36	3.23	4.58	5.83	10.19
TargetProfit	322	-0.74	5.05	-61.54	-0.04	0.02	0.10	1.07
CompetingBidder	322	0.02	0.15	0	0	0	0	1
TenderOffer	322	0.36	0.48	0	0	0	1	1
FinancialBuyer	322	0.11	0.32	0	0	0	0	1
Hostile	322	0.02	0.14	0	0	0	0	1
CashBid	322	0.61	0.49	0	0	1	1	1
ShareholderProtection	322	4.33	0.64	0.00	4.00	4.11	5.00	5
CulturalDistance	322	31.16	15.28	7.92	14.16	38.08	44.26	50.90
<i>Sub Sample</i>								
ROA_post	119	10.64%	7.28%	-4.36%	5.55%	9.90%	15.50%	42.83%
NationalPride	119	0.2	0.4	0	0	0	0	1
NP-FootholdAcquirer	119	0.12	0.32	0	0	0	0	1
NP-NonFootholdAcquirer	119	0.08	0.28	0	0	0	0	1
CompetingBidder	119	0.04	0.2	0	0	0	0	1
Relatedness	119	0.46	0.5	0	0	0	1	1
FullAcquisition	119	0.33	0.47	0	0	0	1	1
ShareholderProtecion	119	4.3	0.72	0	4	4.11	5	5
CulturalDistance	119	30.53	14.5	7.92	14.16	35.22	44.1	50.9
ROA_pre	119	13.27%	8.97%	-2.76%	6.64%	12.30%	19.34%	43.23%

Panel B: National pride bids

Variable	N	mean	sd	min	p25	p50	p75	max
LogPremium-1w	34	3.43	0.86	0.57	3.04	3.51	4.06	5.12
LogPremium-4w	36	3.63	0.67	1.8	3.42	3.75	4	5.05
NP-FootholdAcquirer	36	0.56	0.5	0	0	1	1	1
NP-NonFootholdAcquirer	36	0.44	0.5	0	0	0	1	1
TargetSize	36	5.88	1.56	2.49	4.63	5.79	6.85	8.95
TargetProfit	36	-0.03	0.39	-2.13	-0.01	0.04	0.11	0.29
CompetingBidder	36	0.14	0.35	0	0	0	0	1
TenderOffer	36	0.58	0.5	0	0	1	1	1
FinancialBuyer	36	0.08	0.28	0	0	0	0	1
Hostile	36	0.08	0.28	0	0	0	0	1
CashBid	36	0.64	0.49	0	0	1	1	1
ShareholderProtection	36	4.49	0.89	0	4.05	5	5	5
CulturalDistance	36	35.1	11.06	12.07	28.68	41.07	44.15	48.48

Panel C: Bids with foothold acquirers

Variable	N	mean	sd	min	p25	p50	p75	max
LogPremium1w	18	3.4	0.68	1.98	3.02	3.44	3.89	4.45
LogPremium4w	20	3.62	0.63	1.84	3.24	3.76	4.02	4.53
TargetSize	20	5.71	1.61	2.49	4.7	5.37	7.08	8.73
TargetProfit	20	0.01	0.18	-0.64	-0.01	0.04	0.11	0.19
CompetingBidder	20	0.2	0.41	0	0	0	0	1
TenderOffer	20	0.75	0.44	0	0.5	1	1	1
FinancialBuyer	20	0.1	0.31	0	0	0	0	1
Hostile	20	0.15	0.37	0	0	0	0	1
CashBid	20	0.65	0.49	0	0	1	1	1
ShareholderProtection	20	4.58	0.48	4	4	5	5	5
CulturalDistance	20	34.03	13.29	12.07	21.42	41.07	44.26	48.48

Table 5 Pairwise Pearson correlation table

Panel A: Full sample (N=322) (Note: Correlation coefficients are showed above while the two-sided p-values are showed beneath.)

No.	Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	LogPremium-1w	1.00													
2	LogPremium-4w	0.79 0.00	1.00												
3	NationalPride	0.11 0.05	0.15 0.01	1.00											
4	NP-FootholdAcquirer	0.07 0.21	0.11 0.06	0.73 0.00	1.00										
5	NP-NonFootholdAcquirer	0.08 0.15	0.10 0.08	0.64 0.00	0.06 0.29	1.00									
6	TargetSize	-0.15 0.01	-0.10 0.07	0.24 0.00	0.15 0.01	0.18 0.00	1.00								
7	TargetProfit	-0.03 0.65	-0.03 0.56	0.05 0.37	0.04 0.50	0.03 0.59	0.13 0.02	1.00							
8	CompetingBidder	0.10 0.10	0.11 0.05	0.29 0.00	0.31 0.00	0.06 0.25	0.16 0.00	0.02 0.72	1.00						
9	TenderOffer	0.17 0.00	0.18 0.00	0.17 0.00	0.21 0.00	0.01 0.87	0.03 0.62	0.05 0.34	0.20 0.00	1.00					
10	FinancialBuyer	-0.04 0.46	-0.08 0.15	0.03 0.53	0.01 0.83	-0.04 0.50	0.04 0.53	0.05 0.34	0.01 0.81	-0.06 0.25	1.00				
11	Hostile	0.03 0.62	0.05 0.40	0.17 0.00	0.25 0.00	-0.03 0.57	0.08 0.16	0.02 0.70	0.14 0.01	0.19 0.00	-0.05 0.38	1.00			
12	CashBid	0.02 0.68	0.02 0.76	0.02 0.71	0.02 0.71	0.01 0.90	0.11 0.06	0.09 0.11	0.08 0.18	0.29 0.00	-0.01 0.84	0.11 0.05	1.00		
13	ShareholderProtection	0.10 0.08	0.11 0.05	0.09 0.09	0.10 0.06	0.02 0.72	-0.05 0.41	-0.05 0.40	0.05 0.35	0.01 0.80	-0.18 0.00	0.03 0.56	0.02 0.68	1.00	
14	CulturalDistance	0.12 0.04	0.07 0.22	0.09 0.10	0.05 0.39	0.08 0.16	0.00 0.94	-0.08 0.17	0.06 0.26	0.02 0.67	0.13 0.02	0.06 0.25	0.11 0.05	0.25 0.00	1.00

Panel B: Sub-sample (N=119 for tests of post-merger performance)

No.	Variable	1	2	3	4	5	6	7	8	9	10
1	ROA_post	1									
2	NationalPride	0.02 -0.86	1								
3	NP-FootholdAcquirer	0.04 -0.64	0.73 0	1							
4	NP-NonFootholdAcquirer	-0.03 -0.78	0.6 0	-0.11 -0.23	1						
5	CompetingBidder	0.1 -0.27	0.31 0	0.31 0	0.09 -0.34	1					
6	Relatedness	0.08 -0.4	0.04 -0.68	-0.02 -0.79	0.08 -0.37	-0.03 -0.78	1				
7	FullAcquisition	0.17 -0.06	0.41 0	0.25 -0.01	0.3 0	0.3 0	0.18 -0.05	1			
8	ShareholderProtecion	0.21 -0.02	0.08 -0.38	0.12 -0.21	-0.02 -0.85	0.06 -0.5	-0.18 -0.05	0.26 0	1		
9	CulturalDistance	0.14 -0.12	0.14 -0.13	0.09 -0.33	0.1 -0.29	0.07 -0.45	-0.26 0	0.12 -0.19	0.21 -0.02	1	
10	ROA_pre	0.58 0	0.18 -0.04	0.12 -0.19	0.13 -0.17	0.23 -0.01	0.1 -0.29	0.14 -0.14	-0.07 -0.43	0.12 -0.21	1

Table 6 Regression results for acquisition premium and national pride

This table presents the results for OLS regressions of the full sample of 322 cross-border acquisitions originating from developing countries for targets in developed countries. The dependent variable is the natural logarithm of premiums. In column (1) and (2), the premium is calculated based on a four-week window. In column (3) and (4), the premium is calculated based on a one-week window. The independent variables include: NationalPride, a dummy variable that takes on a value of 1 if the national pride characteristic is identified through media search on Factiva, and 0 otherwise; TargetSize, natural logarithm of targets' net asset one year prior to announcement (\$ml); TargetProfit, targets' net income over net sales one year prior to announcement; CompetingBidder, a dummy variable that takes on a value of 1 if the bid is accompanied by multiple rival bids, and 0 otherwise; TenderOffer, a dummy variable that takes on a value of 1 if the bid is a tender offer, and 0 otherwise; FinancialBuyer, a dummy variable that takes on a value of 1 if the acquirer is a financial institution, and 0 otherwise; Hostile, a dummy variable that takes on a value of 1 if the bid is hostile or unfriendly, and 0 otherwise; CashBid, a dummy variable that takes on a value of 1 if the bid is a cash bid (cash 100%), and 0 otherwise. At the country level, we control for target countries' shareholder protection level, which is equal to *Anti-director rights* multiplied by *Rule of law* divided by 10 from La Porta et al. (1998). Another country-level control is the cultural distance between the target country and the acquirer country based on Hofstede's four primary dimensions of cultural distance. All standard errors are robust standard errors in parentheses. ***, **, * indicate significance at 1%, 5%, and 10% respectively.

VARIABLES	(1) LogPremiu m-4w	(2) LogPremiu m-4w	(3) LogPremiu m-1w	(4) LogPremiu m-1w
NationalPride	0.4086** (0.1770)	0.3836** (0.1773)	0.3829* (0.2021)	0.3754* (0.2018)
TargetSize	-0.0683* (0.0413)	-0.0685* (0.0411)	-0.0967* (0.0503)	-0.0996** (0.0505)
TargetProfit	-0.0054 (0.0085)	-0.0031 (0.0086)	-0.0032 (0.0059)	-0.0011 (0.0060)
CompetingBidder	0.5517** (0.2266)	0.5562** (0.2296)	0.3970 (0.2566)	0.3881 (0.2595)
TenderOffer	0.2129 (0.1571)	0.1983 (0.1559)	0.3386** (0.1569)	0.3363** (0.1569)
FinancialBuyer	-0.1819 (0.2123)	-0.2485 (0.2219)	-0.0531 (0.1931)	-0.1171 (0.1971)
Hostile	0.1544 (0.2205)	0.1347 (0.2229)	-0.0522 (0.2269)	-0.0875 (0.2267)
CashBid	-0.0556 (0.1459)	-0.0843 (0.1464)	-0.0273 (0.1524)	-0.0450 (0.1530)
ShareholderProtecion	0.2388** (0.1035)	0.2033** (0.1033)	0.1417 (0.1043)	0.1041 (0.1073)
CulturalDistance		0.0074 (0.0046)		0.0069 (0.0048)
Constant	3.4969*** (0.7010)	3.4690*** (0.6974)	3.3559*** (0.5722)	3.3391*** (0.5692)
Observations	322	322	288	288
Adjusted R-squared	0.0542	0.0595	0.0504	0.0539
Industry Control	YES	YES	YES	YES
Year Control	YES	YES	NO	NO

Table 7 Regression results for acquisition premium and foothold / non-foothold characteristics

This table presents the results for OLS regressions of the full sample of 322 cross-border acquisitions originating from developing countries for targets in developed countries. The dependent variable is the natural logarithm of premiums. In column (1) and (2), the premium is calculated based on a four-week window. In column (3) and (4), the premium is calculated based on a one-week window. The independent variables include: NP-FootholdAcquirer, a dummy variable takes on a value of 1 if the acquirer has completed at least one acquisition in the target country prior to the national-pride-driven acquisition; NP-NonFootholdAcquirer, a dummy variable takes on a value of 1 if the acquirer has NOT completed any acquisition in the target country prior to the national-pride-driven acquisition; TargetSize, natural logarithm of targets' net asset one year prior to announcement (\$ml); TargetProfit, targets' net income over net sales one year prior to announcement; CompetingBidder, a dummy variable that takes on a value of 1 if the bid is accompanied by multiple rival bids, and 0 otherwise; TenderOffer, a dummy variable that takes on a value of 1 if the bid is a tender offer, and 0 otherwise; FinancialBuyer, a dummy variable that takes on a value of 1 if the acquirer is a financial institution, and 0 otherwise; Hostile, a dummy variable that takes on a value of 1 if the bid is hostile or unfriendly, and 0 otherwise; CashBid, a dummy variable that takes on a value of 1 if the bid is a cash bid (cash 100%), and 0 otherwise. At the country level, we control for target countries' shareholder protection level, which is equal to *Anti-director rights* multiplied by *Rule of law* divided by 10 from La Porta et al. (1998). Another country-level control is the cultural distance between the target country and the acquirer country based on Hofstede's four primary dimensions of cultural distance. All standard errors are robust standard errors in parentheses. ***, **, * indicate significance at 1%, 5%, and 10% respectively.

VARIABLES	(1) LogPremiu m-4w	(2) LogPremi um-4w	(3) LogPremiu m-1w	(4) LogPremiu m-1w
NP-FootholdAcquirer	0.1918 (0.1971)	0.1765 (0.1955)	0.0364 (0.2357)	0.2098 (0.2299)
NP-NonFootholdAcquirer	0.6527** (0.2694)	0.6177** (0.2730)	0.5492* (0.3235)	0.5450* (0.2880)
TargetSize	-0.0696* (0.0413)	-0.0698* (0.0411)	-0.0929* (0.0490)	-0.1012** (0.0507)
TargetProfit	-0.0057 (0.0085)	-0.0034 (0.0086)	-0.0060 (0.0082)	-0.0012 (0.0061)
CompetingBidder	0.6479*** (0.2248)	0.6482*** (0.2281)	0.7292** (0.3358)	0.4515* (0.2513)
TenderOffer	0.2249 (0.1571)	0.2102 (0.1558)	0.2277 (0.1682)	0.3490** (0.1562)
FinancialBuyer	-0.1698 (0.2137)	-0.2356 (0.2235)	-0.0929 (0.2256)	-0.1067 (0.1988)
Hostile	0.2419 (0.2235)	0.2189 (0.2300)	0.2257 (0.2817)	-0.0268 (0.2434)
CashBid	-0.0591 (0.1462)	-0.0871 (0.1467)	-0.0218 (0.1689)	-0.0473 (0.1533)
ShareholderProtecion	0.2419** (0.1047)	0.2070** (0.1044)	0.1678 (0.1170)	0.1113 (0.1099)
CulturalDistance		0.0073 (0.0046)		0.0067 (0.0048)
Constant	3.4848*** (0.7001)	3.4580*** (0.6981)	3.6153*** (0.8578)	3.3134*** (0.5769)
Observations	322	322	288	288
Adjusted R-squared	0.0550	0.0599	0.0487	0.0525
Industry Control	YES	YES	YES	YES
Year Control	YES	YES	YES	NO

Table 8 Robustness test for acquisition premium and foothold / non-foothold characteristics under country classification by IMF

This table presents the results for OLS regressions of the sub sample of 232 cross-border acquisitions using the IMF country classification. The dependent variable is the natural logarithm of premiums calculated based on a four-week window. The independent variables include: NP-FootholdAcquirer, a dummy variable takes on a value of 1 if the acquirer has completed at least one acquisition in the target country prior to the national-pride-driven acquisition; NP-NonFootholdAcquirer, a dummy variable takes on a value of 1 if the acquirer has NOT completed any acquisition in the target country prior to the national-pride-driven acquisition; TargetSize, the natural logarithm of targets' net asset one year prior to announcement (\$ml); TargetProfit, targets' net income over net sales one year prior to announcement;. CompetingBidder is a dummy variable that takes on a value of 1 if the bid is accompanied by multiple rival bids, and 0 otherwise; TenderOffer, a dummy variable that takes on a value of 1 if the bid is a tender offer, and 0 otherwise; FinancialBuyer, a dummy variable that takes on a value of 1 if the acquirer is a financial institution, and 0 otherwise; Hostile, a dummy variable that takes on a value of 1 if the bid is hostile or unfriendly, and 0 otherwise; CashBid, a dummy variable that takes on a value of 1 if the bid is a cash bid (cash 100%), and 0 otherwise. At the country level, we control for target countries' shareholder protection level, which is equal to *Anti-director rights* multiplied by *Rule of law* divided by 10 from La Porta et al. (1998). Another country-level control is the cultural distance between the target country and the acquirer country based on Hofstede's four primary dimensions of cultural distance. All standard errors are robust standard errors in parentheses. ***, **, * indicate significance at 1%, 5%, and 10% respectively.

VARIABLES	(1) LogPremi um-4w	(2) LogPremiu m-4w
NP-FootholdAcquirer	0.2120 (0.2489)	0.2256 (0.2506)
NP-NonFootholdAcquirer	0.5745** (0.2393)	0.5187** (0.2349)
TargetSize	-0.0488 (0.0417)	-0.0494 (0.0416)
TargetProfit	-0.0039 (0.0078)	-0.0014 (0.0077)
CompetingBidder	0.4201** (0.1824)	0.3653** (0.1813)
TenderOffer	0.4629*** (0.1518)	0.4733*** (0.1503)
FinancialBuyer	0.0508 (0.2770)	-0.0340 (0.2856)
Hostile	-0.0348 (0.2306)	-0.0934 (0.2498)
CashBid	-0.1368 (0.1628)	-0.1533 (0.1627)
ShareholderProtecion	0.1024 (0.0895)	0.0489 (0.0902)
CulturalDistance		0.0086* (0.0044)
Constant	2.8573*** (0.4595)	2.8620*** (0.4484)
Observations	232	232
Adjusted R-squared	0.0366	0.0459
Industry Control	NO	NO
Year Control	NO	NO

Table 9 Regression results for acquisition premium and past acquisition experience (number of acquisitions or number of years)

This table presents the results for OLS regressions of the subsample of 36 national-pride-driven acquisitions. The dependent variable is the natural logarithm of premium calculated based on a four-week window. The independent variables include: Experience(AcqNo.), the number of acquisitions completed in the same target country prior to the national-pride-driven acquisition; Experience(Years), the number of years between the first acquisition in the target country and the national-pride-driven acquisition; TargetSize, the natural logarithm of targets' net asset one year prior to announcement (\$ml); CompetingBidder, a dummy variable that takes on a value of 1 if the bid is accompanied by multiple rival bids, and 0 otherwise; TenderOffer, a dummy variable that takes on a value of 1 if the bid is a tender offer, and 0 otherwise. At the country level, we control for target countries' shareholder protection level, which is equal to *Anti-director rights* multiplied by *Rule of law* divided by 10 from La Porta et al. (1998). Another country-level control is the cultural distance between the target country and the acquirer country based on Hofstede's four primary dimensions of cultural distance. All standard errors are robust standard errors in parentheses. ***, **, * indicate significance at 1%, 5%, and 10% respectively.

VARIABLES	(1) LogPremiu m-4w	(2) LogPremiu m-4w	(3) LogPremiu m-4w
Experience(AcqNo.)	-0.0286* (0.0164)		-0.0337** (0.0132)
Experience(Years)		-0.0157 (0.0295)	0.0104 (0.0201)
TargetSize	0.0023 (0.0582)	0.0020 (0.0624)	0.0019 (0.0590)
CompetingBidder	0.4620** (0.1926)	0.4703** (0.1848)	0.4668** (0.1934)
TenderOffer	-0.2236 (0.2691)	-0.1997 (0.2573)	-0.2381 (0.2600)
ShareholderProtecion	0.0703 (0.1110)	0.0594 (0.1114)	0.0691 (0.1132)
CulturalDistance	-0.0053 (0.0078)	-0.0054 (0.0076)	-0.0054 (0.0078)
Constant	3.6147*** (0.5505)	3.6304*** (0.5697)	3.6167*** (0.5597)
Observations	36	36	36
Adjusted R-Squared	-0.0836	-0.1198	-0.1199
Industry Control	NO	NO	NO
Year Control	NO	NO	NO

Table 10 Univariate test of the difference in the level of future acquisition activity between the high-premium and low-premium group of national pride acquirers

This table presents the univariate test results for the difference in participation of future acquisitions between high-premium group and low-premium group of national pride acquirers. Both the number of acquisitions completed and the value of acquisitions (in million dollars) are measured in the same target country as well as in all developed countries during the six-year period following acquisition completion year. ***, **, * indicate significance at 1%, 5%, and 10% respectively.

Mean	Low premium group	High premium group	p value of T test
Number of acquisitions in the same target country	1.16	3.11	0.1698
Number of acquisitions in all developed countries	3.17	8.33	0.0473**
Transaction value in the same target country(\$mil)	46.9565	864.0296	0.0635*
Transaction value in all developed countries(\$mil)	1238.17	3828.214	0.1537

Table 11 Regression results for post-acquisition operating performance and national pride

This table presents the results for OLS regressions of the sub sample of 119 cross-border acquisitions. The dependent variable is ROA_post, the median ROA of the acquirer in the 3-year period following the acquisition completion year, where the ROA is calculated as EBITDA over total asset. The independent variables include: NationalPride, a dummy variable that takes on a value of 1 if the national pride characteristic is identified through media search on Factiva, and 0 otherwise; CompetingBidder, a dummy variable that takes on a value of 1 if the bid is accompanied by multiple rival bids, and 0 otherwise; Relatedness, a dummy variable that takes on a value of 1 if the acquirer and the target shares the same 3-digit SIC code, and 0 otherwise; Full Acquisition, a dummy variable that takes on a value of 1 if the percentage acquired by the acquirer is 100%, and 0 otherwise; Shareholder Protection of the target country, equal to *Anti-director rights* multiplied by *Rule of law* divided by 10 from La Porta et al. (1998); Cultural Distance between the target country and the acquirer country, calculated based on Hofstede's four primary dimensions of cultural distance; ROA_pre, the median ROA of the acquirer in the 3-year period prior to the acquisition completion year, where the ROA is calculated as EBITDA over total asset. All standard errors are robust standard errors in parentheses. ***, **, * indicate significance at 1%, 5%, and 10% respectively.

VARIABLES	(1) ROA_post	(2) ROA_post	(3) ROA_post	(4) ROA_post
NationalPride	-0.0267* (0.0158)	-0.0310* (0.0169)	-0.0201* (0.0116)	-0.0315** (0.0149)
CompetingBidder	-0.0107 (0.0202)	-0.0060 (0.0231)	0.0044 (0.0267)	0.0020 (0.0202)
Relatedness	0.0100 (0.0103)	0.0064 (0.0114)	0.0112 (0.0116)	0.0034 (0.0138)
FullAcquisition	0.0116 (0.0165)	0.0221 (0.0182)	-0.0035 (0.0166)	0.0101 (0.0178)
ShareholderProtecion	0.0258*** (0.0052)	0.0264*** (0.0080)	0.0281*** (0.0059)	0.0309*** (0.0083)
CulturalDistance	0.0002 (0.0004)	0.0002 (0.0004)	0.0006 (0.0004)	-0.0000 (0.0005)
ROA_pre	0.4958*** (0.0592)	0.4668*** (0.0794)	0.5133*** (0.0710)	0.5112*** (0.0828)
Constant	-0.0801*** (0.0254)	-0.0890** (0.0382)	-0.0956*** (0.0340)	-0.1003** (0.0450)
Observations	119	119	83	83
Adjusted R-squared	0.3921	0.4161	0.4982	0.5449
Industry Control	NO	NO	YES	NO
Year Control	NO	YES	NO	YES

Table 12 Regression results for post-acquisition operating performance and foothold / non-foothold characteristics

This table presents the results for OLS regressions of the sub sample of 119 cross-border acquisitions. The dependent variable is ROA_post, the median ROA of the acquirer in the 3-year period following the acquisition completion year, where the ROA is calculated as EBITDA over total asset. The independent variables include: NP-FootholdAcquirer, a dummy variable takes on a value of 1 if the acquirer has completed at least one acquisition in the target country prior to the national-pride-driven acquisition; NP-NonFootholdAcquirer, a dummy variable takes on a value of 1 if the acquirer has NOT completed any acquisition in the target country prior to the national-pride-driven acquisition; CompetingBidder, a dummy variable that takes on a value of 1 if the bid is accompanied by multiple rival bids, and 0 otherwise; Relatedness, a dummy variable that takes on a value of 1 if the acquirer and the target shares the same 3-digit SIC code, and 0 otherwise; Full Acquisition, a dummy variable that takes on a value of 1 if the percentage acquired by the acquirer is 100%, and 0 otherwise; Shareholder Protection of the target country, equal to *Anti-director rights* multiplied by *Rule of law* divided by 10 from La Porta et al. (1998); Cultural Distance between the target country and the acquirer country, calculated based on Hofstede's four primary dimensions of cultural distance; ROA_pre, the median ROA of the acquirer in the 3-year period prior to the acquisition completion year, where the ROA is calculated as EBITDA over total asset. All standard errors are robust standard errors in parentheses. ***, **, * indicate significance at 1%, 5%, and 10% respectively.

VARIABLES	(1) ROA_post	(2) ROA_post	(3) ROA_post	(4) ROA_post
NP-FootholdAcquirer	-0.0194 (0.0179)	-0.0244 (0.0213)	-0.0043 (0.0159)	-0.0059 (0.0162)
NP-NonFootholdAcquirer	-0.0371* (0.0196)	-0.0392** (0.0195)	-0.0353** (0.0156)	-0.0331** (0.0165)
CompetingBidder	-0.0140 (0.0199)	-0.0098 (0.0239)	-0.0014 (0.0249)	-0.0067 (0.0243)
Relatedness	0.0102 (0.0103)	0.0074 (0.0115)	0.0096 (0.0115)	-0.0017 (0.0116)
FullAcquisition	0.0128 (0.0166)	0.0231 (0.0181)	-0.0015 (0.0172)	-0.0088 (0.0220)
ShareholderProtecion	0.0252*** (0.0054)	0.0261*** (0.0082)	0.0274*** (0.0063)	0.0282*** (0.0070)
CulturalDistance	0.0003 (0.0004)	0.0002 (0.0004)	0.0006 (0.0004)	0.0003 (0.0005)
ROA_pre	0.4969*** (0.0600)	0.4664*** (0.0796)	0.5213*** (0.0697)	0.5428*** (0.0694)
Constant	-0.0783*** (0.0261)	-0.0881** (0.0389)	-0.1058*** (0.0343)	-0.0764** (0.0365)
Observations	119	119	83	83
Adjusted R-squared	0.3896	0.4119	0.5001	0.4768
Industry Control	NO	NO	YES	NO
Year Control	NO	YES	NO	YES