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Board experience and value creation in cross-border acquisitions: The role of acquirer and target country institutions

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ABSTRACT

Our study investigates the effects of board acquisition experience on value creation in cross-border acquisitions and the dependence of this relationship on acquirer and target country institutions. We draw on cross-border acquisition research and institution-based corporate governance research to argue that the effect of board acquisition experience depends on the institutional characteristics of the acquirer and target countries and on cultural differences between these two countries. Based on 1775 cross-border acquisitions of U.S. and European acquirers, we show a positive effect of board acquisition experience on the announcement returns of cross-border acquisitions, which is even stronger when the target country's takeover regulations are less friendly and when the target and acquirer countries are culturally more distant.

1. Introduction

The value of deals across country borders has increased by a factor of more than eight over the last 25 years (Basuil & Datta, 2019) and cross-border deals offer unique opportunities to create—but also to destroy—value (Shimizu, Hitt, Vaidyanath & Pisano, 2004). Hence, researchers are curious about understanding the factors determining the success of such deals (e.g., Basuil & Datta, 2015, 2019; Seth, Song, & Pettit, 2002). Previous research has shown that institutions play an especially important role in this regard (e.g., Dikova & Rao Sahib, 2013; Slangen, 2006; H. (Susan) Zhu, Ma, Sauerwald & Peng, 2019). From this research, we know that institutions can affect the success of cross-border deals directly as well as in the form of moderation effects on the direct effects of firm-level characteristics, such as ownership (e.g., Boateng, Du, Bi, Kwabi & Glaister, 2021; Du & Boateng, 2015). What we do not yet know is how the institutions shape the effectiveness of another important corporate governance mechanism for cross-border deals: the board of directors. Hence, in this study, we answer the question regarding how the effects of experienced board members on the quality of cross-border deals depend on the respective country-level contexts involved in such cross-border acquisitions. Specifically, we look at the institutions of the acquirer and target countries, as well as the cultural distance between these two countries.

We ground our theoretical model in general board research, which summarizes board tasks as control (in the form of monitoring the management) and service (in the form of advising the management) (Forbes & Milliken, 1999; Veltrop, Molleman, Hooghiemstra, & van Ees, 2018). Accordingly, boards' previous experience with acquisitions at other firms leads to increased acquisition returns for the focal organization because experienced directors can prevent poor decisions by monitoring and advising management more effectively (Field & Mkrtchyan, 2017; Kroll, Walters, & Wright, 2008; McDonald, Westphal, & Graebner, 2008). In the cross-border context, acquisitions involve unique challenges, as countries have unique institutional structures (Shimizu et al., 2004). In this context, more experienced board members are not automatically always better; instead, the effect of board experience on acquisitions rather depend on contingency factors, such as the institutional context (Fernandez & Sundaramurthy, 2020).

We theorize on the influence of the country-level contexts involved in cross-border acquisitions by drawing on the international corporate governance literature (Greckhamer, 2016; Hüttenbrink, Oehmichen, Rapp, & Wolff, 2014; Jackson & Deeg, 2008) that suggests that country-level institutions impact the effectiveness of corporate governance mechanisms (Filatotchev, Jackson, & Nakajima, 2013;

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Oehmichen, Schrapp, & Wolff, 2017; Zattoni et al., 2017). Scholars argue that corporate governance—and specifically, the board of directors—is embedded in a larger institutional and national framework, and that the effectiveness of corporate governance mechanisms is dependent on contingency factors in the firm's institutional environment (Aguilera, 2003; Aguilera & Jackson, 2010; Filatotchev, Chahine, & Bruton, 2018). Bundled corporate governance elements matter, and several corporate governance practices substitute or complement each other (Aguilera, Desender, Bednar, & Lee, 2015; Bell, Filatotchev, & Aguilera, 2014; Filatotchev & Allcock, 2010). Country-level factors could thus partly substitute for the need for board acquisition experience in cross-border acquisitions. Hence, we expect that the country-level factors are relevant boundary conditions for the direct effect of board acquisition experience on acquirer returns.

In particular, we reason that, first, the external monitoring quality in the acquirer country provides some alternative control mechanisms that limit the effect of experienced boards regarding their task of monitoring acquirer managers. Second, the friendliness of takeover regulations in the target country reduces the need for an experienced board that monitors target managers and advises acquirer managers. Third, the cultural distance between the acquirer and target country increases the need for advice for acquirer and target managers during post-acquisition integration. To investigate the country-level boundary conditions of board acquisition experience, we construct a sample of cross-border acquisitions conducted by U.S. and European acquirers.

We contribute to the literature in several ways. First, we add to the understanding of how the institutional context influences board effectiveness when making strategic decisions. We complement previous studies on board experience that are mostly based on Anglo-Saxon corporate governance assumptions by integrating an international and comparative perspective on corporate governance into research about board acquisition experience. In particular, our study is the first to emphasize the importance of board acquisition experience for cross-border deals as well as the necessity of considering the institutional context of the acquirer and the target country in explaining the boundary conditions of board acquisition experience. Thereby, we contribute to the recent discussion about the role of boards in international strategy (Fernandez and Sundaramurthy, 2020).

Second, the global setup of our study enables us to contribute to the board expertise literature. We transfer the already prevalent observation that acquisition experience has a positive impact on acquisition performance from a U.S. context (e.g., Kroll et al., 2008; McDonald et al., 2008) to a global arena. Our study demonstrates the importance of board acquisition expertise for cross-border acquisitions and carves out a more detailed picture of how board acquisition expertise shapes cross-border acquisitions by integrating the role of target and acquirer country institutions.

Third, our study provides an important contribution to the general international corporate governance literature. We follow the request to consider more contextual factors in corporate governance research (Bell et al., 2014; Filatotchev et al., 2013; Yoshikawa & Rasheed, 2009) and to examine the combined effect of internal and external corporate governance (Aguilera, Desender, Bednar & Lee, 2015). By examining the combined effect of internal board control and external country-level regulations, our study contributes to the academic discussion on whether different corporate governance mechanisms substitute or complement each other (Misangyi & Acharya, 2014; Rediker & Seth, 1995). Based on our theoretical framework, we expect that external country-level corporate governance partly substitutes for the internal effects of board acquisition experience and thus decreases the effect of board acquisition experience on acquirer returns. However, our empirical results offer the opportunity for a more in-depth discussion of these assumptions.

2. Conceptual background

Our theoretical framework is based on mechanisms explaining why board acquisition experience matters for the quality of M&A deals in the cross-border context. These deals differ from domestic acquisitions (Yi Lin Chow, Wen Chan, & Micelotta, 2021). Compared to domestic acquisitions, cross-border deals are characterized by more complexity for three reasons. First, the target search is more prone to CEO opportunism (Hope, Thomas, & Vyas, 2011). Second, the potential synergies are harder to spot during due diligence (Reuer, Shenkar, & Ragozzino, 2004). Third, post-merger integrations are more prone to failure due to cultural differences between the target and the acquirer country (Dikova & Rao Sahib, 2013). A clear example that illustrates this additional complexity is the merger of the German and U.S. car companies Daimler and Chrysler in 1998. This merger was partly motivated by the hubris of managers who misevaluated the potential synergies and finally failed due to cultural differences between the two countries (e.g., Blaško, Netter, & Sinkey, 2000). Due to these differences in domestic and cross-border mergers, we want to challenge whether board acquisition expertise influences the quality of cross-border mergers in the same way as with domestic mergers. To do so, we build an in-depth model about how board acquisition expertise might influence the quality of cross-border mergers.

In cross-border deals, specific challenges can arise during all steps of the cross-border acquisition process: the target search and selection, due diligence and negotiation, and the post-acquisition integration stages. During the target search and selection step, board members might have to detect opportunistic managerial decisions based on hubris. Next to targeting actual synergies, CEOs' personal utilities are one of the main antecedents of international mergers (Reuer et al., 2004; Seth, Song, & Pettit, 2000). In line with this, prior studies indicate that CEOs might engage in "empire-building" when investing in global acquisitions (Hope & Thomas, 2008; Hope et al., 2011). During the due diligence and negotiation stage, board members help to evaluate the target's capabilities and detect any opportunistic behavior of the target managers. In this process step, the potential synergies (Reuer et al., 2004) and the value of the additionally bought capabilities (S.-F. S. Chen, 2008; Park & Ghauri, 2011) need to be assessed. Lastly, the board members' support is needed to assure success in the post-acquisition integration stage. Cross-border deals are prone to post-acquisition failures due to cultural differences (Dikova & Rao Sahib, 2013; Slangen, 2006). Fig. 1 summarizes this cross-border acquisition process and the boards' responsibilities.

3. Development of hypotheses

3.1. The critical role of board acquisition experience for cross-border acquisitions

Research on the board's contribution to corporate strategy and, in particular, on how specific board experience influences strategic outcomes, has recently entered the academic discussion in the strategic management literature (Kroll et al., 2008; McDonald et al., 2008; Oehmichen et al., 2017) and the international business literature (Heyden, Oehmichen, Nichting & Volberda, 2015; Oxelheim, Gregorič, Randøy & Thomsen, 2013). Collectively, this work suggests that board experience in a certain strategic area has a positive impact on the focal firm facing the same kind of strategic decision. Having gained some level of experience, boards are more able to fulfill both their advisory and monitoring roles (Forbes & Milliken, 1999; Kroll et al., 2008). We adapt this idea to the context of cross-border acquisitions to build our baseline hypothesis.

Following the view that experience helps boards fulfill both their advisory and monitoring roles (Forbes & Milliken, 1999; Kroll et al., 2008), we expect board members with acquisition experience to be able to better monitor acquirer managers and target managers as well as to better advise acquirer and target managers on integrating a cross-border

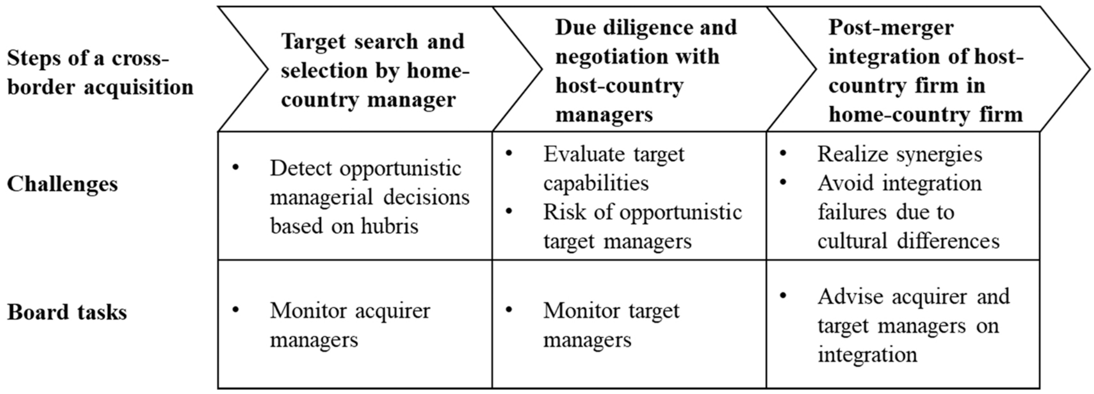

Fig. 1. Cross-border acquisition process, challenges, and board tasks.

target. Hence, our baseline hypothesis is as follows:

Hypothesis 1. There is a positive relationship between board acquisition experience and the announcement returns of cross-border acquisitions.

3.2. The influence of the institutional context on the relevance of board experience

From previous research we know that more board experience does not always lead to more beneficial cross-border acquisition returns (Fernandez and Sundaramurthy, 2020). Hence, based on the mechanisms driving the direct effect of board acquisition experience on acquirer returns in cross-border acquisitions, we expect contextual factors on a country level to influence this relationship. Micro-level decisions at the firm, such as M&As, do not take place in an institutional vacuum but are affected by the national environment of the firm (Capron & Guillén, 2009). The need for boards to monitor and advise managers during cross-border acquisitions could thus depend on the national environments surrounding the M&A deal. We respond to this observation by integrating the institutional characteristics of (1) the acquirer country, (2) the target country, and (3) the cultural distance between these two countries in our analysis.

Institutional theory refers to regulative, normative, and cultural-cognitive constraints that influence organizational and societal behavior (North, 1991; Scott, 2008). Accordingly, firm operations are influenced by country-level institutions (Minichilli, Zattoni, Nielsen & Huse, 2012) that exist in distinctive national configurations (Aguilera & Jackson, 2010; Dikova, Sahib, & van Witteloostuijn, 2010; Jackson and Deeg, 2008). Weak institutional environments create institutional deficits that have to be compensated for by internal corporate governance (Carney, Gedajlovic, Heugens, van Essen & van Oosterhout, 2011; Hüttenbrink et al., 2014; Kim & Song, 2017), whereas strong institutional environments (e.g., legal protection) can substitute for firm-level corporate governance (Bell et al., 2014). Board acquisition experience is part of firm-level corporate governance, and strong institutions could thus substitute for this element of firm-level corporate governance. Corresponding to the three responsibilities of board members during cross-border acquisitions—monitoring acquirer managers, monitoring target managers, and advising acquirer and target managers during the integration phase of cross-border acquisitions—we suggest that there are institutional forces that affect the need for board members' acquisition experience. Accordingly, we propose three contingency relationships. First, the external monitoring quality in the acquirer country will affect the need for monitoring the acquirer managers; second, the friendliness of takeover regulations in the target nation will shape the need to monitor target managers; and third, the cultural distance between the target and acquirer country will affect the need for advice by experienced board members during the post-acquisition integration phase of a cross-border acquisition.

3.2.1. External monitoring quality in the acquirer country

Board acquisition experience is needed to ensure effective monitoring of acquirer managers by the board and to prevent poor acquisition decisions. However, there are also various other actors in the external environment of the organization who have a substantial effect on the behavior of executives and can counterbalance the detrimental decisions of acquirer managers. Examples of such external actors are the press, shareholder activists, and institutional investors (Wiesenfeld, Wurthmann, & Hambrick, 2008). To ensure the empowerment of these external actors, sufficient enforcement of shareholder rights is needed. Otherwise, the means to articulate investors' interests and to control the management in the acquirer country are rather limited (Hillier, Pindado, de Queiroz & de la Torre, 2011; Oehmichen et al., 2017).

We consider shareholder rights as the fundamental basis of external monitoring quality. An environment with high-quality external monitoring is characterized by the presence of empowered monitoring entities and the prevalence of mechanisms to enforce external control. During an acquisition, these external forces will prevent self-interested acquirer managers from deciding on bad deals and thus will enhance acquirer returns. For example, empowered shareholders can sue companies or challenge management decisions in shareholder meetings, analysts might find more disclosed information to evaluate the deal, and the business press might actively discuss the acquisition and its impact. This additional information and set of instruments enables shareholders to independently fight the opportunistic cross-border acquisition decisions of acquirer managers, and board monitoring is less critical. A higher level of shareholder protection leads to a developed stock market and an effective market for corporate control (Rossi & Volpin, 2004) that also serves as a disciplining mechanism for managers (Aguilera et al., 2015; Humphery-Jenner & Powell, 2011). Hence, we argue that environments with high-quality external monitoring partly substitute for the board experience that is necessary to oversee and confront poor managerial decisions.

Hypothesis 2. High-quality external monitoring in the acquirer country will negatively moderate the relationship between board acquisition experience and the announcement returns of cross-border acquisitions.

3.2.2. Friendliness of takeover regulations in the target country

In line with Hypothesis 1, it is the board's responsibility to support the acquirer management during the due diligence and negotiation phase when undertaking cross-border acquisitions. Experienced board members, in particular, help assess the value of potential synergies and support the acquirer managers in negotiations with the target managers. We argue that this support during the due diligence and negotiation stage is especially strong when the regulative system of the target country is not takeover friendly.

The regulative system is a main characteristic of a country's institutional environment (Scott, 1995, 2008). Legal regulations vary significantly across countries and are usually considered as an important target country context factor in the case of acquisitions (Glendening, Khurana, & Wang, 2016; Lel & Miller, 2015). Whereas friendly takeover regulations in the target country enable an orderly acquisition process, transparency, and equal opportunities for all acquirers (Nenova, 2006; Rossi and Volpin, 2004), less friendly takeover regulations increase the complexity and potential pitfalls surrounding the acquisition decision. For example, an appropriate legal framework in the target country helps to streamline M&A procedures by regulating the quality of the target's disclosure, the permitted anti-takeover tactics, and rights and responsibilities during the bidding process (Glendening et al., 2016; Nenova, 2006). Under these regulations, target managers are less able to withhold private information and thereby manipulate the due diligence and negotiation phase.

As takeover regulations enable smooth and transparent due diligence and negotiations during cross-border acquisitions (Glendening et al., 2016; Lel and Miller, 2015; Nenova, 2006), we reason that they are likely to influence the need for board advice. Specifically, we expect that board acquisition experience is less required to support the firm's management if the target country has friendly takeover regulations in place. For example, if information disclosure is facilitated by an appropriate legal regulatory framework, board acquisition experience is less needed because information can be accessed more easily through other information channels. In addition, if a certain level of protection for the acquirer is ensured by takeover regulations, the decision to invest in an acquisition is easier to take because the risk for the company is reduced; hence, monitoring target managers and advice from the firm's board of directors are less required. In summary, investor-friendly takeover regulations reduce the need for experienced board members. In other words, an institutional environment with investor-friendly takeover regulations partly substitutes for the need for experienced board members. Thus:

Hypothesis 3. Investor-friendly takeover regulations in the target country will negatively moderate the relationship between board acquisition experience and the announcement returns of cross-border acquisitions.

3.2.3. Cultural distance between acquirer and target country

As argued above, experienced boards help to overcome the complexity inherent in the M&A process by providing advice to management. For cross-border acquisitions, this advice is especially crucial during post-acquisition integration. However, although post-acquisition integrations are rather difficult by nature, the complexity might also be a function of the specific environment in which the deal takes place. In the following, we argue that the cultural distance between the acquirer country and the target country increases the need for advice from board members with acquisition experience to realize synergies and avoid integration failures due to cultural differences.

The cross-border acquisition literature points out that cultural differences between acquirer and target countries can lead to social identity-building resulting in "us versus them" thinking and the potential for social conflict (Vaara, Sarala, Stahl & Björkman, 2012). Furthermore, cultural differences can harm social integration and reduce the potential absorptive capabilities in cross-border post--acquisition integrations (Björkman, Stahl, & Vaara, 2007). Hence, cultural distance creates a void in firms' ability to effectively integrate the cross-border acquisition target. Previous literature, however, has pointed out how firm-level expertise can help to overcome these distances (Dikova & Rao Sahib, 2013). Translating this effect to the board level, we argue that board members with acquisition experience are able to fill that void and hence are needed more when the cultural distance is higher. Hence, in cases of large cultural distances between the acquirer and target firm, the capital market will anticipate the great importance of board members with acquisition experience for post-acquisition integration and will appreciate these boards most. This leads to our final hypothesis:

Hypothesis 4. The cultural distance between the acquirer country and the target country will positively moderate the relationship between board acquisition experience and the announcement returns of cross-border acquisitions.

4. Methods

4.1. Sampling procedure and data sources

Our sample is focused on cross-border M&As by acquiring firms listed in either the S&P 500 or the MSCI Europe between 2005 and 2014. We employed this sample for the following reasons. First, while companies listed in either the MSCI Europe or the S&P 500 come from rather comparable developed markets, their corporate governance systems are sophisticated but distinct. Second, the constituents of these indices are rather large and likely to conduct cross-border deals in various target countries. In line with this, the targets of our final sample stem from 41 different countries. Third, the focus on S&P 500 and MSCI Europe constituents enables the most relevant secondary data to be found, such as financial and board information. To extract information on the cross-border deals of S&P 500 and MSCI Europe firms, we used the SDC M&A database. In line with prior research (e.g., Moeller, Schlingemann, & Stulz, 2004), we require the deals to meet certain criteria in order to be included in the final sample. Deals need to be completed with a transaction value of at least one million Euro in which the acquirer controls less than 50% of the target prior to the announcement and owns 100% of the target's shares after the transaction (e.g., Firk, Maybuechen, Oehmichen & Wolff, 2019; Moeller, Schlingenmann, & Stulz, 2005). Additionally, all relevant deal characteristics needed to be disclosed. In the first step, we identified 11,578 announced transactions with disclosed deal values. After dropping transactions with a value of less than one million Euro (244) and deals that were not fully completed (2817), 8517 transactions remained. We further excluded observations due to missing data relevant for our control variables (4960). Next, we also excluded deals (134) when another deal by the firm was interfering with the estimation window for the announcement returns. Finally, we excluded all domestic transactions (1648), resulting in a final sample of 1775 cross-border transactions.

We used BoardEx to access individual-level information about the boards of directors. BoardEx offers information about directors' previous employment history and biographical data, and is often used in current research on corporate governance (e.g., Field and Mkrtchyan, 2017; Oehmichen, Braun, Wolff & Yoshikawa, 2017). Moreover, given our focus on different corporate governance systems, we follow previous research, focusing all our board variables only on non-executive directors. Furthermore, we excluded employee representatives from our board variables. In doing so, we ensure comparability across different corporate governance systems and additionally account for the assumption of previous research that executive directors might be less willing to perform monitoring tasks (Desender, Aguilera, Lopezpuertas-Lamy & Crespi, 2016). Besides BoardEx and SDC, we used Thomson Reuters Datastream for all firm-level and industry-related information.

4.2. Variables

4.2.1. Dependent variable—announcement returns of cross-border acquisitions

Calculating abnormal stock market returns by applying an event study methodology has become the predominant analytical approach to measure acquisition success in both the management and finance literature (Boateng et al., 2021; Haleblian, Devers, McNamara, Carpenter & Davison, 2009). Cumulative abnormal returns (CARs) indicate whether the announcement of a specific event, such as an acquisition, has an effect on stock prices and therefore on shareholder wealth (C. Li, Brodbeck, Shenkar, Ponzi & Fisch, 2017). While post-acquisition success is difficult to measure, some studies indicate that ex-ante measures of abnormal returns are correlated with ex-post measures of acquisition success, such as operating cash flow (Haleblian & Finkelstein, 1999; Haleblian, Kim, & Rajagopalan, 2006). Similarly, several studies indicate that results for CARs hold for alternative long-term measures (e.g., Knauer, Silge, & Sommer, 2018; Schmidt, 2015). We decided, consistent with previous work on board acquisition experience (Field and Mkrtchyan, 2017; Kroll et al., 2008; McDonald et al., 2008), to use the CARs of cross-border acquisition announcements as our main dependent variable.

Abnormal returns are expressed as the difference between actual observed returns over the chosen event window and predicted returns based on a firm's market model. Given this, we used a standard market model to calculate CARs (e.g., Brown & Warner, 1985):

$$AR_{it} = R_{it} - (\alpha_i + \beta_i * R_{mt})$$

where AR_{it} is the abnormal return, R_{it} is the return of the acquirer (i) on a specific day (t), and R_{mt} is the return of the Benchmark Index (m) on day (t). To estimate the market model's parameters α_i (constant) and β_i (the firm's (i) systematic risk), we followed prior research and used a 200-day period from 210 to 11 days before the deal announcement (Masulis, Wang, & Xie, 2007). We retrieved the announcement dates from the SDC's M&A database and information about the Benchmark Index from Datastream. To build CARs, we summed the daily abnormal returns over a period of three days, covering the day before the deal announcement, the day of the announcement, and the day after it [− 1, 1] (Field and Mkrtchyan, 2017; Moeller et al., 2004). We followed the argument of prior research to use rather small event windows in the case of unanticipated events where fast capital market reactions are expected (McWilliams & Siegel, 1997). Longer time periods bear the risk that share prices are impacted by events other than the one of interest (McDonald et al., 2008). Short CARs therefore minimize the risk of "noise" stemming from other, possibly confounding events (Haleblian et al., 2009).

4.2.2. Main independent variable—board acquisition experience

We measure board acquisition experience by considering both the stock of acquisition experience (i.e., the percentage of non-executive directors on the board who have participated in at least one prior acquisition) and the depth of acquisition experience (i.e., the number of prior acquisitions in which non-executive directors participated). We thereby follow previous M&A research that either uses the stock (Kroll et al., 2008), the depth (McDonald et al., 2008), or both types of experience (Field and Mkrtchyan, 2017) to account for board acquisition experience. Specifically, we constructed a composite index of board acquisition experience considering individual measures for the stock and the depth of acquisition experience. In creating these measures, we followed Field and Mkrtchyan (2017) by accounting for the acquisition experience of board members as either non-executive or executive directors in another bidder firm. The focus on another bidder firm is important to isolate the effect of the experience of directors from the experience of the firm or the CEO (Field and Mkrtchyan, 2017). Moreover, following Oehmichen et al. (2017), we only considered non-executive and executive positions within the four years leading up to when the focal deal had been announced. We used this rather short time frame because we assume that recent experience is more valuable (Diestre, Rajagopalan, & Dutta, 2015; Macher & Boerner, 2006).

To gather information on acquisition experience, we captured all past non-executive mandates and executive positions of each non-executive director in BoardEx. We combined the information about directors' individual career paths with deal information from the SDC to determine whether a director had previously participated in any acquisitions, and if so, how many. We required that the deal had been completed but did not impose size restrictions, as we also considered experience in rather small deals as valuable.[1] We then calculated the depth of acquisition experience as the average number of acquisitions in which experienced non-executive directors participated as non-executive or executive directors in another bidder firm in the last four years. The stock of acquisition experience was then calculated as the percentage of non-executive directors on the board who had participated in at least one acquisition as a non-executive or executive director in another bidder firm in the last four years. Moreover, for the depth of acquisition experience, we decided to use the natural logarithm, as we expected decreasing marginal returns for experience (Nadolska & Barkema, 2014; Reuer, Tong, & Wu, 2012). Finally, we constructed a composite index of board acquisition experience based on the depth and stock of experience. To aggregate the two individual measures, we followed prior research (e.g., Crossland, Zyung, Hiller & Hambrick, 2014; Krause, Filatotchev, & Bruton, 2016) in creating z-scores of the two variables before summing them up into a single measure of board acquisition experience. We used z-scores to account for the different scales of the two measures.

4.2.3. Moderating variable—external monitoring quality

We measure external monitoring quality in the acquirer nation with a shareholder protection index developed by Guillén and Capron (2016) that indicates the provision of legal means for shareholders to ensure accountable executives for value creation in M&As (V. Z. Chen, Musacchio, & Li, 2019). Compared to other time-invariant indices, this index uses longitudinal data starting in 1970. The index is based on the average of ten legal provisions that protect minority shareholder rights against the actions of the management (Guillén & Capron, 2016). We used this index as a measure of external monitoring quality because the overall ability of institutions to exert influence and to provide control depends on the capacity of the macro-governance environment to protect the voting rights of shareholders and to enable investors to challenge insiders in organizations (D. Li, Moshirian, Pham & Zein, 2006). Therefore, we regard the measure for minority shareholder protection as an appropriate proxy for the overall capacity of an institutional environment to provide alternative means of control. The index ranges from zero to ten, with higher values indicating more shareholder protection and thus better external monitoring quality.

4.2.4. Moderating variable—friendliness of takeover regulations

Our proxy for the friendliness of takeover regulations in the target nation is the Takeover Index developed by Nenova (2006). This index characterizes the set of rules and regulations concerning M&A activity in general and measures the overall friendliness of takeover regulations to investors, how fair shareholders are treated, and how transparent the takeover process is as a whole. In previous research, this index was often used as a control variable (Ferreira, Massa, & Matos, 2010; Masulis, Pham, & Zein, 2011), as a source of detailed information on various aspects of takeover acts around the world (Lel & Miller, 2015), and it has been partially applied with one of its sub-indices (e.g., Miller & Reisel, 2012). The overall Takeover Index is the average of 12 individual components and ranges from zero to one, with higher values indicating more investor-friendly takeover regulations. Data on the index are available for more than 50 countries and cover approaches both for friendly and hostile takeovers (Nenova, 2006).

4.2.5. Moderating variable—cultural distance

To measure cultural distance, we follow the procedure of Kogut and

[1] We tested an alternative measure considering only large deals and found similar results (see the Robustness section).

Singh (1988), who focused on the distance between the cultural dimensions of the acquirer and the target country. Similar to prior research, we use the cultural dimensions developed by Hofstede (1984). Specifically, Kogut and Singh (1988) calculate the Euclidian distance of each cultural dimension between the acquirer and the target county and then create an average based on the respective distances. For our measure, we considered all six cultural dimensions developed by Hofstede, calculated the distance for each dimension, and used the average as our cultural distance measure.

4.2.6. Control variables

We used a comprehensive set of control measures in our analysis. On the board level, we included board size and board independence, because prior research shows that these matter for effective board functioning and they also influence strategic decision-making processes, such as acquisitions (Dalton, Hitt, Certo & Dalton, 2007; Masulis et al., 2007). Board size is expressed as the total number of non-executive board members, whereas board independence is the ratio of outsiders on the board. We further included the average age and tenure as controls because these variables might be an indicator of talent and account for superior acquisition performance (Cai & Sevilir, 2012). Finally, we controlled for board busyness (average number of mandates held by directors outside the focal firm) because prior research demonstrates that directors with multiple mandates might be too busy to fulfill their role at the focal firm (Boivie, Bednar, Aguilera & Andrus, 2016).

Furthermore, we also controlled for two CEO characteristics. Following prior research, we included CEO age and CEO tenure because both variables have an impact on a firm's acquisition behavior (Yim, 2013).

The M&A research has largely documented the influence of firm-level variables on acquisition performance. Therefore, we included firm size, firm performance, firm financial slack, and prior acquisition experience in our analysis. We used net sales (logarithm) as a control for firm size because prior research suggests that firm size has a negative impact on acquirer returns (Moeller et al., 2004). In addition, the return on assets (ROA) was used to express prior firm performance, as better performing firms tend to make more profitable acquisitions (Morck, Shleifer, & Vishny, 1990). Prior research has demonstrated that a firm's slack resources have an impact on acquisition performance, even though the empirical results are mixed (Haleblian & Finkelstein, 1999; McNamara, Haleblian, & Dykes, 2008). Following Haunschild (1993), we included two variables to account for the possible effects of slack financial resources: the debt-to-equity ratio and the free cash flow-to-equity ratio. We also included the natural logarithm of the number of past acquisitions by the focal acquirer (Kroll, Wright, Toombs & Leavell, 1997) because it might be related to acquisition performance (Haleblian & Finkelstein, 1999; McDonald et al., 2008).

To capture specific deal characteristics that have an impact on acquirer returns, we used a set of additional control variables. Prior studies have provided ample evidence that acquirer-to-target relatedness influences acquisition performance (Hayward, 2002). Hence, following Cuypers, Cuypers, and Martin (2017), we inserted a binary variable in our analysis, coded as one if the acquirer and the target share the same three-digit SIC code and zero otherwise. Furthermore, to rule out any confounding effects from the deal size, we controlled for relative acquisition size (Moeller et al., 2004). Furthermore, we included a control for the type of payment, which equals one if the deal is fully financed in cash and zero otherwise (Kroll et al., 2008). We also accounted for the public or private status of the target by adding a dummy, private, in our model, coded as one if the target is private and zero otherwise. Moreover, we controlled whether the acquisition was hostile (hostile), accounting for the observation that hostile deals may negatively affect acquisition success (Haleblian & Finkelstein, 1999; Zhou, Xie, & Wang, 2016). Finally, we included two additional control variables in the regression: the sum of fractional blockholdings of at least five percent (ownership concentration) and the shares held by institutional investors (institutional investors).

Besides the control variables on the firm, board, executive, and deal levels, we included several variables on the country level for both the target and the acquirer nation. We controlled for the growth of gross domestic product (GDP) in both the target (GDP growth host country) and the acquirer country (GDP growth home country). To account for the overall development of the institutional infrastructure in the host country, we followed Aybar and Ficici (2009) and included economic freedom as a control based on the Fraser Institute's World Economic Freedom Index. Moreover, we controlled for the legal tradition and included a dummy regarding whether the home country relies on the English common law system (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 1997; La Porta, Lopez-de-Silanes, Shleifer & Vishny, 2000; von Eije & Wiegerinck, 2010). Finally, we used year and industry dummies in our model to account for possible periodic and industry influences on acquirer returns.

4.3. Analysis

Our unit of analysis is the individual acquisition. Following previous research, we used an ordinary least square (OLS) regression analysis to test our hypotheses because our dependent variable is continuous and the independent and control variables are either continuous or categorical (Goranova, Priem, Ndofor & Trahms, 2017; Tian, Haleblian, & Rajagopalan, 2011). All regressions were undertaken using robust standard errors clustered by acquiring firms to rule out problems of heteroskedasticity (White, 1980). Furthermore, when testing our second, third, and fourth hypotheses, we centered the variables of the interaction terms around their mean to avoid problems of collinearity between the main effect and the interaction terms (Aiken & West, 1991).

5. Results

5.1. Descriptive results

Table 1 reports the means, standard deviations (SDs), the values for the first (p25) and third (p75) quartiles, and the pairwise correlations for all our regression variables. The results support our view that cross-border deals provide unique opportunities to create—but also to destroy—value. Regarding the correlation among our regression variables, we observe partly strong but conceptually plausible correlations. For example, the correlation between our moderator variables, friendliness of takeover regulations and cultural distance, is rather high (i.e., 0.40). Therefore, we calculated the variance inflation factors (VIFs) to identify potential problems of multicollinearity for all our models. The VIFs including the year and industry dummies were all below the critical value of ten, thus ruling out multicollinearity issues (Chatterjee & Hadi, 2006).

5.2. Regression results

Table 2 presents the results from the regressions relating board acquisition experience to the announcement returns of cross-border acquisitions and for the moderation by monitoring quality, takeover friendliness, and cultural distance. In Hypothesis 1, we predicted a positive effect of board acquisition experience on the announcement returns of cross-border acquisitions. The results of Model 1 in Table 2 show a positive and significant ($p = 0.004$) coefficient for the board acquisition experience variable, supporting our hypothesis. Specifically, a 1 SD increase in board acquisition experience is related to an increase of 25 basis points in the announcement returns of cross-border acquisitions. Taking, for example, the average market capitalization of the acquiring firms in the sample at the end of the fiscal year prior to the deal announcement (38 billion Euro), an increase of 26 basis points in the announcement returns of cross-border acquisitions translates into an increase of 99 million Euro.

Table 1
Means, standard deviations, and correlations.

No.	Variables	mean	sd	p25	p75	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1	CAR [− 1:1] (in %)[a]	0.21	2.55	-1.21	1.59	1.00																													
2	Board acquisition experience	0.31	1.73	-0.75	1.53	-0.03	1.00																												
3	Stock of experience (% of experienced directors)	0.63	0.22	0.50	0.80	-0.01	0.86	1.00																											
4	Depth of experience (avg. # of deals)[b]	27.75	24.50	11.00	37.00	-0.05	0.71	0.35	1.00																										
5	Monitoring quality	3.62	0.90	3.00	5.00	0.05	-0.06	0.00	-0.10	1.00																									
6	Friendliness of takeover regulations	0.70	0.19	0.53	0.89	-0.01	-0.04	-0.03	-0.02	0.00	1.00																								
7	Cultural distance	1.33	1.16	0.20	2.14	0.01	0.16	0.15	0.07	-0.18	-0.40	1.00																							
8	Board size	9.65	2.84	7.00	11.00	-0.07	0.21	0.04	0.24	-0.34	-0.07	0.08	1.00																						
9	Board independence	0.77	0.15	0.70	0.88	-0.01	0.06	0.06	0.00	-0.19	0.01	0.04	0.16	1.00																					
10	Board busyness	1.28	0.59	0.86	1.60	-0.06	0.63	0.58	0.48	-0.09	0.02	0.14	0.05	0.04	1.00																				
11	Board age	60.80	3.31	58.75	63.10	0.01	0.20	0.20	0.13	-0.31	0.04	0.04	0.18	0.12	0.18	1.00																			
12	Board tenure	6.29	2.85	4.20	7.75	0.00	-0.14	-0.14	-0.07	-0.31	0.02	0.05	0.11	-0.14	-0.06	0.38	1.00																		
13	Relative acquisition size[a]	0.04	0.10	0.00	0.03	0.06	-0.18	-0.20	-0.08	0.01	0.06	-0.10	-0.04	-0.04	-0.11	-0.05	0.03	1.00																	
14	Acquirer-to-target relatedness	0.35	0.48	0.00	1.00	0.06	-0.15	-0.18	-0.09	0.03	-0.02	-0.01	-0.12	-0.01	-0.06	-0.09	0.08	0.17	1.00																
15	Payment type	0.80	0.40	1.00	1.00	0.00	0.11	0.11	0.05	-0.09	0.00	0.07	0.09	0.05	0.06	0.05	-0.02	-0.22	-0.13	1.00															
16	Private deal	0.25	0.43	0.00	0.00	-0.02	-0.19	-0.12	-0.14	0.16	0.01	-0.12	-0.23	-0.05	-0.10	-0.13	-0.06	-0.07	0.03	-0.16	1.00														
17	Hostile	0.00	0.05	0.00	0.00	-0.01	-0.02	-0.01	-0.02	-0.01	0.02	-0.04	0.01	0.01	-0.02	0.01	0.02	0.03	-0.02	-0.03	-0.03	1.00													
18	Firm size	16.47	1.50	15.44	17.71	-0.10	0.52	0.39	0.43	-0.24	-0.06	0.12	0.53	0.12	0.30	0.27	-0.03	-0.24	-0.23	0.16	-0.29	0.01	1.00												
19	Firm performance[a]	0.06	0.06	0.01	0.09	0.02	-0.12	-0.12	-0.07	0.12	0.14	-0.15	-0.21	-0.03	-0.08	-0.09	0.14	0.01	0.27	-0.01	0.09	0.01	-0.21	1.00											
20	Free cash flow to equity[a]	0.22	0.44	0.14	0.35	0.01	-0.14	-0.14	-0.09	0.20	-0.02	-0.11	-0.03	-0.03	-0.06	-0.14	0.03	0.02	0.20	-0.03	0.04	0.00	-0.12	0.25	1.00										
21	Debt to equity[a]	2.33	3.83	0.40	2.08	-0.02	0.21	0.19	0.13	-0.08	-0.08	0.13	0.18	0.02	0.13	0.06	-0.15	-0.08	-0.21	0.07	-0.10	-0.02	0.31	-0.36	-0.33	1.00									
22	Firm acquisition experience	3.20	1.10	2.48	3.91	-0.06	0.43	0.35	0.32	-0.15	-0.07	0.12	0.36	0.03	0.20	0.22	-0.07	-0.22	-0.30	0.16	-0.15	-0.02	0.63	-0.34	-0.26	0.42	1.00								
23	Ownership concentration	0.16	0.15	0.05	0.23	0.01	-0.27	-0.28	-0.15	0.05	-0.02	-0.04	-0.09	-0.02	-0.19	-0.18	0.01	0.13	0.12	-0.09	0.05	0.00	-0.33	-0.03	0.04	-0.09	-0.33	1.00							
24	Institutional investors	0.49	0.22	0.30	0.67	0.04	-0.17	0.01	-0.33	0.16	0.10	-0.07	-0.31	0.05	-0.07	0.07	-0.01	-0.04	0.04	-0.04	0.20	-0.06	-0.31	0.09	-0.06	-0.11	-0.19	-0.12	1.00						
25	CEO tenure	4.72	4.36	1.70	6.50	0.04	-0.13	-0.10	-0.08	0.09	-0.01	-0.03	-0.06	-0.04	-0.10	0.07	0.25	0.05	0.04	-0.03	0.02	0.02	-0.12	0.06	0.04	-0.13	-0.07	0.09	-0.06	1.00					
26	CEO age	55.42	6.16	51.00	60.00	0.00	0.05	0.01	0.05	-0.11	-0.01	0.00	0.13	0.09	0.05	0.11	-0.01	-0.07	-0.04	0.03	-0.08	0.06	0.20	-0.04	-0.06	0.06	0.13	-0.03	-0.10	0.28	1.00				
27	Common law	0.63	0.48	0.00	1.00	0.01	-0.12	0.09	-0.35	0.28	0.09	-0.06	-0.18	0.16	-0.13	0.05	-0.12	-0.09	-0.04	0.02	0.13	-0.03	-0.09	0.05	-0.10	0.03	-0.02	-0.17	0.70	-0.14	-0.05	1.00			
28	Economic freedom	7.63	0.65	7.35	8.09	-0.03	-0.03	-0.03	0.01	0.05	0.71	-0.38	-0.11	-0.01	0.04	0.02	-0.02	0.11	-0.04	0.00	0.03	0.03	-0.06	0.11	-0.02	-0.03	-0.06	-0.06	0.04	0.02	-0.02	0.02	1.00		
29	GDP growth host country	2.59	3.14	1.45	3.70	0.03	0.02	0.02	0.00	-0.02	-0.24	0.34	0.04	0.02	0.06	-0.03	-0.04	-0.06	-0.01	0.06	-0.03	0.01	0.04	-0.04	-0.02	0.09	0.01	-0.06	-0.04	-0.04	0.05	0.02	-0.37	1.00	
30	GDP growth home country	1.50	2.09	0.78	2.67	0.04	-0.02	0.01	-0.04	-0.01	0.06	0.02	-0.03	0.02	0.08	-0.04	0.02	0.03	-0.05	0.07	0.02	0.04	-0.01	0.03	-0.05	0.07	-0.04	-0.08	0.01	0.04	-0.01	0.01	0.11	0.45	1.00

$N = 1755$; a = winsorized as the 1st and 99th percentile; b = displayed as count but used as a natural logarithm in the board acquisition measure; all values above 0.04 are significant at the 5% level.

Hypothesis 2 predicted that external monitoring quality in the acquirer country would negatively moderate the relationship between board acquisition experience and the announcement returns of cross-border acquisitions. However, while we find a negative coefficient for the interaction term in Model 2 of Table 2, it is not statistically significant ($p = 0.489$). Therefore, our second hypothesis cannot be supported.

In Hypothesis 3, we suggested that the friendliness of takeover regulations in the target country would decrease the impact of board acquisition experience on the announcement returns of cross-border acquisitions. The results of Model 3 of Table 2 show that the coefficient of the interaction term is indeed negative and significant ($p = 0.002$), providing support for Hypothesis 3. Specifically, the result shows that the positive effect of board acquisition experience is mitigated in the case of friendly takeover regulations, while it is stronger under less friendly takeover regulations.

Hypothesis 4 predicted that the cultural distance between the acquirer and the target country would positively moderate the relationship between board acquisition experience and the announcement returns of cross-border acquisitions. In Model 4 of Table 2, we indeed find a positive and significant ($p = 0.001$) coefficient for the interaction term. Hence, supporting the idea of Hypothesis 4 that board acquisition experience is particularly relevant when target countries are culturally distant. Finally, Model 5 of Table 2 includes a full model with all the individual interaction terms. This model further supports all our previous results.

In addition, Figs. 2 and 3 visualize the results for the significant moderation effects.

5.3. Robustness and endogeneity

In addition to our main results, we performed several post hoc analyses to assess the robustness of our results. First, we focused on several alternative specifications and, second, we addressed endogeneity concerns.

Alternative specifications. First, we used a seven-day instead of a three-day window to measure the announcement returns of cross-border deals and reran our main regression. Second, in order to challenge the assumptions about the anticipated long-term effects by the market that underlie the use of CARs (see, e.g., Boateng et al., 2021), we also tested a long-term performance measure of cross-border deals. Specifically, we used the industry-adjusted two-year change in ROA after cross-border acquisitions. We obtained similar results (untabulated).

Endogeneity concerns. Firms endogenously choose to conduct M&As or cross-border M&As, in particular. More specifically, if the board has greater acquisition experience, firms could be more inclined to conduct M&As than other firms would be. Moreover, one could argue that a board with more acquisition experience could even drive firms to take the risk of rather complex cross-border M&As, even in countries with less takeover-friendly regulations or with higher cultural distances. To control for these selection concerns, we followed the approach by Heckman (1979). Specifically, we ran probit regressions to estimate the likelihood that a firm would self-select into certain M&As. We then derived correction factors (i.e., the inverse Mills ratio) from this regression and used them in our second-stage models that tested the influence of board acquisition experience on the announcement returns of cross-border acquisitions. The probit regressions estimating the likelihood of the respective type of deal included all our control variables (except for the deal controls) and exclusion criteria. As exclusion criteria, we used the industry average of cross-border deals. We expect that firms in industries with more cross-border deals are generally more active in the M&A market and thus are more likely to conduct cross-border deals in countries with less friendly takeover regulations or in more culturally distant countries. At the same time, we believe that the industry average of cross-border deals should not correlate with the announcement returns of cross-border deals. However, we acknowledge that the exclusion criteria are not a natural shock and that exogeneity could be questioned. Finally, we tested our main regressions while separately including the different correction factors derived from the probit regressions. In all models (Table 3), we find results that are similar to our main results, thus alleviating potential selection concerns.

6. Discussion and conclusions

Our study examines the effect of board acquisition experience on acquirer returns in cross-border acquisitions. Furthermore, it indicates that cross-national variance in the institutions of the acquirer countries and target countries, as well as the cultural distance between these countries, influences this relationship. We find support for our baseline hypothesis about the positive effect of acquisition experience on the quality of cross-border acquisitions. Furthermore, this effect depends on the friendliness of takeover regulations in the target nation and the cultural distance between the acquirer and target country.

In addition, Hypothesis 2 predicted that the external monitoring quality in the acquirer nation would influence the positive effect between acquisition experience and subsequent acquirer returns. Contrary to our expectations, the effect turned out not to be significant. One explanation for this result could be that the weak regulatory environment also affects the impact and motivation that boards have. Prior literature advocates for such a complementarity view on the interplay between internal and external corporate governance. According to this perspective, the functioning of one corporate governance mechanism depends on the prevalence of others (Aguilera, Filatotchev, Gospel & Jackson, 2008; Misangyi & Acharya, 2014). Transferring this argumentation to our findings, we posit that board effectiveness in the acquisition decision process might also have a complementary relationship with external control mechanisms. In such cases, an environment with low-quality external monitoring would also have reducing effects on board control during the acquisition decision process, since board control has a lower societal meaning, which makes board members feel less needed and hence less important, and which gives boards less power to effectively enforce their control. Thus, we conjecture that the effect of bundled governance mechanisms, such as external control provision and board monitoring, might depend on the specific strategic decision a firm faces.

6.1. Theoretical and practical contributions

Our study contributes to the global strategy and international corporate governance literature in several ways. We contribute to board research as well as general corporate governance research by identifying various effects that country-level institutions can have. Our results show the need to consider both internal and external corporate governance in order to determine the effectiveness of the board. As claimed by previous literature, it is not enough to merely analyze the impact of boards on firm outcomes with the environmental setting treated as background information (Peng, Wang, & Jiang, 2008). Thus, we investigated the moderating effects of institutional factors and questioned whether different corporate governance mechanisms substitute each other. Our results indicate that integrating institutional theory and a comparative perspective into board and management research enhances our understanding of mechanisms that explain the effectiveness of board characteristics, such as expertise. Furthermore, our results teach us more about board functioning within different institutional environments. However, the fact that we obtained non-significant results for the hypothesis about the moderating impact of the acquirer country's context demonstrates that these moderation effects are rather complex, and therefore more research on institutional contingency factors is needed to fully capture the intertwined mechanisms that influence board effectiveness.

Furthermore, since our study also replicates U.S.-based research about the effects of board acquisition experience on the quality of acquisitions (e.g., Kroll et al., 2008; McDonald et al., 2008) on a multi-country sample of cross-border deals, our study supports the

Table 2
Regression results.

	Model 1	Model 2	Model 3	Model 4	Model 5
Method	OLS	OLS	OLS	OLS	OLS
Dependent Variable[a]	CAR[− 1:1]in %	CAR[− 1:1]in %	CAR[− 1:1]in %	CAR[− 1:1]in %	CAR[− 1:1]in %
Independent variable					
Board acquisition experience	0.15 ***	0.14 ***	0.13 ***	0.10 *	0.10 *
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Moderators					
Monitoring quality		0.15 *			0.17 *
		(0.09)			(0.09)
Friendliness of takeover regulations			0.53		0.66
			(0.46)		(0.48)
Cultural distance				-0.01	0.04
				(0.07)	(0.07)
Interaction terms					
Board acquisition expertize*Monitoring quality		-0.03			-0.02
		(0.04)			(0.04)
Board acquisition experience*Friendliness of takeover regulations			-0.52 ***		-0.40 **
			(0.17)		(0.17)
Board acquisition experience*Cultural distance				0.10 ***	0.07 **
				(0.03)	(0.03)
Controls					
Board size	-0.03	-0.03	-0.03	-0.03	-0.02
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Board independence	0.08	0.26	0.10	0.11	0.28
	(0.42)	(0.43)	(0.43)	(0.43)	(0.44)
Board busyness	-0.45 ***	-0.46 ***	-0.47 ***	-0.48 ***	-0.49 ***
	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)
Board age	0.04 *	0.04 *	0.04	0.04 *	0.04 *
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Board tenure	-0.02	-0.01	-0.02	-0.02	-0.01
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Relative acquisition size[a]	1.02	1.06	0.95	0.95	0.98
	(1.02)	(1.02)	(1.02)	(1.01)	(1.00)
Acquirer-to-target relatedness	0.23	0.24 *	0.25 *	0.23	0.25 *
	(0.14)	(0.14)	(0.15)	(0.15)	(0.15)
Payment type	0.19	0.20	0.19	0.16	0.18
	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)
Private deal	-0.24 *	-0.26 *	-0.25 *	-0.24	-0.25 *
	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)
Hostile	-0.74	-0.73	-0.87	-0.82	-0.86
	(1.27)	(1.24)	(1.30)	(1.28)	(1.28)
Firm size[a]	-0.21 ***	-0.20 ***	-0.20 ***	-0.21 ***	-0.19 ***
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
Firm performance[a]	-0.32	-0.40	-0.21	-0.18	-0.17
	(1.45)	(1.43)	(1.45)	(1.44)	(1.42)
Free cash flow to equity[a]	0.08	0.02	0.09	0.11	0.05
	(0.14)	(0.15)	(0.14)	(0.15)	(0.15)
Debt to equity[a]	0.01	0.01	0.01	0.01	0.01
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Firm acquisition experience	-0.02	-0.03	-0.03	-0.03	-0.05
	(0.09)	(0.10)	(0.09)	(0.09)	(0.09)
Ownership concentration	-0.35	-0.35	-0.37	-0.38	-0.38
	(0.59)	(0.60)	(0.59)	(0.58)	(0.59)
Institutional investors	0.55	0.64	0.55	0.56	0.65
	(0.50)	(0.51)	(0.51)	(0.50)	(0.51)
CEO tenure	0.01	0.00	0.01	0.01	0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
CEO age	0.01	0.01	0.01	0.01	0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Common law	-0.20	-0.32	-0.23	-0.23	-0.38 *
	(0.21)	(0.22)	(0.21)	(0.21)	(0.22)
Economic freedom	-0.18	-0.19 *	-0.25	-0.18	-0.28 *
	(0.11)	(0.11)	(0.16)	(0.11)	(0.16)
GDP growth host country	-0.02	-0.02	-0.03	-0.03	-0.03
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
GDP growth home country	-0.07	-0.07	-0.08	-0.08	-0.08
	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)
Constant	3.30 *	2.59	3.85 *	3.30 *	3.13
	(1.89)	(1.95)	(2.06)	(1.86)	(2.07)
Industry effect	Yes	Yes	Yes	Yes	Yes
Year effect	Yes	Yes	Yes	Yes	Yes
R square	0.048	0.050	0.053	0.053	0.058
Adjusted R square	0.021	0.022	0.025	0.025	0.028
Observations	1775	1775	1775	1775	1775
F-Test	1.940 ***	2.015 ***	2.128 ***	2.150 ***	2.270 ***

Standard errors are provided below the coefficient estimates. $^{*}p < 0.1$, $^{**}p < 0.05$, $^{***}p < 0.01$.

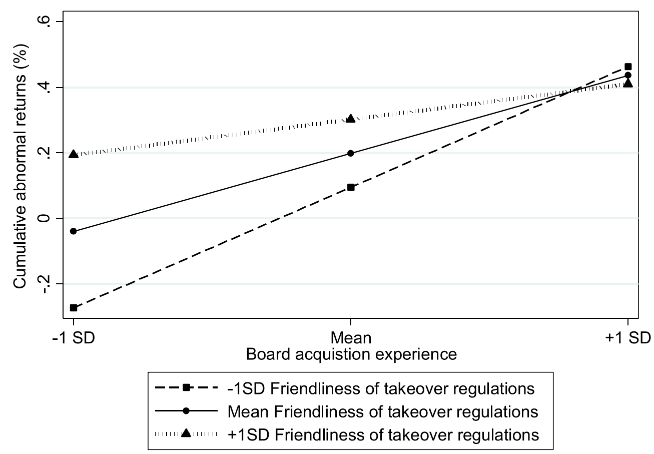

Fig. 2. Interaction effect between board acquisition experience and the friendliness of takeover regulations.

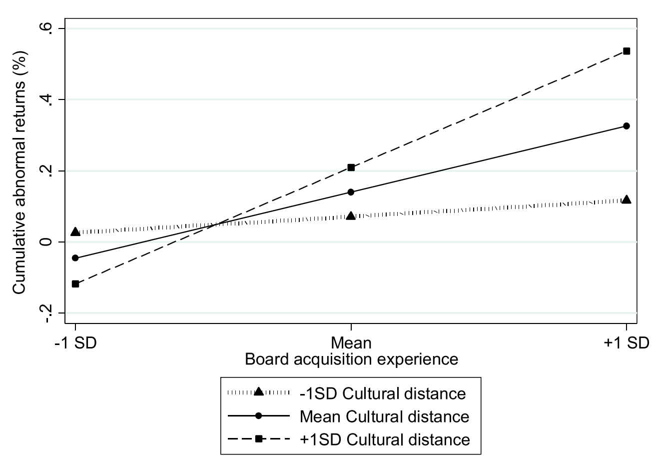

Fig. 3. Interaction effect between board acquisition experience and cultural distance.

generalizability assumption of this research. We used a sample of 17 countries and replicated previous results in a multi-country setting with diverse national corporate governance systems: the Anglo-American and continental European systems. In doing so, we also respond to increasing criticism that research predominately focuses on single-country studies within the Anglo-Saxon corporate governance system, thus neglecting the impact of different national and institutional contextual factors (e.g., Adams, Hermalin, & Weisbach, 2010; Jackson and Deeg, 2008).

Our study has important implications for practitioners. Recently, firms have explicitly highlighted the experience of newly appointed directors, such as, for example, their previous experience as executives with acquisitions or within a certain industry (Field and Mkrtchyan, 2017). This observation indicates that firms are increasingly paying attention to the professional background of those they nominate for board seats. In a similar vein, recent academic research shows that acquisition experience is valued in the marketplace and that participating in an acquisition increases the likelihood of board seats in the future (Greene & Smith, 2020). Our study indicates that having boards with certain types of acquisition experience positively influences acquisition decisions in a global context. Based on this result, we hope to highlight how considering the specific experiences, knowledge, and skills of potential director candidates is important to ensure board effectiveness. As the effectiveness of experience is context-specific, a firm has first to evaluate its long-term strategic course in order to decide which experience is required. Besides considering corporate strategy, our results also show that the institutional environment needs to be taken into account within corporate strategic decision-making. For example, if an organization primarily conducts its acquisitions in environments that have less friendly takeover regulations and are culturally more distant from the acquirer country, the appointment of experienced directors is even more recommended than in less complex settings. In this context, our additional tests shed light on even more implications. Specifically, they highlight cross-border acquisition experience as particularly relevant for the outcomes of cross-border deals. The results also show that this cross-border acquisition experience does not need to be focused on the specific country where the deal is taking place, but rather that cross-border experience per se positively influences cross-border deals in various countries.

6.2. Limitations and future research

We are aware that our paper has some limitations. First, we do not pay attention to any internal board processes (Pugliese et al., 2009) or the interface of boards, CEOs and top management teams (TMT) (Georgakakis, Heyden, Oehmichen & Ekanayake, 2019; Weck, Veltrop, Oehmichen & Rink, 2021). Instead, we regard experience as an aggregated phenomenon on a group level. Hence, we are not able to analyze whether the experience of certain board members is more important and influential than that of others. Future research might want to investigate this micro-level perspective on boards in more detail and link it to the rare but highly relevant literature on group processes and board dynamism (Veltrop, Bezemer, Nicholson & Pugliese, 2020; Veltrop, Molleman, Hooghiemstra & van Ees, 2017; D. H. Zhu, 2013). Furthermore, it would be interesting to link our results to existing research about the TMT–board interface (e.g., Kor, 2006; Walters, Kroll, & Wright, 2010) by challenging whether specific effects of experience substitution between these two groups only work out in specific types of corporate governance systems.

Second, although we claim that we add a certain level of global generalizability to the board experience research, we cannot rule out additional mechanisms that would be specific to certain parts of the world. For reasons of data availability, we focus on acquirers from the developed European and U.S. markets and, thereby, miss out on many emerging markets. Due to various particularities in regulations, cultures, and corporate governance systems in emerging markets (see, e.g., Oehmichen, 2018; Singh & Delios, 2017; Young, Peng, Ahlstrom, Bruton & Jiang, 2008), the results might be different for acquirers located in these regions. For instance, acquirers from emerging market firms might face additional restrictions in the form of hesitant target country regulators fearing a loss of autonomy in their core industries—an effect that we can, for instance, observe in the German industry (Scheuer, 2018). Furthermore, the internal and external corporate governance mechanisms differ a lot between countries of emerging markets and over time (Adegbite, 2015; Adegbite, Amaeshi, & Nakajima, 2013). Hence, for mergers in these regions, the board's political connections in the target country might be an important complement to its general acquisition expertize. Nevertheless, we are optimistic that, especially due to the high comparability of our institutional measures, such as shareholder protection in European and U.S. firms, our approach is a rather conservative way to investigate the interaction effects of these institutional measures.

6.3. Conclusion

Overall, our results provide additional evidence for the advantages that an experienced board brings to corporate decision-making in a

Table 3
Endogeneity concerns.

	Model 1	Model 2	Model 3	Model 4
Method	OLS	OLS	OLS	OLS
Dependent Variable[a]	CAR[− 1:1]in %	CAR[− 1:1]in %	CAR[− 1:1]in %	CAR[− 1:1]in %
Selection control related to:	Deal likelihood	Cross-border deal likelihood	Likelihood of deal in countries with unfriendly regulations	Likelihood of deal with high cultural differences
Independent variable				
Board acquisition experience	0.13 **	0.14 **	0.15 **	0.16 **
	(0.06)	(0.06)	(0.06)	(0.07)
Moderators				
Monitoring quality	0.19 **	0.24 **	0.19 **	0.20 **
	(0.09)	(0.10)	(0.09)	(0.09)
Friendliness of takeover regulations	0.66	0.65	0.66	0.65
	(0.48)	(0.48)	(0.48)	(0.48)
Cultural distance	0.05	0.05	0.05	0.05
	(0.07)	(0.07)	(0.07)	(0.07)
Interaction terms				
Board acquisition experience*Monitoring quality	-0.03	-0.03	-0.02	-0.02
	(0.04)	(0.04)	(0.04)	(0.04)
Board acquisition experience*Friendliness of takeover regulations	-0.42 **	-0.41 **	-0.40 **	-0.40 **
	(0.17)	(0.17)	(0.17)	(0.17)
Board acquisition experience*Cultural distance	0.07 **	0.07 **	0.07 **	0.07 **
	(0.03)	(0.03)	(0.03)	(0.03)
Controls				
Selection control	1.21 *	0.86 *	0.85 *	0.83
	(0.69)	(0.50)	(0.50)	(0.50)
Board size	0.00	-0.02	-0.02	-0.02
	(0.03)	(0.03)	(0.03)	(0.03)
Board independence	0.21	0.15	0.15	0.17
	(0.43)	(0.44)	(0.44)	(0.44)
Board busyness	-0.52 ***	-0.53 ***	-0.53 ***	-0.52 ***
	(0.14)	(0.14)	(0.14)	(0.14)
Board age	0.04 *	0.04 *	0.05 **	0.03
	(0.02)	(0.02)	(0.02)	(0.02)
Board tenure	0.00	-0.01	-0.01	0.00
	(0.03)	(0.03)	(0.03)	(0.03)
Relative acquisition size[a]	0.86	0.86	0.87	0.87
	(1.00)	(1.00)	(1.00)	(1.00)
Acquirer-to-target relatedness	0.26 *	0.26 *	0.28 *	0.27 *
	(0.15)	(0.15)	(0.14)	(0.15)
Payment type	0.19	0.19	0.19	0.19
	(0.20)	(0.20)	(0.20)	(0.20)
Private deal	-0.24	-0.26 *	-0.25 *	-0.26 *
	(0.15)	(0.15)	(0.15)	(0.15)
Hostile	-0.88	-0.89	-0.86	-0.89
	(1.25)	(1.26)	(1.26)	(1.26)
Firm size[a]	-0.09	-0.09	-0.09	-0.08
	(0.09)	(0.09)	(0.09)	(0.10)
Firm performance[a]	0.13	0.06	0.10	0.04
	(1.43)	(1.43)	(1.43)	(1.43)
Free cash flow to equity[a]	0.03	0.02	0.00	0.01
	(0.15)	(0.15)	(0.15)	(0.15)
Debt to equity[a]	0.00	0.00	0.01	0.01
	(0.02)	(0.02)	(0.02)	(0.02)
Firm acquisition experience	-0.02	-0.02	-0.02	-0.03
	(0.10)	(0.10)	(0.10)	(0.10)
Ownership concentration	-0.77	-0.70	-0.69	-0.75
	(0.65)	(0.63)	(0.63)	(0.64)
Institutional investors	0.74	0.63	0.40	0.61
	(0.51)	(0.50)	(0.51)	(0.50)
CEO tenure	0.01	0.01	0.01	0.01
	(0.01)	(0.01)	(0.01)	(0.01)
CEO age	0.01	0.01	0.01	0.01
	(0.01)	(0.01)	(0.01)	(0.01)
Common law	-0.41 *	-0.58 **	-0.70 **	-0.57 **
	(0.22)	(0.24)	(0.28)	(0.24)
Economic freedom	-0.27 *	-0.26 *	-0.27 *	-0.27 *
	(0.16)	(0.16)	(0.16)	(0.16)
GDP growth host country	-0.04	-0.04	-0.04	-0.04
	(0.03)	(0.03)	(0.03)	(0.03)
GDP growth home country	-0.06	-0.07	-0.10	-0.06
	(0.07)	(0.07)	(0.07)	(0.07)
Constant	1.08	1.40	0.24	1.24

(*continued on next page*)

Table 3 (*continued*)

	Model 1	Model 2	Model 3	Model 4
Method	OLS	OLS	OLS	OLS
Dependent Variable[a]	CAR[− 1:1]in %	CAR[− 1:1]in %	CAR[− 1:1]in %	CAR[− 1:1]in %
	(2.33)	(2.31)	(2.61)	(2.35)
Industry effect	Yes	Yes	Yes	Yes
Year effect	Yes	Yes	Yes	Yes
R square	0.06	0.06	0.06	0.06
Adjusted R square	0.03	0.03	0.03	0.029
Observations	1775	1775	1775	1775
F-Test	2.362 ***	2.392 ***	2.353 ***	2.392 ***

Standard errors are provided below the coefficient estimates. *$p < 0.1$, **$p < 0.05$, ***$p < 0.01$.

global context. We hope that future research will follow this path and further investigate the impact of board experience on strategic decision-making and its complex interdependency with country-level institutions.

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