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The Effect of National Distance and Industry Relatedness on Post-Acquisition Performance: Emerging Country MNEs in Developed Countries

Ulusal Mesafe ve Sektörel İlişkililiğin Satın Alma Sonrası Performans Üzerindeki Etkisi: Gelişmiş Ülkelerdeki Gelişmekte Olan Ülke ÇUŞ'leri *

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ÖZ

Bu araştırmada, 2007-2015 dönemi boyunca Çin, Hindistan, Güney Afrika ve Türkiye'de gerçekleştirilen 75 satın alma faaliyeti incelenmiştir. Araştırmanın amacı, gelişmekte olan ülke firmalarının satın alma sonrası performansını artırmada ulusal mesafenin ve sektörel ilişkililiğin rolünü araştırmaktır. Bu çalışmada özellikle bilgisayar, yazılım veya sağlık teknolojileri gibi bilgi yoğun sektörlerde faaliyet gösteren şirket satın alımlarını incelenmektedir. Araştırmanın sonucu, kültürel mesafe ile firma performansı arasındaki ilişkinin negatif olduğunu, bilgi mesafesi ve ekonomik mesafenin ise firmaların aktif karlılık oranı üzerinde önemli bir artışa yol açtığını göstermektedir. Bunun aksine, insan kaynağı mesafesi ile performans arasında anlamlı bir ilişki yoktur. Bunun yansıra, sektörel ilişkililik ile satın alma sonrası performans arasındaki ilişki istatistiksel olarak anlamsızdır.

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ABSTRACT

Based on 75 cross-border acquisitions from China, India, South Africa, and Turkey, this study investigates the role of national distance and industry relatedness in increasing post-acquisition performance of acquiring firms from developing countries from 2007 to 2015. This study focuses on acquiring firms only operating in knowledge-intensive industries such as computer, software, and health technologies. Findings show that cultural distance has a negative relationship with post-acquisition performance. In contrast, knowledge distance and economic distance lead to a significant increase in acquiring firms' return on assets. Human resource distance, on the other hand, has no significant relationship with performance. The relationship between industry-relatedness and post-acquisition performance appears to be statistically insignificant.

1. Introduction

According to the Global Competitiveness Report (2016), cross-border mergers and acquisitions account for a sizable portion of foreign investment. According to the same report, there has been an increasing trend over the years. Cross-border acquisitions increased in value from $432 billion in 2014 to $721 billion in 2015. In addition, there has been a growing emphasis on cross-border investments of multinational corporations by emerging economies.

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For years, the impact of industry and country-specific factors on cross-border M&A success has piqued the interest of the international business and management literature. Nonetheless, the findings are inconclusive. Gubbi et al. (2010) reported that cross-border acquisitions by Indian multinationals would generate more value if investments were made in developed countries, even though some research assumed that international assets by multinational enterprises from emerging economies (EMNEs) are more likely to fail than cross-border acquisitions by multinational enterprises from developed economies (DMNEs) (Aybar and Ficici, 2009).

When compared to traditional DMNEs, EMNEs are quite distinct. EMNEs operate in countries surrounded by low to middle income levels, unique characteristics, and generally weak institutional environments (Ramamurti and Singh, 2009; Rugman, 2009). EMNEs attempt to overcome their latecomer problem through aggressive, proactive, and risk-taking acquisitions (Gaffney, Karst, and Clampit, 2016). While cross-border acquisitions have been used as an important strategy for foreign investment, it is still a complex decision, particularly for multinational enterprises from emerging economies (EMNEs). The majority of investments from advanced economies to emerging economies are made to take advantage of cheap labor. However, the multinational enterprises from emerging economies (EMNEs) might often show an interest in cross-border acquisition due to access to new markets, know-how, capabilities, patents and technology (Hitt et al., 2000; Gubbi et al., 2010).

In the international business and strategic management literature, past papers mostly point the cases from multinational organizations from the United States of America and Europe. Due to the fact that there is growing popularity of cross-border acquisitions, there is the increase in foreign direct investment literature while relatively little is known about the effect of national distance and industrial relatedness on the performance of acquiring firms from emerging economies. On the contrary, I specifically use the context of emerging economies because it has been argued that more research in this field is required (Peng et al., 2008). Finally, I focus on the relationship between national distance, industrial relatedness, and post-acquisition performance of emerging-market acquirers in the high-tech industry. This aspect of cross-border acquisitions has been overlooked and understudied (Gubbi et al., 2010; Peng, 2012; Madhok and Keyhani, 2012).

To begin with, national differences between developing and developed countries may be one of the most critical indicators of post-acquisition performance. Because cross-border acquisitions bring people from various cultures together, some national differences may lead to effective interactions and successful integration (Shenkar, 2001). I contribute explicitly to this gap, both theoretically and empirically. Theoretically, I combine insights from Berry et al. (2010) notion of national distance and Estrin et al.'s (2009) study in international management based on human resource distance to examine the relationship between national distance and industrial relatedness and firm performance for EMNEs. I then apply this approach empirically to EMNE cross-border acquisitions. This debate is divided into two parts. First, I argue that national distance may have an impact on acquirers' post-acquisition firm performance. Second, I believe that industrial relatedness may affect acquirers' firm performance after the acquisition.

Second, industrial relatedness has been recognized as a factor influencing post-acquisition performance. According to some researchers, related mergers and acquisitions are more effective than unrelated mergers and acquisitions (Moeller and Schlingemann, 2005; Akbulut and Matsusaka, 2010). On the other hand, Morosini et al. (1998) assumed that industrial differences between target and acquirer companies have no significant impact on post-acquisition performance (Morosini et al., 1998). Previous research has revealed no agreement in the literature regarding the relationship between industrial relatedness and post-acquisition performance. As a result, this research aims to discover this relationship for the high-tech industry from developing countries.

I specifically chose the high-tech industry as a context because high-tech firms from emerging economies must typically invest in developed countries to obtain critical assets such as marketing, technology, patents, know-how, and managerial expertise, which are not readily available in their home countries. Several high-tech companies are operating in a hostile and aggressive environment. Firms must constantly seek to create new technological capabilities to make a significant difference in the market. It is sometimes impossible to develop new technologies within a business due to low cost, technical advantages, and speed. As a result, more and more large corporations are beginning to use external sources of technology through mergers and acquisitions to improve their absorptive capacity (Cohen and Levinthal, 1990; Harrison et al., 2001; Teece, 1992). Following that, acquisitions could be viewed as an alternative to technological sourcing capabilities (Vanhaverbeke et al., 2002), leading to high performance.

While this study appears to revisit some original hypotheses, it also provides a unique approach to researching only high-tech firms in developing countries. Prior research has failed to conceptualize and model the relationship between national differences, industrial relatedness, and cross-border M&As, particularly for high-tech firms from developing countries. As a result, because developing countries have different political, social, and economic institutions and human resources, the current study proposes some inconsistent findings with previous studies.

The purpose of this research is to propose a new approach based on the relationship between national distance, industrial relatedness, and post-acquisition performance. I have included four variables for national distance: cultural distance, economic distance, human resource distance, and

knowledge distance. I then reason that these national differences may influence acquirers' post-acquisition performance. Furthermore, I used industrial relatedness as another predictor of post-acquisition performance. The analysis of 75 acquisitions in the high technology industry imparts some support to my theory.

2. Theoretical Foundation and Hypotheses Development

Multinational corporations have recently used cross-border acquisition activities to improve their performance (Haleblian et al., 2009; Erel, Liao, and Weisbach, 2012; Huang, Zhu, and Brass, 2017). However, this does not imply that acquisitions are always successful (Shimizu et al., 2004). Therefore, many studies have been dedicated to determining the mechanism by which factors influence post-acquisition performance (Chakrabarti, GuptaMukherjee, and Jayaraman, 2009; Reus and Lamont, 2009; Zhu, Xia, and Makino, 2015; Huang, Zhu and Brass, 2017).

Some research has been carried out to understand better firm performance in terms of stock market returns and long-term performance following cross-border acquisitions (Shimizu et al., 2004; Alimov, 2015; Karolyi and Taboaa, 2015). According to the findings of these studies, most companies fail to generate either short-term or long-term value from cross-border acquisitions. Institutional differences between two nations can create uncertainty and risks for acquiring firms. According to some research, these distinctions may positively impact acquirers' post-acquisition performance (Morosini, Shane, and Singh, 1998; Chakrabarti et al., 2009). Nonetheless, some distance may degrade business performance following cross-border acquisitions (Stahl and Voigt, 2008). The inconsistent results in the literature could be due to differences in the contexts of the research' nations and industries. As a result, I set out to investigate the proposed relationships only for high-tech firms in emerging markets to generalize my assumptions for a specific sector in specific countries.

2.1. Cultural Distance and Firm Performance

Culture has been accepted as an important element in international business literature (Srivastava, Singh and Dhir, 2020). Cultural distance is generally defined by the cultural values that distinguish one country from another. The term "culture" refers to collecting assumptions, values, and normative behaviors for a specific group of people (Leung et al., 2005). According to Hofstede (1980), cultural distance has four dimensions: power distance, individualism, uncertainty avoidance, and masculinity. According to Hofstede's study (Berry et al., 2010), cultural distance is generally measured by cultural values. In contrast, some researchers have begun to pay more attention to the Globe project of House et al. (2004) to measure national culture. Previous research on the effect of national cultural distance on post-acquisition performance has yielded conflicting results. Some studies have found that cultural distance positively impacts firm value and firm performance (Morosini et al., 1998; Schweizer, 2005; Chakrabarti et al., 2009; Zhu et al., 2019). Others have found that cultural distance may harm firm value and firm performance (Chatterjee et al., 1992; Datta and Puia, 1995; Larsson and Finkelstein, 1999; Harrison et al., 2001).

Following Kogut and Singh's (1988) method of combining Hofstede's four dimensions into one composite variable, Morosini et al. (1998) discovered that cultural distance positively affected post-acquisition performance. When Hofstede's dimensions were examined separately, only uncertainty avoidance and post-acquisition performance were positively correlated (Morosini et al., 1998). However, Ahammad et al. (2016) discovered no direct or mediating effect of national cultural distance on cross-border acquisition performance.

Another study, conducted by Slanger (2006), suggested that cultural distance on firm performance may depend on post-acquisition integration. According to him, cultural differences reduce cross-border acquisition performance if the acquired firm is closely related to the acquirer, whereas performance may increase if post-acquisition integration is limited. According to Dikova and Sahib (2013), if the cultural distance increases, the acquirers' stock prices rise following acquisition activity. According to Chakrabarti et al. (2009), cultural distance positively affects long-term acquisition performance.

In general, the literature suggests that cultural distance can improve post-acquisition performance, primarily through knowledge transfer, resource allocation, and learning (Chakrabarti et al., 2009). It could be because cross-border acquisitions provide acquirers with a competitive advantage by providing access to target firms' specific and vital capabilities. Because my research is based on the high-tech industry where firms seek new resources, knowledge, technology, and innovation through cross-border acquisitions, I assume that cultural distance influences future M&A performance positively. Based on these arguments, I put the following hypothesis to the test:

> H_1. Cultural distance has a positive impact on post-acquisition performance.

2.2. Economic Distance and Firm Performance

Although cultural distance has received a lot of attention in the international business literature, the economic distance between home and host countries appears to be a neglected area (Tsang and Yip, 2007), especially for multinational enterprises from emerging economies. Economic distance (Whitley, 1992) considers national income, inflation rate, and country import and export rates. These factors influence the investment form and the firm's survival, entry, and performance (Caves, 1996, Berry et al., 2010). As a result, economic distance has the potential to improve understanding of post-acquisition performance. It is because multinational corporations can gain strategic advantages

such as cost advantage and competitive advantage in a country with a different level of economic development (Evans and Mavondo, 2002). According to one study, economic distance in terms of national income positively affects performance if the acquirer's country is economically more robust than the target's country (Chakrabarti et al., 2009). Consequently, I anticipate that economic differences between the two countries will significantly impact the acquisition's performance.

Because advanced technologies are commonly associated with a country's economic development, firms operating in the high-tech industry in emerging economies may find developed countries more appealing to invest in than emerging economies. In this context, acquiring a firm in a developed economy may provide acquirers with the opportunity to gain know-how, patents, capabilities, and unique resources that are conducive to acquisition performance. Hence, when EMNEs invest in developed countries, they may take advantage of target companies more often, resulting in higher post-acquisition performance. As a result, I foresee:

> H_2. Economic distance has a positive impact on post-acquisition performance.

2.3. Human Resource Distance and Firm Performance

Another essential feature that distinguishes one country from another is its human resources (Berry et al., 2010). Each country has its education and training system, which results in the emergence of various workforce levels. The difference in qualified human resource levels between countries is referred to as human resource distance. If a country's education system suffers from a decrease in quantity and quality, it risks losing its skilled human resource advantage over time. As a result, the educational system's content should be updated regularly to keep up with the modern world. Denmark, a developed economy, ranks first in the world in terms of the education system, according to the World Investment Report (2016). In this country, computer training is included in the primary school curriculum. As a result, Denmark's educational system is constantly updated to make future generations more capable than current generations.

Since Estrin, Baghdasaryan, and Meyer (2009) first introduced human resource distance to the international business literature, little has been learned about the impact of different human resources between the home and host countries on promoting acquisition performance. Differences in labor force qualifications, training, and skills between home and host countries are very likely to create opportunities for multinational companies to create different products or stages of the value chain (Meyer and Estrin, 2014), potentially leading to higher acquisition performance. Emerging-market acquirer firms may be able to combine their low-cost environments with skilled human resources in host countries.

Joint ventures and acquisitions, for example, could quickly provide access to local human resources and existing corporate information (Anand and Delios, 2002; Meyer and Nguyen, 2005). Thus, EMNEs are more likely to prefer investing in more developed economies to access highly educated human resources. For example, Collins et al. (2009) discovered that the acquiring firm is more likely to conduct international mergers and acquisitions in countries with skilled labor. According to the study of Estrin et al. (2009), if the workforce structure differs between countries, companies investing for the first time in this country have made joint ventures, partial or total acquisition instead of making greenfield investment. As previously reported in previous studies, human resource distance influences firms' decisions on international entry strategies, and it may also affect firm performance after implementing these strategies.

When it comes to firm performance outcomes, there is no research in the literature. However, I believe that human resource distance may have an impact on the company's outputs. When companies acquire companies in developed countries with skilled labor, they are very likely to gain employees' talents, knowledge, and experience in advanced technology industries. Thereafter, they will have access to knowledge, skills, and abilities that they would not obtain in their home countries through acquisition. Acquiring companies will benefit from the host country's human resources by transferring information and talent to their firms in this manner. As a result, the acquirers' performance will improve. The following hypothesis is generated based on these explanations.

> H_3. Human resource distance has a positive impact on post-acquisition performance.

2.4. Knowledge Distance and Firm Performance

Knowledge distance is another variable investigated in this study. According to Guler and Guillen (2010), globalization has not eliminated all differences, resulting in persistent knowledge and technological gaps across countries. Hence, they distinguish between knowledge creation and innovation (Furman et al., 2002). Because ability, innovation, and creativity may not be distributed equally across all regions (Florida, 2002), it may eventually create a gap between countries. As a result, knowledge differences between countries may play a significant role in the location of target firms (Nachum et al., 2008; Guler and Guillen, 2010). The impact of knowledge distance on post-acquisition performance has not been studied. I contend that differences in national innovation systems among countries affect acquirer performance following cross-border acquisitions.

This novel concept represents a relatively new dimension of national distance literature (Nelson and Rosenberg, 1993; Furman, Porter, and Stern, 2002; Berry et al., 2010). Berry et al. (2010) define knowledge distance as the difference between two countries in patents and scientific articles per million. Even if previous studies did not refer to it as knowledge distance, they operationalize knowledge distance

through the number of scientific articles and patents per capita as well (Nelson and Rosenberg, 1993; Furman et al., 2002; Guler and Guillen, 2010).

Investors prefer countries that foster innovation and technological development (Hall et al., 2003; Stuart and Sorenson, 2003; Audretsch et al., 2005). Hence, firms are more likely to seek environments with attractive opportunities for new knowledge and technology that they cannot find in their home countries (Gompers and Lerner, 2001; Guler and Guillen, 2010). Considering the high-tech industry in particular, countries that support research and innovation are likely to become more appealing to acquirers.

When a country has a high national innovation capacity, it can transform new knowledge, technology, and innovation into outputs that lead to high-performance levels (Guler and Guillen, 2010). EMNEs would use these targeted knowledge and technology capacities to transfer into firm-specific advantages, allowing them to become and remain globally competitive (Kedia, Gaffney, and Clampit, 2012).

As technology evolves, access to the most recent technologies and capabilities becomes increasingly crucial for EMNEs in the high-tech industry. One recent study discovered a link between knowledge distance and equity participation among EMNEs (Gaffney, Karst, and Clampit, 2016). Technology and knowledge can be transferred to firms operating in developing countries due to investments in such developed countries. The acquiring company will gain not only stock but also patents, know-how, and experience. Therefore, it may have a positive impact on the acquirer's firm performance. As a result, the following hypothesis is formed.

> H_4. Knowledge distance has a positive impact on post-acquisition performance.

2.5. Industry Relatedness and Firm Performance

Firms typically buy neither their competitors nor a company in their supply chain in unrelated mergers and acquisitions. On the other hand, industrial relatedness occurs when a firm acquires another firm that operates in the same field in terms of resource or product similarity. The relatedness of target firms to their acquirers (primarily analyzed using SIC codes) is thought to influence acquirers' post-acquisition performance (King et al., 2004).

In general, according to the majority of M&A research, acquiring related businesses is more likely to result in better post-acquisition performance (Palich, Cardinal, and Miller, 2000). Many acquisitions are carried out to increase the cooperation and interaction of both firms (Weber et al., 2009), in order to produce a combined effect greater than the sum of their separate effects. According to the literature, the abnormal return obtained through related M&As is greater than the abnormal return received through unrelated M&As (Slangen, 2006; Akbulut and Matsusaka, 2010). According to Desyllas and Hughes (2010), related acquisitions based on 3-SIC coding have a positive impact on R&D efficiency, whereas unrelated assets have a negative effect. On the other hand, Morosini et al. (1998) reported that whether the acquirer and the target company are from the same industry or not, it has no effect on post-acquisition performance.

Industry relatedness help acquirers keep the requirements in the target organization (Prahalad and Bettis, 1986). Acquisitions between companies in similar industries may significantly reduce the need for the target firm to 'learn' it's business (Hitt, Harrison and Ireland, 2001). According to Bergh (1997), industry relatedness may help in the elimination of financial risk that may exist as a natural part of the acquisition. Because the environment for acquirers in cross-border investments is already different from their home country, business relatedness may enable acquirers to improve their performance with fewer uncertainties in their business environment. Consequently, I put the following hypothesis to the test:

> H_5. Related acquisitions have a positive impact on post-acquisition performance.

3. Methodology

The current study is based on a sample of cross-border acquisitions made between 2007 and 2015. (inclusive). The cross-border acquisition data is sourced from the Zephyr database. Zephyr is a database that contains information on over 1.6 million mergers and acquisitions. To select the sample, I use six criteria. (1) I include completed transactions, (2) specific home countries such as India, China, South Africa, and Turkey, and (3) specific host countries such as the United States, Germany, France, the United Kingdom, Japan, and Canada. (4) The acquirer is publicly traded; (5) the acquirer's and target's countries are known; and (6) the acquirer's SIC codes must be related to the high-tech industry. In constructing the sample, I use the acquisition's completion date. The acquirer firms are then matched with DataStream-available Eikon's fundamental data. Because Datastream (Eikon) does not provide all financial information for all firms, I had to exclude some acquisitions for which financial data for the acquirers were not available. As a result, I had 75 cross-border mergers and acquisitions in my final sample. The sample size in this study is small because the number of acquisitions from developing countries to developed countries, particularly in the high-tech industry is not large, especially in Turkey. One of the primary reasons why I chose the high-tech industry is that previous research has shown that high-tech firms can use target firms' existing knowledge to input their innovation processes (Makri, Hitt, and Lane, 2010). It can have a positive impact on acquirer firms' long-term performance. Because the scope of this study is based on the high-tech industry, I only include acquisitions made in knowledge-intensive industries like a computer (SIC: 357), software (SIC: 737), health technologies (SIC: 283, 382, 384), communication (SIC: 366, 481), and electricity (SIC: 361-365, 367). The SIC codes in parentheses refer to the industries in which companies operate.

Dataset contains 75 distinct acquisitions. The dependent variable is the ROA of the acquirer, which is a continuous variable. As a result, the data is cross-sectional. The study of variance inflation factor (VIF) test (Belsley, Kuh, and Welsch, 1980) for potential collinearity among variables could affect the study's results. Results has shown that all models have VIF scores ranging from 1 to 10, implying that there is no multicollinearity.

Furthermore, the Durbin-Watson values are between 1 and 4, as expected. For all analyses, SPSS was used. First, I present some descriptive data analysis. As shown in Table 1, most acquisitions occurred in 2007 and 2008 before increasing again in 2015. Sixty-one percent of companies acquired within the same industry whereas only 29 firms prefer to invest in different sectors. The majority of acquiring firms are in the software industry, with only one firm in the computer sector. According to the data (Table 1), acquirer firms mostly prefer to acquire 100% of target firms, while only 13.3 percent prefer partial acquisitions over complete acquisitions.

Table 1. Sample features

	Frequency	Percentage
Years		
2007	16	21.3
2008	24	32
2009	4	5.3
2010	5	6.7
2011	7	9.3
2012	1	1.3
2013	2	2.7
2014	3	4
2015	13	17.3
Acquisitions		
Unrelated	29	38.7
Related	46	61.3
Acquirers`		
Health Technology	14	17.3
Computer	1	1.3
Electric	10	14.7
Communication	3	4
Software	47	62.7
Sought equity		
Less than % 100	10	13.3
100%	65	86.7
Total	75	100

4. Variables

4.1. Dependent Variables

Previous research has concentrated on post-acquisition performance, assessing it from the standpoints of productivity and profitability (Ning et al., 2014). As in the research of Morosini et al. (1998), the variables related to performance were measured by taking into account the first two years after completing the acquisition. To put it another way, ROA was calculated as the percentage rate of Return on Assets over the two years following the acquisition. Because interaction between acquirer and target companies takes years, I use accounting-based measures to measure post-acquisition performance as previous research has suggested (Rao-Nicholson, Salaber and Cao, 2016). In turn, I used return on assets as a long-term accounting measure, which is regarded as the most effective way to monitor performance (Hitt, Harrison, Ireland, and Best, 1998; Papadakis and Thanos, 2010; Thanos and Papadakis, 2012).

4.2. Independent Variables

In the completed year of cross-border acquisitions, variables related to the national distance between home and host countries were calculated using Kogut and Singh's (1988) formula.

--Cultural distance refers to the difference in cultural values between two countries. Hofstede's work is a valuable resource that has been used in numerous studies (Slangen and Van Tulder, 2009). However, House et al.'s GLOBE project (2004) study is more comprehensive than Hofstede's. As a result, I chose House et al.'s GLOBE study over Hofstede's cultural dimensions. Furthermore, previous research has demonstrated the construct reliability and validity of the GLOBE project (Webb, Campbell, Schwartz, and Sechrest, 2000; Gupta, Sully de Luque and House, 2004).

- Human resources distance refers to the difference between the skilled workforce levels of two different countries. Estrin et al. (2009) classified human resource distance into three types. The first is the percentage of the country's active working population. The second is the total number of years spent in school, the third is the number of computers per person, and the last is Internet users per person. However, I used the WEF's Global Competitiveness Report, which is published annually and includes the index of higher education and training in the fifth column. It covers much data such as enrollment rates, the quality of the education system, math and science education, research and education services, the quality of management schools, internet access in schools, and the piece. The information obtained from this report has been used extensively in previous studies (Yiu and Makino, 2002; Xu et al., 2004; Powell and Rhee, 2016). The difference in higher education and training indices between two countries will be measured as human resource distance.

- Knowledge distance means the difference between the innovation levels of two countries. The national innovation system is generally measured in the literature by the number of patents and the number of published scientific articles (per capita) (Furman et al., 2002; Guler and Guillen, 2010). However, I used the innovation index included in the WEF's annual Global Competitiveness Report's 12th Column. It comprises innovation capacity, scientific institution quality, company R&D spending, government procurement of advanced technology products, availability of scientists and

engineers, patents, and university-industry cooperation. The knowledge distance will be calculated by comparing the innovation indices of different countries.

-Economic distance refers to the difference between the economic developments of two countries (Berry et al., 2010). The economic distance was calculated as the difference in GDP growth rates between home and host nations in the year of CBA completion. GDP growth rate is a variable often employed by scholars (Erel, Liao, and Weisbach, 2012) and organizations such as the United Nations to assess a country's economic development level. The World Bank's annual national income growth data were used to calculate the figures. The economic distance was measured as the gap between the two countries' national income growth rates.

- Industry-relatedness has been determined according to SIC codes in Zephyr. Each business is assigned a SIC number, which is a four-digit code. For example, 7371 is set to organizations that provide computer programming services. If the first three digits SIC codes of the target and acquirer are the same, it means that they are operating in similar sectors, if not in different sectors. If it is the same, it will be coded as 1, and 0 if otherwise stated.

4.3. Control Variables

In addition to the independent variables, some control variables may increase firm performance following the acquisition. These,

-Firm size: The acquirer's total assets will be analyzed as company size, which has been employed frequently in previous studies (Uhlenbruck et al., 2006; Gubbi et al., 2010). The information came from the Datastream (Eikon) database. I calculated it using the natural logarithm of the entire asset.

-Deal value indicates how much the acquirer pays for the target firm. It is a significant variable that has been used in the past studies (Dikova and Sahib, 2013). The information was obtained from the Zephyr database. I calculated it using the natural logarithm of the deal value.

-Equity Sought: It is another control variable that may influence firms' post-acquisition performance. It has also been used in previous studies (Aybar and Ficici, 2009; Dikova and Sahib, 2013). The data was obtained from the Zephyr database.

5. Results

5.1. Descriptive Analysis

Table 2 shows the sample descriptive statistics and correlations based on a piece of 75 cross-border acquisitions. The majority of the pairwise correlations are weak. Multicollinearity does not appear to be a problem based on VIF values.

Table 2. Correlation matrix

	Mean	sd.	1	2	3	4	5	6	7	8
1.Deal value	9.53	1.7								
2.Equity sought	94.85	14.66	0.10							
3.Firm size	22.89	1.87	0.58**	0.02						
4.Cultural Distance	0.05	0.03	0.13	0.03	-0.02					
5.Economic distance	5.78	2.28	-0.17	-0.01	0.08	-.29**				
6.Human Resource Distance	1.52	0.24	0.28*	0.07	0.47**	-0.13	0.10			
7.Knowledge Distance	1.61	0.48	0.01	-0.017	0.19	-0.04	0.02	.70**		
8.Industry relatedness	0.61	0.49	0.02	0.047	-0.00	-0.07	0.12	.23*	.24*	
9.ROA	-0.82	6.21	0.28*	-0.026	0.17	-.29**	.25*	0.09	0.11	0.15

Note: *.05, **.01

5.2. Regression Analysis

Table 3 displays the results of hierarchical regression analysis predicting post-acquisition performance. Model 1 includes the control variables only whereas model 2 include national distance and industrial relatedness measures. As can be seen from the table below, deal value as a control variable is the only one that positively impacts firms' performance. These findings denote that acquiring firms are more likely to increase their return on assets when the transaction value is higher. On the contrary, equity sought and firm size do not influence the dependent variable, ROA.

As a first point, I can notice that post-acquisition performance is positively affected by economic distance (Hypothesis 2), and knowledge distance (Hypothesis 4). Even though it is against expectations in this study, cultural distance has a negative impact on dependent variable, ROA. (Hypothesis 1) whereas there is no significant relationship between human resource distance and acquisition performance (Hypothesis 3). Lastly, industrial distance (related acquisitions) is not significantly related to ROA.

Table 3. Hierarchical regression analysis: Dependent variable is ROA

	Model 1		Model 2	
	B	SE	B	SE
Constant	-9.094	9.887	-8.502	9.111
Control variables				
Deal Value	1.040*	.515	1.768**	.498
Equity sought	-.024	.048	-.016	.044
Firm Size	.028	.466	-.139	.473
Independent variables				
Cultural Distance			-53.090**	18.914
Economic distance			.709*	.304
Human Resource Distance			-8.299	4.340
Knowledge Distance			3.909*	1.968
Industry relatedness			1.244	1.365
Adjusted R Square	.04		.22	
N	75		75	
F	2.174*		3.713**	

Note: *.05, **.01

5.3. Robustness Test

I conducted some other tests to verify the robustness of the results. As can be seen from Table 4, in the first set of robustness checks, I adopted the industrial relatedness variable based on the first two-digit numbers of SIC codes. The results entirely support my findings.

Table 4. Robustness analysis: Industrial relatedness measured by 2-digit SIC codes

	Model 1		Model 2	
	B	SE	B	SE
Constant	-9.094	9.887	-8.997	9.309
Control variables				
Deal Value	1.040*	.515	1.777**	.501
Equity sought	-.024	.048	-.017	.044
Firm Size	.028	.466	-.142	.481
Independent variables				
Cultural Distance			-51.536**	19.255
Economic distance			.736*	.303
Human Resource Distance			-8.421	4.427
Knowledge Distance			4.243*	1.980
Industry Relatedness (2digit)			.886	1.497
Adjusted R Square	.04		.22	
N	75		75	
F	2.174*		3.627**	

Note: *.05, **.01

Table 4 demonstrates that cultural distance has a negative impact on firm performance. Furthermore, both economic and knowledge space have a positive effect on post-acquisition performance. I also discovered that the level of industrial relatedness between target and acquiring firms do not affect post-acquisition firm success. As can be seen from the original results of the study, robustness test also prove that industrial relatedness has no significant impact on acquirers' performance following acquisitions. Overall, results are consistent with and completely support the findings.

6. Conclusion and Discussion

In this study, I examine post-acquisition performance of EMNEs during the 2007– 2015 time frame. The sample of 75 acquisition announcements in the high-tech industry originates from a variety of countries which are China, India, South Africa and Turkey. High tech firms need to engage in cross-border activities because the strategic assets which technology firms pursue are usually embedded in various countries (Porter, 1990). For instance, Gubbi, et al. (2010) suggests that developed countries have better quality of systems and institutions, leading to the fact that a target firm from developed countries may seem more attractive for a multinational firm from emerging countries to acquire.

Location-specific elements would influence technology and knowledge (Cantwell, 1989). This situation forces multinational corporations to go abroad to access advanced technologies more efficiently and, as a result, leverage their performance. According to Makri, Hitt, and Lane (2010), high-tech firms should acquire businesses that have scientific and technological knowledge that is complementary to their own. Because previous studies have ignored this issue, I investigate the effect of national distance and industry relatedness on post-acquisition performance to address this knowledge gap in developing countries.

Some companies succeed in cross-border acquisitions, while others fail due to poor performance. In particular, firms in a cross-border addition may use national distance to their advantage, whereas others may suffer excessively due to it. As a result, I assumed that the disparities between emerging and developed economies would positively affect post-acquisition performance. Whereas many previous studies concentrated on the effect of a single national distance (Liou and Rao-Nicholson, 2017), this study aims to conduct a comprehensive empirical analysis of the performance effects of cultural, economic, human resource, knowledge, and industrial space. As such, the study has the potential to contribute to current debates in a variety of fields. As a result, the study adds to the literature on post-acquisition performance by emphasizing the significance of various national distance elements such as human resource distance and knowledge distance, which management researchers have frequently overlooked. The theory and findings in this study have shown that combining different institutional frameworks explains post-acquisition performance because this framework provides a better understanding for high-tech companies, particularly those in emerging economies.

6.1. Theoretical Implications

The majority of previous research has focused on the performance of acquiring firms from developed countries. In contrast, the current study attempted to investigate the effects of national and industrial distance on acquirers' performance operating in emerging countries. In this regard, it contributes to the literature by providing a broader

perspective on acquisitions within emerging economies. The findings also show that the economic distance between a home country and a more developed country has a significant, positive effect on post-acquisition performance. This finding comes to validate Gubbi et.al. (2010) who argue that economic distance creates shareholder value. In other words, the magnitude of firms' performance following acquisitions is more likely to be higher. Moreover, the results support the view of Chakrabarti et al., (2009) that economic distance is one of the most significant factors that affects M&A success.

Contrary to popular belief, I found that there is a negative relationship between cultural distance and post-acquisition. I discovered that cultural distance has a negative and statistically significant effect on the performance of acquiring firms. This finding backs up the previous research argument (Datta and Puia, 1995; Larsson and Finkelstein, 1999; Harrison et al., 2001). To put it another way, the extent to which an acquiring firm's post-acquisition performance is high is dependent on the size to which the cultural difference between the home country and the host country is small.

I also discussed to what extent knowledge distance affects post-acquisition performance. These findings support theoretical arguments in this study that knowledge distance has a positive impact on the performance measure. Because knowledge distance is a new dimension of national distance frameworks (Berry et al., 2010; Gaffney et al., 2016), there isn't much research to compare findings. As previously argued by Gaffney et al. (2016), EMNEs seeking strategic assets are more likely to be hostile to investing in countries where institutions are protected, and knowledge is critical. As a result, acquiring this knowledge and technologies from developed economies may enable acquiring firms to perform better after the acquisition.

I found no support for the direct effect of human resource distance on post-acquisition performance. Even though human resources are crucial for the survival of high-tech firms, this research illustrates that it does not significantly affect cross-border acquisition success. On the other hand, the implications of human resource differences are not necessarily easily comprehended. Since it consists of several different dimensions such as enrollment rates, the quality of education system and math and science education, the speed of research and education services, quality of management schools, internet access in schools, and the training provided to employees. Although this phenomenon does not impact the financial performance of high-tech firms, it might influence their innovation performance due to the impact of skilled workers in developed economies.

Lastly, industrial relatedness has no significant impact on acquirers' performance following acquisitions. This is consistent with some previous research (Morosini et al., 1998) highlighting that post-acquisition performance is not affected by whether the acquirer and the target company are from the same industry or not. Hence, I was unable to detect a statistically significant influence of the industrial relatedness on post-acquisition performance due to the result of curvilinear relationship between acquired and acquiring firms' industries. As Cloodt et al. (2006) highlights that businesses should find M&A 'partners' who are neither too unrelated nor too similar in terms of their operating industry to increase their innovation performance.

6.2. Managerial Implications

This study provides guidance to multinational enterprises from developing economies explaining the effect of national distance and industrial distance on cross-border M&A success in a developed host economy. These distances would influence collaboration and interaction between inside and outside of both sides and provide opportunities to seize advantages. For instance, the mechanisms and phenomena associated with cultural distance may restrain the learning process and the business conduct due to unfamiliarity with the way of life in the country whereas knowledge distance may generate unique concepts by putting different thoughts together. Furthermore, economic distance enhances performance for the acquiring firm as compared to the implications of human resource distance. Therefore, acquiring organizations would start some workshops about cultural awareness to understand differences between themselves and people from other countries in order to diminish the negative outcome of national cultural differences on firm performance. Managers should also take into account the knowledge distance providing firms with different innovative environments in order to combine new and different resources even though industrial difference does not impact on firm performance. The rationale of the research model in this study can also help managers overcome the difficulties in implementing successful transition by taking advantage of distance as a diagnostic tool.

6.3. Limitations and Future Research

The present study has a number of limitations which may usefully be addressed in future research. The first limitation of this research is that it only covers the firms which operate in only high technology industries and acquired a target company in a developed economy. This also limits the number of acquisitions in the sample even though the availability and quality of data was an overriding consideration. As I use five dimensions of distance in the study, future work in this area should examine other key dimensional aspects of distance both conceptually and empirically and how they would impact performance of both acquiring and target firms and also other outcomes of cross-border acquisitions in different contexts. I explored the relationships only in the high-tech industry. Yet, different sectors may be covered in future studies.

Furthermore, although I only included four emerging countries in the paper due to the complexity associated with national distance between firms from different countries, future research would include more countries to generalize their studies. As I only included only industrial relatedness in terms of the notion of sectoral differences, a further study

with more focus on independent variables at organizational level besides national distance is therefore suggested. In future investigations, it might be possible to investigate the same relationships conducted only between emerging economies.

Although the concept of national institutions has still been growing in international business literature (Aguilera and Grøgaard, 2019), there are also other elements which might effect the performance of post-acquisitions. For instance, this paper did not include financial crises that might affect businesses all around the world. This could be included in future research. In addition, colonial ties between developed countries and emerging countries might be another important indicator to predict performance. It is because colonial ties (e.g. the UK and India) might reduce the institutional distance between countries which, in turn, positively affect performance. Therefore, future studies may attempt to use different factors as mentioned above to shed light on what influences performance for better understanding these phenomena.

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