

# Acquisitions by emerging market multinationals: Implications for firm performance

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## 1. Introduction

Although globalization was for several decades driven by firms from developed nations, multinational companies from emerging countries (EMNCs) are increasingly investing in developed countries by acquiring firms. This entry mode is strategically important because it gives EMNCs quick access to new markets, resources and capabilities. The rise of outward foreign direct investment (OFDI) from emerging economies is a phenomenon that has important theoretical and empirical implications, and has therefore recently attracted considerable scholarly attention. However, extant research on the subject has largely focused on either the characteristics and determinants of OFDI (Buckley et al., 2007; Gammeltoft, 2008; Kalotay, 2008; Li, 2007; Mathews, 2006; Rugman, 2008; Sauvart, 2005) or examined whether established theory can explain the recent internationalization of EMNCs. Hence, although prior studies have offered valuable insights into the determinants of OFDI from emerging economies, little research has analyzed its consequences for performance, leaving an interesting and important question less well understood: "How do the acquisitions of EMNCs influence the performance of target

firms in developed countries?". The incomplete understanding of the performance consequences of OFDI not only limits theorizing on international business, but also influences EMNCs' acquisition strategy and the behavior of host-country governments. Indeed, the effectiveness of EMNCs' internationalization depends on how well they understand the conditions shaping the success of their acquisitions in developed countries. Equally, given that the general public and politicians in developed countries only rarely welcome EMNCs' acquisitions (Goldstein, 2007), host-country governments need to identify and attract the type of investors that have the potential to enhance the performance of domestic firms.

To address the above question, we examine how acquisitions from Brazil, Russia, India and China (BRIC) influence the performance of target firms in developed countries. Our analysis extends prior research in two important ways. First, established international business theory has largely been created with developed countries in mind. It thus relies on predictions and assumptions that are not always valid in situations where an EMNC acquires a firm in a developed country (Kuada, 2002). For example, whereas previous studies point to the importance of intangible resources in affecting the performance of target firms acquired by developed market firms (Delios & Beamish, 2001), prior research has shown that EMNCs only rarely possess strong intangible resources and may invest abroad precisely in order to access intangible assets (Ramamurti, 2009). To increase understanding of these differences, we develop and test a conceptual framework that explains the

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mechanisms influencing the post-acquisition performance of developed country firms. Our contribution lies in demonstrating how variations in the performance of target firms is explained by the idiosyncratic resources possessed by the acquiring EMNC. More specifically, our analysis contributes to theory on the role of external resources (Lavie, 2006; Rui & Yip, 2008) by explaining how such acquisitions enable target firms to become part of a wider network, exploit complementarities and benefit from the resources owned by other parts of the organization (Capron, Dussauge, & Mitchell, 1998; Capron, 1999; Uhlenbruck, 2004). The findings of the study are surprising and differ significantly from studies that focused on acquisitions made by developed country MNCs (Conyon, Girma, Thompson, & Wright, 2002; Feys & Manigart, 2010, Chap. I; Kyoji, Ito, & Kwon, 2005; Piscitello & Rabbiosi, 2005) or the performance of the acquiring EMNC (Contractor, Kumar, & Kundu, 2007; Garg & Delios, 2007; Gaur & Kumar, 2009).

Our second contribution concerns the role of experience accumulated by EMNCs through previous acquisitions and green-field investment in developed and emerging markets. Inherent contextual properties map onto distinct learning processes and experiences (Muehlfeld, Rao Sahib, & van Witteloostuijn, 2012). Building on the notion of context-specific applicability, we examine whether the experience that EMNCs gain from various investment contexts influences subsequent outcomes in either different-context or similar-context acquisitions. This involves the analysis of whether the usefulness of experiential learning patterns associated with prior investments differs across contexts depending on the type of market entry (greenfield or acquisition) and the investment location (emerging or developed countries). Although prior research has acknowledged that experience influences the success of acquisitions (Barkema & Vermeulen, 1998; Muehlfeld et al., 2012), EMNCs originate from countries that differ significantly from developed countries in their political, economic, cultural and institutional environments (Goldstein, 2007). As such, their experience differs from that of developed country MNEs. We extend the literature on OFDI by demonstrating that not all *types* of experience are equally beneficial. Rather, we find that the performance-enhancing effects of investment experience depend on the context in which experience was gained. This differs from the general tenet that firms become more proficient at managing new investments with each additional investment experience.

The implication for theory and practice is that the direct and moderating role of EMNCs' experience is not equally effective for enhancing the performance of target firms but depends on the EMNC's investment pattern. In fact, we find that some types of experience may even have negative consequences for the performance of target firms. Conversely, other types of EMNCs' experience (or a combination of different types of experience) positively moderate the relationship between their resources and the performance of target firms. Overall, the findings suggest that the idiosyncratic characteristics, experience and resources of EMNCs lead to significant differences in the potential synergies and complementarities that EMNCs may exploit when acquiring new firms. They also suggest that different types and locations of investment are associated with a given set of capabilities that is not transferable to other acquisition deals. These idiosyncrasies change the role that firm experience plays in managing resources and new acquisitions and in improving the performance of target firms.

## 2. Theoretical foundation and hypotheses development

### 2.1. The post-acquisition role of EMNCs' intangible and tangible resources

After an acquisition, the firms involved may transfer and use each other's resources, create new opportunities and benefit from

potential synergies and complementarities (Lavie, 2006). Nevertheless, firm resources can be used more efficiently or less efficiently. The nature and performance effects of these synergies depend on the type of resources possessed by the target and acquiring firms. Although developed country firms typically possess strong intangible resources such as technology, know-how and brand names (Delios & Beamish, 2001), EMNCs lag behind in this respect (Ramamurti, 2009). Indeed, it has long been established in the international business literature that there is an element of specialization in the global landscape because developed country firms typically have a good grasp of technology (Lane & Beamish, 1990). This view is also supported by a large volume of more recent studies indicating that EMNCs often engage in cross border acquisitions to address this comparative disadvantage, source new intangible resources and knowledge, and become more competitive in the global arena (Athreye & Kapur, 2009; Deng, 2009; Guille´n & Garc´ıa-Canal, 2009; Luo & Tung, 2007; Mathews, 2006; Rui & Yip, 2008). Hence, EMNCs usually absorb, rather than transfer, technical and marketing knowledge from target firms located in developed countries. Consequently, EMNCs' intangible assets are likely to have a less significant effect on the performance of developed-country target firms. For these reasons, the theoretical prediction indicating that the performance of target firms is affected by the intangible assets of the acquiring company may not hold when the acquiring firm is an EMNC (Delios & Beamish, 2001).

Nevertheless, EMNCs often possess strong tangible resources because of various home-country-specific advantages including government support, access to cheap capital and oligopolistic market position (Kumar, 2007; Liu, Buck, & Shu, 2005; Morck, Yeung, & Zhao, 2008; Rui & Yip, 2008). The availability of such resources increases the likelihood of benefiting from complementarities between the tangible assets of EMNCs and the knowledge-, marketing- and technology-intensive resources of target firms in developed countries. We propose two mechanisms – *resource redeployment* and *asset divestiture* – through which these benefits occur (Capron et al., 1998; Capron, 1999). Resource redeployment refers to the extent to which the target firm may use the resources of the acquiring EMNC; and may involve the use or transfer of physical assets (e.g. production facilities). Asset divestiture refers to the extent to which the target firm improves its performance by disposing of some of its physical assets or by cutting back its personnel (Capron, 1999). Resource-based and cost-efficiency theories emphasize that resource redeployment and asset divestiture may enhance the performance of target firms by leading not only to revenue-enhancing improvements but also to cost-based synergies.

EMNCs usually have access and can rely on cheap intermediate materials, raw resources and production facilities in their home countries (Buckley et al., 2007; Goldstein, 2007). The low cost and abundance of these tangible resources derives not only from macro-economic conditions (e.g. cheap wages, large populations, extensive primary resources), but also from the possibility to access cheap capital from EMNCs. Family firms, prevalent in many emerging markets, including India, can count on cheap capital from family members. State owned firms (and state-associated firms) may have capital allocated to them at below market rates – a key example is China. Conglomerate firms, again prevalent in many emerging economies, may operate a biased internal capital market favoring FDI (Buckley et al., 2007). For all these reasons, cheap capital may represent a formidable support to the procurement of cheap tangible resource for many EMNCs, thus providing them with a strong competitive advantage not only in labor-intensive but also in capital-intensive activities.

Hence, target firms in developed countries can become more cost effective by accessing the tangible resources of EMNCs through resource redeployment (i.e. transfer or utilization of such resources). Furthermore, access to EMNCs' tangible resources

enables target firms to cut down the amount of manufacturing investment (or concentrate production in one location), sell off less efficient or excess physical assets and eliminate redundant activities, thus increasing efficiency. It also enables target firms that use contracting to bypass markets with high transaction costs and lower the managerial burden associated with offshoring activities. As a result, they can free up resources, focus on their core competences and pursue new strategic initiatives to enhance their performance.

Beyond gains from cost cutting, access to EMNCs' tangible resources may also increase the ability of target firms to enhance revenues. According to extant research (e.g., Capron, 1999), such revenue-enhancing activities are facilitated by resource redeployment (i.e. by sharing complementary resources). Resource complementarities arise when, for example, the target firm can increase the sales and returns of its new products and innovations by accessing chain stores and other distribution assets and channels owned by the acquiring EMNC in other countries (Schweizer, 2005). Access to tangible resources, such as chain stores and distribution points abroad, may also increase the market coverage of target firms, thus leading to economies of scale and higher market and bargaining power (Gugler, Mueller, Yurtoglu, & Zulehner, 2003). Given that EMNCs' home markets are growing quickly, this is a strong advantage for developed country firms, whose economies are often saturated. This practice may also lead to economies of scope as the target firm can integrate its technologies and know-how across several business units (Feys & Manigart, 2010). In summary, access to EMNCs' tangible resources enables target firms from developed countries to create value and enhance their performance by exploiting cost-based and revenue-enhancing synergies through resource redeployment and asset divestiture. Hence:

**Hypothesis 1.** EMNCs' tangible resources (rather than intangible resources) enhance the post-acquisition performance of target firms in developed economies.

## 2.2. The direct and moderating effect of different types of experience

We further argue that the performance of the target firm depends on the experience that the acquiring EMNC accumulates through foreign investment. The overarching argument here is that because prior investment experience facilitates the development of the EMNC's managerial and coordination capabilities, it influences the performance of target firms both *directly* and *indirectly* (i.e., through moderating effects). The direct effect on the performance of target firms occurs when the experience accumulated from previous investments helps EMNCs to manage new deals, avoid pre- and post-acquisition mistakes and challenges, and increase the probability of success. Pre-acquisition challenges and mistakes include the overvaluation of the target company and the difficulty to assess the value of the resources possessed by the target company. Post-acquisition challenges include the strategic integration of the two companies – a process that may lead to conflicts and slow down the performance of target firms (Buckley & Ghauri, 2002). Prior experience may also increase the degree of clarity in the causal relationships between the actions of the EMNC and the performance of the target firm (Zollo & Winter, 2002).

Beyond these direct effects, experience may also moderate the relationship between the resources of the acquiring EMNC and the performance of the target firm through various indirect mechanisms. The availability of resources alone is not a sufficient condition for increasing firm competitiveness (Barney, 1997; Eisenhardt & Martin, 2000; Hitt, Uhlenbruck, & Shimizu, 2006; Winter, 1995). To identify and benefit from potential synergies and complementarities, firms need the organizational capabilities (Newbert, 2007;

Tece, Pisano, & Shuen, 1997) required to re-allocate resources (Leiblein, 2011). Previous investment experience moderates the relationship between EMNCs' resources and target firms' performance by increasing EMNCs' ability to exploit the cost-based and revenue-enhancing synergies discussed in the previous section through resource redeployment and asset divestiture. It also enables EMNCs to appreciate the potential contribution of the target firm (Saxton, 1997), develop coordination capabilities, and more readily identify redundant activities. As well, it enhances the EMNC's institutional capital and international market knowledge, allowing the firm to adapt its resources to the local context and respond to institutional variations and market specificities (Brouthers, Brouthers, & Werner, 2008; Sun & Tse, 2009).

Nevertheless, not all types of investment experience are equally beneficial to all firms. Different types of experience may facilitate the development of different capabilities (Brouthers et al., 2008). The usefulness of prior learning and experience is determined by the context or the configuration of stimuli attached to certain activities (e.g. foreign investment). Hence the context in which experience is accumulated affects the success or failure of subsequent investments and transactions (Muehlfeld et al., 2012). This prompts the need to investigate how variations in the modes of investment experience and the locations in which the acquiring EMNC has invested influence the performance of target firms in developed markets. Accordingly, we distinguish between greenfield and acquisition investment experience, and between investment experience in developed and emerging markets.

Fig. 1 summarizes these two dimensions (i.e., the entry mode dimension and the geographic dimension). Although the cells in Fig. 1 present four key combinations of entry mode and location choices, these combinations are not mutually exclusive – i.e., it is possible that some firms have experience in both greenfield investment and acquisitions or have invested in both emerging and developed markets. Our modeling allows for such variations. In the following sections, we demonstrate how and why some types of investment experience are more effective than others in improving the capability of EMNCs to reallocate and use their resources in a way that enhances the performance of target firms in developed economies. It is important to note that prior experience may influence the effectiveness of both tangible and intangible resources. However, given that the context of our analysis is the acquisitions of EMNCs, the next sections build on Hypothesis 1 and focus on how experience moderates the performance effects of tangible resources.

	Experience in Emerging Markets (59)	Experience in Developed Markets (61)
Acquisition Experience (47)	3 (41)	4 (23)
Greenfield Experience (42)	1 (18)	2 (38)

Fig. 1. EMNCs with different types of experience.

### 2.2.1. Investment experience associated with the entry mode

Our central argument in Hypothesis 1 is that the tangible resources of EMNCs facilitate ease of takeover, revenue-enhancing improvements and cost-based synergies. Although EMNCs that have previously engaged in foreign investment will be better able to employ their tangible resources to enhance the performance of target firms, we posit that their ability to do so differs depending on whether they have experience in acquisitions (rather than greenfield investment). The challenges associated with acquisitions differ significantly from those associated with greenfield investment. In the case of acquisitions, the EMNC has to integrate carefully the operations and resources of the target firm with its own (Buckley & Ghauri, 2002). As the culture and routines of acquiring and target firms differ, the post-acquisition resource integration process can be time consuming, challenging and costly. EMNCs that have engaged in acquisitions before are familiar with these problems and are better equipped to deal with these issues. By contrast, because firms that have previously only engaged in greenfield investment are less familiar with these challenges, they are less efficient in identifying complementary or supplementary resource combinations. Consequently, the post-acquisition mistakes associated with resource redeployment and asset divestiture are likely to be more pronounced when the acquiring firm has only greenfield experience than when it has acquisition experience.

Furthermore, different entry modes involve different strategies. Greenfield investment is undertaken by firms that want to exploit advantages that are not firm-specific (Harzing, 2002). Conversely, as acquisitions aim at accessing complementary or supplementary resources, they require significant organizational changes in order to achieve synergies (Estrin & Meyer, 2011; Haspeslagh & Jemison, 1991; Hitt, Ireland, Camp, & Sexton, 2001; Jemison & Sitkin, 1986; Zollo & Singh, 2004) and resource redeployment (Capron, 1999; Capron et al., 1998). Such capabilities can be accumulated only through a series of acquisition investments. This argument is also supported by the transaction cost studies that suggest that the more frequently a firm transacts with a specific type of organization, the more its knowledge stock regarding the efficacy and reliability of a given set of practices is likely to increase (Ring & Van de Ven, 1992). On the other hand, whilst firms that focus on greenfield investment learn to operate in a foreign environment, this entry mode does not offer firms the opportunity to learn about a foreign partner (Barkema, Shenkar, Vermeulen, & Bell, 1997). Therefore, EMNCs relying exclusively on greenfield investment are less likely to be able to create value by exploiting cost-based and revenue-enhancing synergies through resource redeployment and asset divestiture. Hence, the acquiring and target firms may become misaligned, thus decreasing the strategic fit of the two companies. Given that a better strategic fit is associated with superior performance (Datta, 1991; Ramaswamy, 1997; Shelton, 1988), target firms acquired by EMNCs that only have greenfield experience are likely to achieve lower performance levels than target firms acquired by EMNCs that have acquisition experience. Hence:

**Hypothesis 2.** The positive effects of EMNCs' tangible resources on the post-acquisition performance of target firms in developed economies are enhanced when EMNCs have experience in acquisitions (rather than in greenfield investment).

### 2.2.2. Investment experience in developed and emerging markets

Although some EMNCs, conforming to traditional theory (e.g. Johanson & Vahlne, 1977), start their internationalization in other emerging nations where they can exploit home-country experience and advantages (Ramamurti, 2009), others internationalize in a way that differs from this and invest in developed countries (Mitchell, Shaver, & Yeung, 1994; Mathews, 2006). We argue that EMNCs engaging in the latter internationalization path are better

off by being able to accumulate experience that assists them in undertaking new deals in developed countries. By contrast, the experience that EMNCs accumulate by investing in emerging countries does not sufficiently improve the skills needed to benefit from resource redeployment and asset divestiture in target firms in developed countries. This argument is supported by Madhok (1997) who argued that when there is a lack of experience in a new field of activity, the difficulty of knowledge acquisition is substantially higher, as well as by Barkema et al. (1997) who suggested that a different context erodes the applicability of the acquiring firm's competencies. Hence, when EMNCs do not have investment experience in developed countries, we expect the role of their tangible resources in increasing target firms' performance to work less well in terms of increasing the performance of firms in developed country firms.

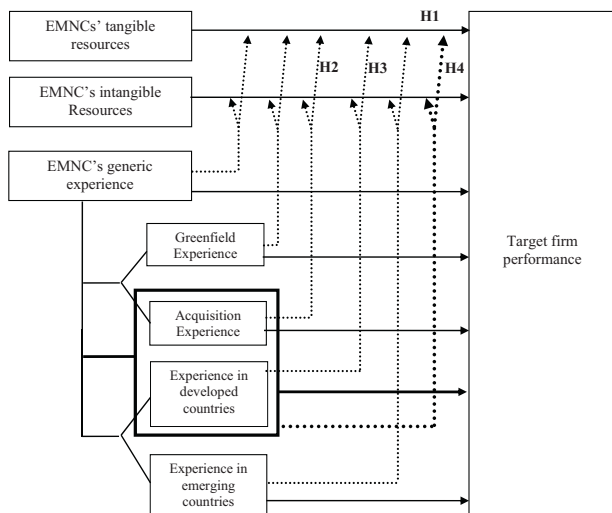
Because the economic, political, cultural and social conditions of EMNCs' environments differ fundamentally from the ways in which developed country firms operate (Goldstein, 2007), the experience accumulated from investment in emerging countries may not be particularly useful for target firms in developed economies. Empirical work informed by transaction cost economics suggests that a recurring source of risk in new ventures is the uncertainty of accomplishing activities that require cooperation from others (Ring & Van de Ven, 1992). Whereas uncertainty leads to risk, prior related experience in developed countries facilitates organizational learning and a better understanding of how cost-based and revenue-enhancing synergies can be achieved. The central argument in this literature is that the familiarity and predictability emerging from prior similar acquisitions alters the transaction costs associated with new investments (Gulati, 1995). As firms engage in multiple acquisitions in developed countries, the emergent processes associated with resource redeployment and asset divestiture become more efficient.

In a similar vein, several case studies point to the difficulties arising when developed and emerging country firms cooperate or interact. Hence, although resource redeployment and asset divestiture require the acquiring and target firms to work together, these activities are negatively affected when the acquiring EMNC does not understand the different values, systems and practices adopted by developed market firms (Lane & Beamish, 1990). Conversely, familiarity with these differences helps EMNCs that have investment experience in developed countries to change, use their resources more efficiently and thus improve the performance of target firms. Therefore an important consequence of being familiar with investment in developed countries is that it can alter the value that EMNCs create from new acquisitions in these economies. As Gulati (1995) put it, related experience can engender trust among firms, and trust can limit the transaction costs associated with similar investments in the future.

In summary, we expect EMNCs that have invested in developed countries in the past to have built the capabilities and skills needed for using their resources in ways that will lead to cost-based and revenue-enhancing improvements. We therefore expect that the performance of target firms increases more when they are acquired by EMNCs which already have experience in developed countries. By contrast, EMNCs' experience in emerging countries will have a less significant effect on the performance of target firms in developed markets. This discussion leads us to the following hypothesis:

**Hypothesis 3.** The positive effects of EMNCs' tangible resources on the post-acquisition performance of target firms in developed economies are enhanced when EMNCs have experience in developed countries (rather than in other countries).

Furthermore, although the resources of firms that have experience in either acquisition investment or investment in developed



**Fig. 2.** Conceptual framework.

countries (i.e. cells 2 and 3 in Fig. 1) will positively influence the post-acquisition performance of target firms, we expect these performance-enhancing effects to be higher when EMNCs have acquisition experience in developed countries (i.e. cell 4 in Fig. 1). Hence:

**Hypothesis 4.** The positive effects of EMNCs' tangible resources on the post-acquisition performance of target firms in developed economies are stronger for EMNCs' that have acquisition experience in developed countries (as opposed to acquisition experience in other countries or greenfield experience in developed or other countries).

Fig. 2 summarizes our conceptual framework. EMNCs' tangible and intangible assets might affect the performance of target firms. However, because of the mechanisms discussed in the previous sections, we expect that only tangible resources have a positive and significant impact on the performance of target firms (H1). Prior investment experience may moderate the effects that EMNCs' tangible resources have on the performance of target firms, but different types of experience have different moderating effects (see the dotted arrows). More specifically, we expect that the positive moderating effect of investment experience is more pronounced when EMNCs have invested in acquisitions (H2) and in developed countries (H3). This effect is likely to be even stronger when the EMNC have both acquisition experience and investment experience in developed countries (H4).

### 3. Methods

#### 3.1. The sample

The data collection process includes three steps. First, we collected data from Thomson One Banker concerning acquisitions<sup>2</sup> undertaken by EMNCs from BRIC countries into 27 EU countries, USA, Canada and Japan between 2000 and 2007. The final dataset is the result of a careful screening conducted on a large population of deals. To be specific, we excluded (1) deals that were part of 'round tripping',<sup>3</sup> (2) acquisitions undertaken by single investors because they are structurally different from, and hence not comparable

<sup>2</sup> All deals involve the acquisition of a share of equity of the target firm higher than 50%.

<sup>3</sup> The round-tripping phenomenon occurs when companies undertake investments abroad in order to offshore funds and to bring them back to their home country as inward foreign direct investments. This phenomenon occurs due to financial reasons such as tax avoidance, access to financial incentives that has been allocated to inward FDI. Such investments cannot be considered as foreign direct investments because they involve a temporary transfer of funds.

with, acquisitions undertaken by corporate investors<sup>4</sup> and (3) acquisitions undertaken by BRIC firms that were controlled by non-BRIC firms. Given that the parent company is a non-BRIC firm and that international investments decisions are made at the headquarters, this type of investment cannot be classified as acquisition from a BRIC country.

Second, we collected additional firm-level panel data for both the acquiring and target companies for the 1999–2008 period (from Thomson One Banker and Orbis). This enabled us to observe the target and acquiring companies for at least one year before and one year after the deals. The use of a second database also allowed us to increase the number of observations as in some cases data were available in one database only. Finally, we downloaded the balance sheets of the target and acquiring companies from the companies' websites for the period 1999–2008. This was necessary for our analysis because in several cases target firms stopped providing independent and unconsolidated data after the acquisition. Nevertheless, parent companies often provide financial data concerning their subsidiaries within their balance sheets. We were therefore able to examine the performance of target firms after the acquisition even if data were not available from Thomson OneBanker or Orbis.

The final sample includes 79 deals that occurred between 2000 and 2007.<sup>5</sup> The target and acquiring firms are observed for a period of 10 years (1999–2008). Due to missing data, the panel data are composed of 570 observations,<sup>6</sup> but each firm is observed both before and after the acquisition. In our sample, China, India and Russia are responsible for 21, 38 and 18 acquisitions, respectively, while only 2 deals originate from Brazil. Investments are directed towards Western Europe (52 deals), North America (16), Eastern Europe (8) and Japan (3). The predominance of Western Europe is due to the high number of acquisitions (18) undertaken by India in the UK. As for the industries involved in acquisitions, both acquiring and target firms are from a variety of industries ranging from Metal Mining (SIC Code 10) to Engineering, Accounting, Research, Management and Related Services (SIC Code 87).

#### 3.2. Measures

##### 3.2.1. Dependent variables

To capture both the financial and market aspects of firm performance, we take into account the profitability and sales of target firms. Examining different aspects of performance is important since an increase in sales might not lead to higher profitability due to increased costs (e.g. labor, marketing or distribution). The first dependent variable accounts for the profitability of the firm, which is typically operationalized in the literature using either a direct measure of profitability (e.g. Bertrand & Zitouna, 2008) or a profitability index such as ROE or ROS (Capar & Kotabe, 2003; Contractor, Kundu, & Hsu, 2003a,b; Hitt, Hoskisson, & Hicheon, 1997; Lu & Beamish, 2004). We employ the first method because it provides a direct measure of the profit of the firm that can be more easily linked to other performance measure such as sales. Specifically, we employ the variable *Target Firm Profit Variation*, which is measured as the target firm's net income (before taxes) annual difference (i.e. between  $t$  and  $t - 1$ ). The second dependent variable that we use, *Target Firm Sales Variation*, is based on sales and is measured using the difference between time  $t$  and  $t - 1$  of the turnover of the target firms. These two measures enable us to investigate the effect of explicative

<sup>4</sup> Some investments were undertaken by individuals (e.g. "Mr. Smith") who purchased large shares (or the entire equity) of the target company. These are therefore portfolio investments rather than foreign direct investment.

<sup>5</sup> 78 when using sales as dependent variables because in one case we had data on profitability but not on sales.

<sup>6</sup> 559 when using sales as dependent variable.



variables on the target firm profit and sales differences rather than on their absolute value, and thus avoid biases associated with the size of the firm. The data have been collected from Thomson One Banker, Orbis and firms' balance sheets.<sup>7</sup>

### 3.2.2. EMNCs' resources

We measure EMNCs' *Tangible Resources* using the ratio of Tangible Fixed Net Assets to Total Assets of the EMNCs. This proxy is not affected by firm size and thus captures the effective intensity of Tangible Resources. Tangible Fixed Assets refer to "the current value of assets with physical form, such as land, buildings, property and equipment", whereas the Total Assets measure is defined as "the sum of total current assets, long term receivables, investment in unconsolidated subsidiaries, other investments, net property plant, equipment and other assets". We operationalize EMNCs' *Intangible Resources* using the ratio of Intangible Assets to Total Assets of EMNCs. Intangible Assets are defined as "assets not having a physical existence", such as goodwill, patents and trademarks etc.<sup>8</sup> These data were collected from Thomson One Banker, Orbis and firms' balance sheets.

### 3.2.3. EMNCs foreign direct investments experience

In our conceptual framework we take into account foreign investment experience in developed economies vs. rest of the world, and greenfield vs. acquisitions experience. The generic EMNCs' *Experience* is accounted for through a dummy, taking the value of 1 if the EMNC has, in the year of acquisition in our sample, at least one investment abroad regardless of the nature (greenfield or acquisition) and geographic location. In our sample, 66 out of 79 firms had prior investment experience. To distinguish between greenfield and acquisitions experience, we employed two dummies, namely EMNCs' *Acquisition Experience* and EMNCs' *Greenfield Experience*. The first variable takes the value of 1 if the EMNC has acquired at least one firm before the present acquisition, while the second variable takes the value of 1 if the EMNC has at least one greenfield investment before the acquisition. The two dummies are not mutually exclusive as the EMNC might have engaged in both greenfield investment and acquisitions.

To capture foreign investment experience in developed economies vs. rest of the world we employed two other dummy variables, namely EMNCs' *Experience in Developed Countries* and EMNCs' *Experience in other Countries*. The first variable takes the value of 1 if the EMNCs has invested in developed countries in the past.<sup>9</sup> Similarly, the second variable takes value of 1 if the EMNC has invested in other (emerging or less developed) countries. These two variables, once again, are not mutually exclusive. Finally, to account for the combination of different types of experience as shown in Fig. 1, we introduced four different dummies, i.e. (i) EMNCs' *Acquisition Experience in Developed Countries* (cell 4 in Fig. 1), (ii) EMNCs' *Acquisition Experience in Other Countries* (cell 3 in Fig. 1), (iii) EMNCs' *Greenfield Experience in Developed Countries* (cell 2 in Fig. 1), (iv) EMNCs' *Greenfield Experience in Other Countries* (cell 1 in Fig. 1). These dummies take the value of 1 when foreign investment

occurred in (i) developed countries and is an acquisition, (ii) other countries and is an acquisition, (iii) developed countries and is a greenfield, and (iv) other countries and is a greenfield. To test our hypotheses, we interact different acquisition experience variables with the EMNCs' tangible and intangible resources. Information about the number of firms that have each of the different types of experience at the year of acquisition is reported in Fig. 1.

### 3.2.4. Control variables

Our estimates take into account several control variables at different levels of analysis, i.e. the target firm's control variables, acquiring firm's control variables, deal-specific control variables and fixed-effects. For the target firm, we control for their tangible and intangible resources as they rely not only on EMNCs' resources but also on their own assets to increase performance. Specifically, we introduce two variables, *Target Firms Tangible Resources* and *Target Firms Intangible Resources*, which are measured in terms of Tangible Fixed Net Assets to Total Assets and Intangible Assets to Total Assets of target firms, respectively. These data were collected from Thomson One Banker and Orbis.<sup>10</sup> Second, we control for the size of the target firm. Large firms perform better because they can exploit economies of scale and scope, and have higher bargaining power (Mansfield, 1962). Nevertheless, small firms have flexible non-hierarchical structures and can adapt better to environmental changes (Yang & Chen, 2009). Although size can be measured in a number of ways (e.g., annual sales, employment and assets), we use the target firms' Total Assets as we do not have detailed data on employment; and we use sales as one of our dependent variables. This operationalization is commonly used in the literature (Dhawan, 2001).<sup>11</sup>

For the acquiring firms, we control for the availability of any of the EMNCs' other resources that might affect the performance of target firms. Public companies typically rely on the stock exchange. Hence, they might be able to undertake larger investment in target firms with a strong impact on performance. Therefore, we employ the variable EMNCs' *Public Company*, a dummy which takes the value of 1 if the company is public. In our sample, 63 EMNCs are public companies. The data are sourced from Thomson OneBanker.

Further, we employ deal-specific control variables. First, we control for the ownership involved in the acquisition. We considered all deals involving the acquisition of more than 50% of the equity of the target firm. Nevertheless, in our sample, 63 transactions refer to full ownership acquisition (i.e. 100% of the equity). Since these two different types of acquisitions might differ in the drivers and mechanisms (i.e. redeployment and divesture, as described above) through which acquiring and target firms use each other's resources, we introduced the variable *Full Ownership*, a dummy taking the value of 1 if the deal involves the takeover of the whole equity of the target firm.

Second, we develop a variable to control for differences in the determinants of acquisitions. Each subsidiary fulfills a specific role and an EMNC might not want to prioritize profitability and sales growth in all the subsidiaries. For instance, an acquisition might help a firm to pursue a supply chain integration strategy through vertical investment. Conversely, horizontal or related investments extend activity in similar or complementary products and markets. A higher degree of overlap between the acquiring and target firm may involve

<sup>7</sup> Net income and sales are expressed in millions of dollars. The values have been deflated through the Consumer Price Indexes provided by the OECD database (we use 2005 as our baseline year).

<sup>8</sup> Specifically, Intangible Assets provided by Thomson OneBanker and Orbis include: Goodwill/Cost in excess of net assets purchased, Patents, Copyrights, Trademarks, Formulae, Franchises of no specific duration, Capitalized software development costs/Computer programs, Organizational costs, Customer lists, Licenses of no specific duration, Capitalized advertising cost, Mastheads (news-papers), Capitalized servicing rights, Purchased servicing right.

<sup>9</sup> We consider in this category the host countries of our sample. Australia and New Zealand have been included in the dummy accounting for previous investments in developed economies even though they have not been taken into account to draw our sample. However, previous investments in these two countries were rare.

<sup>10</sup> Since in most cases data on target firms were available only up to the year of acquisition, and since balance sheets of the acquiring EMNCs tend to report only data on subsidiaries' sales, performance and total assets, we controlled for tangible and intangible resources of target firms by using the value of target firms' tangible and intangible assets (over total assets) in the year of acquisition for the whole period.

<sup>11</sup> Data on the tangible, intangible and total assets of target firms have been collected in U.S. dollars and have been deflated through the Consumer Price Index provided by the OECD database.

lower integration costs, efficiency gains through the exploitation of potential synergies and a better strategic fit (Buckley & Ghauri, 2002; Dunning & Lundan, 2007; Rabbiosi, Elia, & Bertoni, 2012). Following Rabbiosi et al. (2012), we control for this using the concept of industrial relatedness between the industries of the acquiring and target firm. We introduce three dummy variables to account for *Horizontal*, *Vertical* and *Conglomerate* investments, using horizontal investment (which would be expected to result into higher performance) as a benchmark. Our operationalization of industrial relatedness relies on the well-established measure of acquirer-to-target relatedness (Haunschild, 1994; Haleblan & Finkelstein, 1999). Specifically, we consider investments as horizontal if the acquiring and target firms have at least one two-digit SIC code in common. Conversely, we define an acquisition as vertical when the industry of the acquiring firm sells more than 5 per cent of its output to the industry of the target firm or when the industry of the acquiring firm receives more than 5 per cent of its input from the industry of the target firm.<sup>12</sup> The remaining acquisitions have been considered to be conglomerate. In our sample, 40 investments have been classified as horizontal, 31 as conglomerates and the remaining 8 as vertical.

We finally control for fixed effects that may arise from host and home countries, from the industries of the target firms and from year-specific idiosyncrasies. We have controlled for host countries through four dummy variables: *Host Western Europe*, *Host Eastern Europe*, *Host North America* (USA + Canada), and *Host Japan*, by using the former as a benchmark. Home countries have been controlled for through three dummy variables for *India*, *China* and *Russia-Brazil* (we use the former as benchmark). Russia and Brazil have been treated jointly since Brazil accounts only for two observations. These two countries share similar country-specific characteristics driving their foreign direct investments, since they are both resource-abundant countries (Bertoni, Elia, & Rabbiosi, 2012). We finally control for target firms' industry and time fixed-effects using dummy variables.<sup>13</sup>

### 3.3. Models and estimation method

To test how the explanatory variables affect target firms' performance, we employ the difference between  $t$  and  $t - 1$  of target firm performance measures as dependent variables, as explained above. The explanatory variables are one-year lagged because EMNCs' resources and experience may take some time before manifesting their effects on target firms. Furthermore, the lagged values of the independent variables allow mitigation of any possible reverse causality problems that may arise from the interaction between the dependent and independent variables.<sup>14</sup> Furthermore, all variables that refer to the EMNCs have been interacted with a deal-specific dummy variable that takes a value of 0 until the year before the acquisition and 1 from the acquisition year onwards. This reflects the fact that, before the acquisition, the target and acquiring firms had no economic relationship. Hence, any apparent relationship between the performance of the target firm and the resources and experience of the EMNC would be spurious in the years before the acquisition. The interaction of the EMNCs'

variables with the dummy that accounts for acquisition ensures that the performance of the target firm depends on the resources and experience of EMNCs only since the year of the acquisition.

Eq. (1) accounts for the relationship between the performance of the target firm and the independent variables:

$$\Delta \text{Target Firm Performance}_d^t = \alpha + \beta_1 \text{EMNCs' Resources}_d^{t-1} + \beta_2 \text{EMNCs' Experience}_d^{t-1} + \beta_3 \text{Controls}_d + \epsilon_d^t \quad (1)$$

where  $d = 1, 2, \dots, 79$  is the deal,  $t$  is the year, and  $t-1$  accounts for the lagged value of the variables;  $\Delta \text{Target Firm Performance}_d^t$  represents the variation of the performance of the target firm, i.e. *Target Firm Profit Variation* and *Target Firm Sales Variation*;  $\text{EMNCs' Resources}_d^{t-1}$  is the lagged value of the resources of the EMNCs, which has been distinguished in terms of tangible and intangible resources;  $\text{EMNCs' Experience}_d^{t-1}$  is the lagged value of experience of the EMNCs, which has been separated into the four types of experience and their possible combinations;  $\text{Controls}_d$  represents the control variables, and  $\epsilon_d^t$  is the error term. To examine the moderating effect of EMNCs' experience, we extend Eq. (1) by introducing interaction terms:

$$\Delta \text{Target Firm Performance}_d^t = \alpha + \beta_1 \text{EMNCs' Resources}_d^{t-1} + \beta_2 \text{EMNCs' Experience}_d^{t-1} + \beta_3 \text{Controls}_d + \beta_4 (\text{EMNCs' Resources}_d^{t-1} \times \beta_2 \text{EMNCs' Experience}_d^{t-1}) + \epsilon_d^t \quad (2)$$

To estimate Eqs. (1) and (2), we employ the Feasible Generalized Least Square (FGLS) approach, which produces a matrix-weighted average of the "random effect" and "within" results. Unlike the Generalized Least Square, the FGLS model makes use of an estimate of a variance-covariance matrix instead of assuming that it is known. We adopted the FGLS approach since, as suggested by Petersen (2009), it produces efficient estimates and unbiased standard errors. It also negates the need to introduce the firm dummies that are typically employed to control for fixed effect whenever the independence assumption of the regression can be violated (e.g. in case firms undertake more than one investment). Prior research shows that "including firm dummies or estimating a random effect model with GLS eliminates the biases in the ordinary standard errors only when the firm effect is fixed" (Petersen, 2009, p. 437). These studies distinguish between the fixed and the non-fixed firm effect (the latter arises when the data structure includes a component that is assumed to be a first-order autoregressive process) and show that "the GLS estimates are more efficient than the OLS estimates both with and without firm dummies when the residuals are correlated [...]. The standard errors produced by GLS, however, are unbiased only when the firm effect is permanent" (Petersen, 2009, p. 465). Hence, to assess whether our dependent variables (i.e. the variation between  $t$  and  $t - 1$  of profit and sales) rely on a first-order autoregressive process, we performed two Wooldridge tests. Both tests do not reject the null hypothesis of absence of autocorrelation ( $F$ -test = 1.721 with Prob >  $F$  = 0.1935 for the *Target Firm Profit Variation* measure and  $F$ -test = 0.094 with Prob >  $F$  = 0.7595 for the variable *Target Firm Sales Variation*). Hence, although our performance measures are not affected by temporary firm effects, they might be affected by fixed firm effects. This suggests that the use of FGLS comes with three major advantages (Petersen, 2009): (i) the estimated coefficients are more efficient than the OLS model, (ii) there are unbiased standard errors, and (iii) we can avoid

<sup>12</sup> This percentage has been estimated by looking at the input/output tables published annually by the Bureau of Economic Analysis of the US Department of Commerce. Since we used the US input/output, while having a sample that include also other home countries, we assumed that industrial ties are not country-specific and that they reflect cross-country characteristics of the production technology, as it is commonly assumed in other empirical studies (see e.g. Bowen, Leamer, & Sveikauskas, 1987; Mariotti, Piscitello, & Elia, 2010; Rabbiosi et al., 2012).

<sup>13</sup> The industry dummies have been introduced by taking into account the SIC codes of the industry of the target company at 2 digit level. A total of 25 dummies have been introduced for industries, by using SIC Code 10 (metal mining) as benchmark. The time dummies amounts to 10, being the year 1999 the benchmark.

<sup>14</sup> The issue of endogeneity will be discussed in the Robustness Check section.

**Table 1**

Correlation matrix of the dependent and explicative variables.

	1)	2)	3)	4)	5)	6)	7)	8)	9)	10)	11)	12)	13)	14)	15)	16)	17)	18)	19)	20)	21)	
1) Target Firm Profit Variation	1.000																					
2) Target Firm Sales Variation	0.573	1.000																				
3) EMNCs' Tangible Resources	0.045	0.124	1.000																			
4) EMNCs' Intangible Resources	-0.003	-0.016	0.229	1.000																		
5) EMNCs' Experience	0.034	0.079	0.734	0.407	1.000																	
6) EMNCs' Acquisition Experience	0.035	0.097	0.592	0.386	0.785	1.000																
7) EMNCs' Greenfield Experience	0.003	0.009	0.544	0.414	0.776	0.431	1.000															
8) EMNCs' Experience in Developed Countries	0.031	0.106	0.670	0.433	0.935	0.687	0.830	1.000														
9) EMNCs' Experience in Other Countries	0.035	0.084	0.697	0.390	0.953	0.794	0.734	0.882	1.000													
10) EMNCs' Acquisition Experience in Developed Countries	0.041	0.157	0.312	0.169	0.494	0.630	0.060	0.528	0.477	1.000												
11) EMNCs' Acquisition Experience in Other Countries	0.039	0.099	0.594	0.332	0.710	0.905	0.332	0.598	0.745	0.416	1.000											
12) EMNCs' Greenfield Experience in Developed Countries	0.005	0.004	0.543	0.376	0.714	0.322	0.921	0.764	0.665	-0.145	0.380	1.000										
13) EMNCs' Greenfield Experience in Other Countries	0.003	0.000	0.286	0.161	0.520	0.040	0.670	0.556	0.546	0.184	-0.152	0.508	1.000									
14) Target Firms' Tangible Resources	0.038	0.100	0.037	-0.156	-0.066	0.001	-0.124	-0.028	-0.060	0.132	0.016	-0.133	-0.109	1.000								
15) Target Firms' Intangible Resources	-0.008	-0.037	-0.106	0.014	-0.051	-0.024	-0.052	-0.048	-0.087	-0.007	-0.054	-0.051	-0.061	-0.294	1.000							
16) Target Firms Size	0.251	0.359	0.022	-0.004	0.048	0.102	-0.001	0.052	0.060	0.124	0.080	-0.033	-0.011	0.218	-0.094	1.000						
17) EMNCs Public Company	-0.030	0.013	0.529	0.168	0.550	0.479	0.406	0.531	0.572	0.361	0.437	0.345	0.298	-0.051	-0.055	0.038	1.000					
18) Full Ownership	-0.060	-0.020	0.385	0.298	0.423	0.442	0.266	0.370	0.391	0.223	0.431	0.262	0.039	-0.135	-0.064	-0.094	0.522	1.000				
19) Conglomerate Investment	-0.075	-0.034	0.249	0.182	0.284	0.232	0.087	0.185	0.238	0.122	0.249	0.123	0.041	-0.079	0.005	-0.009	0.229	0.388	1.000			
20) Horizontal Investment	0.044	0.057	0.343	0.249	0.440	0.366	0.436	0.469	0.437	0.267	0.281	0.343	0.295	-0.106	-0.027	0.049	0.590	0.374	-0.271	1.000		
21) Vertical Investment	-0.002	-0.014	0.268	-0.011	0.144	0.058	0.160	0.163	0.158	0.007	0.081	0.184	0.132	0.019	-0.070	-0.056	0.300	0.136	-0.113	-0.136	1.000	



**Table 2**  
Descriptive statistics of the dependent and explicative variables.

Variable	Observations	Mean	Std. Dev.	Min	Max
1) Target Firm Profit Variation	570	0.000	0.032	-0.296	0.469
2) Target Firm Sales Variation	559	0.058	0.650	-4.421	11.471
3) EMNCs' Tangible Resources	570	0.132	0.224	0.000	0.971
4) EMNCs' Intangible Resources	570	0.029	0.085	0.000	0.527
5) EMNCs' Experience	570	0.286	0.452	0.000	1.000
6) EMNCs' Acquisition Experience	570	0.198	0.399	0.000	1.000
7) EMNCs' Greenfield Experience	570	0.195	0.396	0.000	1.000
8) EMNCs' Experience in Developed Countries	570	0.260	0.439	0.000	1.000
9) EMNCs' Experience in Other Countries	570	0.267	0.443	0.000	1.000
10) EMNCs' Acquisition Experience in Developed Countries	570	0.089	0.286	0.000	1.000
11) EMNCs' Acquisition Experience in Other Countries	570	0.168	0.375	0.000	1.000
12) EMNCs' Greenfield Experience in Developed Countries	570	0.170	0.376	0.000	1.000
13) EMNCs' Greenfield Experience in Other Countries	570	0.098	0.298	0.000	1.000
14) Target Firms' Tangible Resources	570	0.273	0.220	0.000	0.869
15) Target Firms' Intangible Resources	570	0.051	0.114	0.000	0.658
16) Target Firms Size	570	0.006	0.975	-0.274	11.232
17) EMNCs Public Company	570	0.379	0.486	0.000	1.000
18) Full Ownership	570	0.305	0.461	0.000	1.000
19) Conglomerate Investment	570	0.188	0.391	0.000	1.000
20) Horizontal Investment	570	0.240	0.428	0.000	1.000
21) Vertical Investment	570	0.053	0.223	0.000	1.000

controlling for fixed effects through firms' dummies, a process which would generate a degree of freedom problems.

#### 4. Results

Tables 1 and 2 provide the correlation matrix and the descriptive statistics. The highest correlations refer to variables that are used alternatively in the model (e.g. *EMNCs' Experience* and the other more specific types of experience, i.e. Acquisition, Greenfield, Developed Countries, Other countries). However, given that there are still some high correlations, we estimated the Variance Inflation Factors (VIF) to control for potential multicollinearity problems, as specified below. Furthermore, following the usual practice, the variables of the interaction terms have been mean centered to mitigate any multicollinearity problems.

The results of the FGLS regressions are reported in Tables 3, 4a, 4b, 5a and 5b. The results of Table 3 rely on the generic experience of EMNCs without specifying the geographic and entry mode dimensions.<sup>15</sup> Columns 1 and 4 report the results for the main model, whereas columns 2, 3, 5 and 6 report the interaction effects of EMNCs' experience with EMNCs' tangible and intangible resources. *EMNCs' Tangible Resources* have a positive and significant effect on the sales performance of target firms, but not on their profitability. These results provide partial support for H1. By contrast, the effects of intangible resources are statistically insignificant. In addition, EMNCs' (generic) experience does not exhibit any statistically significant moderating effect, prompting the need to take a more detailed account of EMNCs' experience.

Tables 4a and 4b distinguish between different types of investment experience, and report the effects on target firm profitability and sales performance, respectively.<sup>16</sup> Column 1 in both Tables 4a and 4b displays the results of the main model, while the other columns report the interactions between the tangible

and intangible resources and the four different types of experience. Sales performance is directly affected by EMNCs' tangible resources, thus partially confirming H1. Investment experience in developed countries, regardless of whether it is greenfield or acquisition, has a positive direct effect on the sales of target firms. Conversely, EMNCs' greenfield experience has a negative and significant direct impact on both profitability and sales performance, even though the effect is stronger on the latter than the former. As for the moderating effect of EMNCs' experience, the results provide partial support for H2. Column 2 in Table 4b indicates that EMNCs' acquisition experience positively moderates the relationship between EMNCs' tangible resources and target firms' sales. Yet, the opposite is true regarding the moderating effect of EMNCs' greenfield experience, which exhibits a negative moderating effect on EMNCs' tangible resources with sales. Also, the interaction effect of acquisition experience and tangible resources is not significant when considering target firm profitability. Therefore H2 is only partially confirmed. Furthermore, the results do not support H3. As column 3 in both Tables 4a and 4b indicates, the effects of tangible resources on firm performance (as well as that of intangible resources in columns 5) are not moderated by EMNCs' experience in developed countries. Conversely, EMNCs' experience in other countries has a slightly positive moderating effect ( $p < 0.10$ ) on EMNCs' tangible resources when considering sales variation as a performance measure.

Finally, Tables 5a and 5b introduce the combination of different types of experience as described in Fig. 1.<sup>17</sup> Tables 5a and 5b refer to target firms' profitability and sales performance, respectively. Table 5b shows that EMNCs' tangible resources still have a positive and significant impact on the sales performance of target firms. The corresponding effect on profit variation in Table 5a is not equally strong, thus providing a partial support for H1. It is worth noting that EMNCs' acquisition experience in developed countries (cell 4 in Fig. 1) has a positive and statistically significant effect on sales. The same variable displays a positive moderating effect on EMNCs' tangible resources with both target firm profitability and sales as can be seen in column 2. By contrast, EMNCs' intangible resources do not influence target performance, neither directly nor through moderating effects. The results therefore fully support our predictions and H4. The results also show that the greenfield

<sup>15</sup> The highest VIF of this specification is 6.86 and is due to the variable *Target Firms' Tangible Resources*, while the average VIF is 2.53, thus both values are below the threshold of 10 (O'Brien, 2007).

<sup>16</sup> The highest VIFs of this specification are 14.57 and 14.09 and refer to the variables accounting for previous investments in developed countries and previous investments in other countries. Given that these values are above the threshold of 10, we run additional regressions by introducing firstly only the two variables accounting for experience in developed and in other countries, and then only the two variables accounting for the acquisition and greenfield experience. The results were confirmed when we used these alternative specifications separating experience in developed and in other countries from acquisition and greenfield experience.

<sup>17</sup> In this specification, the variable Greenfield Experience in Developed Countries displays the highest VIF, being equal to 7.48, while the average VIF amounts to 2.79, thus below the threshold of 10.

**Table 3**  
Results of the FGLS regressions: the role of generic experience.

Explicative variables	Target firm profit variation			Target firm sales variation		
	1)	2)	3)	4)	5)	6)
H1: EMNCs' Tangible Resources	0.014 (1.36)	0.018 (1.13)	0.012 (1.13)	0.574*** (2.80)	0.286 (0.92)	0.567*** (2.63)
EMNCs' Intangible Resources	-0.012 (-0.61)	-0.014 (-0.67)	0.015 (0.27)	-0.462 (-1.19)	-0.321 (-0.79)	-0.345 (-0.31)
EMNCs' Experience	0.005 (0.94)	0.006 (0.99)	0.005 (0.95)	0.025 (0.23)	-0.029 (-0.24)	0.026 (0.23)
Target Firms' Tangible Resources	0.014 (1.26)	0.015 (1.28)	0.015 (1.29)	-0.071 (-0.31)	-0.096 (-0.42)	-0.070 (-0.31)
Target Firms' Intangible Resources	0.013 (0.66)	0.014 (0.68)	0.013 (0.67)	0.100 (0.26)	0.059 (0.15)	0.101 (0.26)
Target Firms Size	0.011*** (7.09)	0.011*** (7.10)	0.011*** (7.10)	0.244*** (8.01)	0.244*** (8.01)	0.244*** (8.01)
EMNCs Public Company	-0.003 (-0.65)	-0.003 (-0.67)	-0.003 (-0.66)	-0.155 (-1.64)	-0.146 (-1.54)	-0.155 <sup>*</sup> (-1.65)
Full Ownership	-0.003 (-0.74)	-0.003 (-0.76)	-0.003 (-0.77)	0.058 (0.72)	0.067 (0.82)	0.058 (0.71)
Conglomerate Investment	-0.008 (-1.48)	-0.008 (-1.50)	-0.008 (-1.53)	-0.147 (-1.46)	-0.137 (-1.35)	-0.148 (-1.46)
Vertical Investment	-0.003 (-0.35)	-0.003 (-0.37)	-0.003 (-0.34)	-0.131 (-0.90)	-0.118 (-0.81)	-0.131 (-0.90)
Host Eastern Europe	-0.002 (-0.32)	-0.002 (-0.32)	-0.002 (-0.33)	-0.047 (-0.37)	-0.046 (-0.37)	-0.047 (-0.38)
Host Japan	-0.005 (-0.61)	-0.005 (-0.57)	-0.005 (-0.61)	-0.001 (-0.01)	-0.024 (-0.15)	-0.001 (-0.01)
Host North America	-0.004 (-0.94)	-0.004 (-0.96)	-0.004 (-0.95)	0.041 (0.49)	0.047 (0.56)	0.041 (0.49)
Russia-Brazil	-0.006 (-0.93)	-0.005 (-0.88)	-0.006 (-0.93)	0.197 <sup>*</sup> (1.67)	0.175 (1.47)	0.198 <sup>*</sup> (1.67)
China	0.003 (0.50)	0.003 (0.49)	0.003 (0.51)	0.034 (0.31)	0.039 (0.36)	0.034 (0.31)
EMNCs' Tangible Resources × EMNCs' Experience		-0.007 (-0.31)			0.522 (1.23)	
EMNCs' Intangible Resources × EMNCs' Experience			-0.032 (-0.52)			-0.135 (-0.11)
Constant	-0.034*** (-2.84)	-0.034*** (-2.86)	-0.034*** (-2.85)	-0.168 (-0.72)	-0.146 (-0.63)	-0.168 (-0.72)
Dummy Year	Yes	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes	Yes
Number of groups	79	79	79	78	78	78
Number of observations	570	570	570	559	559	559
Chi-square	81.096***	81.204***	81.403***	135.426***	137.297***	135.442***

<sup>\*</sup>  $p < 0.1$ .

<sup>\*\*</sup>  $p < 0.05$ .

<sup>\*\*\*</sup>  $p < 0.01$ .

experience in developed countries (cell 2 in Fig. 1) negatively moderates the effect of EMNCs' tangible resources on performance. Further, EMNCs' public companies and conglomerate investments perform slightly worse in terms of sales.

## 5. Robustness checks

We performed several tests to assess the robustness of the results. First, endogeneity might arise from some independent variables being correlated with unobserved factors that affect performance. A higher level of EMNCs' tangible and intangible resources, for instance, might be correlated with a higher ability to search, find and make a better deal that might result in a better post-acquisition performance. Moreover, because EMNCs and target firms might set up their resources with a specific performance outcome in mind, performance might not be the consequence but the determinant of the resources.<sup>18</sup> To deal with this issue, we employed the GMM-SYS approach suggested by Blundell and Bond (1998). This provides a GMM estimator as a result of both first-differenced and levels equations. We trans-

formed the main model accordingly (see Eq. (3)) by setting the level of performance at time  $t$  as the dependent variable and by including the lagged value of the dependent variable as an explanatory variable. As shown by prior studies (e.g., Chesher, 1979), such modelling under the presence of autocorrelation can provide evidence on the dynamics of target firm performance (rather than the absolute level). Endogenous variables have been instrumented using their lagged absolute and first-differenced values as well as using exogenous variables such as time and EMNCs' industry dummies<sup>19</sup>

$$\begin{aligned} \text{Target Firm Performance}_d^t = & \alpha + \beta_1 \text{Target Firm Performance}_d^{t-1} \\ & + \beta_2 \text{EMNCs' Resources}_d^{t-1} \\ & + \beta_3 \text{EMNCs' Experience}_d^{t-1} \\ & + \beta_4 \text{Controls}_d + \epsilon_d^t \end{aligned} \quad (3)$$

<sup>19</sup> The industry dummies that have been used as external exogenous variables refer to EMNCs' 2 digit sectors, which are likely to be more correlated with the endogenous variables related to EMNCs than target firm's industry dummies. Given the high amount of horizontal and vertical investments, EMNCs' industry dummies are likely to be good instruments also for the endogenous variables referring to target firm.

<sup>18</sup> The use of lagged values of both EMNCs' and target firms' variables is likely to mitigate this problem, but the variables could still be predetermined.

**Table 4a**

Results of the FGLS regressions: acquisition vs. greenfield experience and experience in developed countries vs. other countries – target firm profit variation.

Explicative variables	Target firm profit variation				
	1)	2)	3)	4)	5)
H1: EMNCs' Tangible Resources	0.017 <sup>*</sup> (1.67)	0.018 (1.31)	0.014 (0.98)	0.017 <sup>*</sup> (1.65)	0.015 (1.45)
EMNCs' Intangible Resources	-0.007 (-0.33)	-0.007 (-0.34)	-0.005 (-0.23)	-0.014 (-0.31)	0.011 (0.20)
EMNCs' Acquisition Experience	-0.002 (-0.26)	-0.005 (-0.61)	-0.002 (-0.27)	-0.002 (-0.23)	-0.002 (-0.28)
EMNCs' Greenfield Experience	-0.014 <sup>*</sup> (-1.89)	-0.006 (-0.59)	-0.014 <sup>*</sup> (-1.91)	-0.015 <sup>*</sup> (-1.92)	-0.013 <sup>*</sup> (-1.77)
EMNCs' Experience in Developed Countries	0.009 (1.00)	0.010 (1.04)	0.008 (0.71)	0.010 (1.07)	0.008 (0.89)
EMNCs' Experience in Other Countries	0.006 (0.70)	0.002 (0.19)	0.007 (0.58)	0.006 (0.62)	0.007 (0.77)
Target Firms' Tangible Resources	0.016 (1.39)	0.015 (1.33)	0.016 (1.36)	0.016 (1.36)	0.017 (1.43)
Target Firms' Intangible Resources	0.011 (0.56)	0.010 (0.48)	0.011 (0.54)	0.012 (0.60)	0.011 (0.56)
Target Firms Size	0.011 <sup>***</sup> (7.13)	0.011 <sup>***</sup> (7.10)	0.011 <sup>***</sup> (7.13)	0.011 <sup>***</sup> (7.13)	0.011 <sup>***</sup> (7.12)
EMNCs Public Company	-0.003 (-0.68)	-0.003 (-0.61)	-0.003 (-0.68)	-0.003 (-0.65)	-0.003 (-0.60)
Full Ownership	-0.003 (-0.82)	-0.004 (-1.05)	-0.003 (-0.78)	-0.003 (-0.73)	-0.004 (-0.86)
Conglomerate Investment	-0.008 (-1.49)	-0.008 (-1.61)	-0.007 (-1.45)	-0.008 (-1.53)	-0.008 (-1.60)
Vertical Investment	-0.001 (-0.19)	-0.000 (-0.02)	-0.001 (-0.16)	-0.002 (-0.22)	-0.002 (-0.24)
Host Eastern Europe	-0.003 (-0.45)	-0.002 (-0.26)	-0.003 (-0.45)	-0.003 (-0.41)	-0.003 (-0.46)
Host Japan	-0.005 (-0.61)	-0.003 (-0.37)	-0.005 (-0.64)	-0.005 (-0.58)	-0.005 (-0.59)
Host North America	-0.004 (-0.85)	-0.003 (-0.71)	-0.004 (-0.84)	-0.003 (-0.82)	-0.004 (-0.88)
Russia-Brazil	-0.009 (-1.42)	-0.009 (-1.39)	-0.009 (-1.45)	-0.009 (-1.45)	-0.009 (-1.38)
China	0.002 (0.36)	0.005 (0.79)	0.002 (0.36)	0.002 (0.39)	0.002 (0.41)
H2: EMNCs' Tangible Resources × EMNCs' Acquisition Experience		0.027 (1.33)			
EMNCs' Tangible Resources × EMNCs' Greenfield Experience		-0.028 (-1.27)			
H3: EMNCs' Tangible Resources × EMNCs' Experience in Developed Countries			0.007 (0.21)		
EMNCs' Tangible Resources × EMNCs' Experience in Other Countries			-0.001 (-0.02)		
EMNCs' Intangible Resources × EMNCs' Acquisition Experience				-0.012 (-0.27)	
EMNC' Intangible Resources × EMNC' Greenfield Experience				0.021 (0.44)	
EMNCs' Intangible Resources × EMNCs' Experience in Developed Countries					0.037 (0.34)
EMNCs' Intangible Resources × EMNCs' Experience in Other Countries					-0.060 (-0.63)
Constant	-0.036 <sup>***</sup> (-3.01)	-0.037 <sup>***</sup> (-3.09)	-0.035 <sup>***</sup> (-2.97)	-0.036 <sup>***</sup> (-3.01)	-0.036 <sup>***</sup> (-3.04)
Dummy Year	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes
Number of groups	79	79	79	79	79
Number of observations	570	570	570	570	570
Chi-Square	85.418 <sup>***</sup>	88.781 <sup>***</sup>	85.511 <sup>***</sup>	85.674 <sup>***</sup>	85.993 <sup>***</sup>

\*  $p < 0.1$ .\*\*  $p < 0.05$ .\*\*\*  $p < 0.01$ .

The results of the GMM-SYS analysis are reported in [Tables 6, 7a, 7b, 8a and 8b](#) in the appendix. In all these tables, the null hypothesis of no first-order autocorrelation is rejected (unlike the hypothesis of second-order autocorrelation), thus confirming the presence of an autoregressive relationship between the dependent variable and its lagged value. The Hansen test confirms the validity of the instruments. The new results are similar to those reported earlier. [Hypothesis 1](#) is still partially confirmed as EMNCs' tangible

resources have a positive effect on target firms' sales performance. The results also confirm [H2](#), as regards to the interaction effect of EMNCs' acquisition experience with EMNCs' tangible resources on sales performance ([Tables 7a and 7b](#)). By contrast, [H3](#), regarding the moderating effect of EMNCs' experience in developed countries on EMNCs' tangible resources, is not confirmed for any of the performance measures. Finally, [Tables 8a and 8b](#) show that the effect of EMNCs' tangible resources on both profitability and sales

**Table 4b**

Results of the FGLS regressions: acquisition vs. greenfield experience and experience in developed countries vs. other countries – target firm sales variation.

Explicative variables	Target firm sales variation				
	1)	2)	3)	4)	5)
H1: EMNCs' Tangible Resources	0.557*** (2.82)	0.441* (1.70)	0.151 (0.54)	0.573*** (2.83)	0.561*** (2.70)
EMNCs' Intangible Resources	-0.423 (-1.06)	-0.328 (-0.79)	-0.124 (-0.30)	-0.865 (-0.99)	-0.382 (-0.35)
EMNCs' Acquisition Experience	-0.075 (-0.56)	-0.255* (-1.72)	-0.088 (-0.65)	-0.072 (-0.53)	-0.066 (-0.48)
EMNCs' Greenfield Experience	-0.451*** (-3.16)	-0.155 (-0.82)	-0.481*** (-3.35)	-0.486*** (-3.29)	-0.457*** (-3.17)
EMNCs' Experience in Developed Countries	0.448* (2.47)	0.497*** (2.74)	0.554* (2.47)	0.494*** (2.65)	0.455** (2.48)
EMNCs' Experience in Other Countries	0.010 (0.06)	-0.186 (-1.02)	-0.214 (-0.91)	-0.015 (-0.08)	-0.001 (-0.01)
Target Firms' Tangible Resources	-0.066 (-0.29)	-0.114 (-0.50)	-0.142 (-0.62)	-0.079 (-0.34)	-0.071 (-0.31)
Target Firms' Intangible Resources	-0.061 (-0.15)	-0.165 (-0.42)	-0.170 (-0.43)	-0.025 (-0.06)	-0.061 (-0.15)
Target Firms Size	0.247*** (8.14)	0.244*** (8.17)	0.245*** (8.12)	0.246*** (8.14)	0.247*** (8.15)
EMNCs Public Company	-0.146 (-1.55)	-0.125 (-1.35)	-0.128 (-1.36)	-0.141 (-1.50)	-0.154 (-1.61)
Full Ownership	0.038 (0.47)	-0.012 (-0.15)	0.048 (0.59)	0.053 (0.64)	0.040 (0.49)
Conglomerate Investment	-0.156 (-1.57)	-0.178* (-1.80)	-0.161 (-1.61)	-0.167* (-1.66)	-0.146 (-1.43)
Vertical Investment	-0.098 (-0.68)	-0.031 (-0.22)	-0.106 (-0.73)	-0.107 (-0.74)	-0.090 (-0.62)
Host Eastern Europe	-0.080 (-0.64)	-0.024 (-0.19)	-0.061 (-0.49)	-0.071 (-0.57)	-0.080 (-0.64)
Host Japan	-0.015 (-0.10)	0.058 (0.38)	-0.049 (-0.32)	-0.007 (-0.05)	-0.016 (-0.10)
Host North America	0.054 (0.65)	0.083 (1.01)	0.069 (0.83)	0.060 (0.73)	0.055 (0.66)
Russia–Brazil	0.079 (0.65)	0.072 (0.59)	0.035 (0.28)	0.070 (0.57)	0.075 (0.62)
China	-0.008 (-0.07)	0.114 (1.00)	0.023 (0.21)	0.001 (0.01)	-0.011 (-0.10)
H2: EMNCs' Tangible Resources × EMNCs' Acquisition Experience		1.431*** (3.71)			
EMNCs' Tangible Resources × EMNCs' Greenfield Experience		-1.049** (-2.48)			
H3: EMNCs' Tangible Resources × EMNCs' Experience in Developed Countries			-0.116 (-0.19)		
EMNCs' Tangible Resources × EMNCs' Experience in Other Countries			1.092* (1.84)		
EMNCs' Intangible Resources × EMNCs' Acquisition Experience				-0.359 (-0.43)	
EMNCs' Intangible Resources × EMNCs' Greenfield Experience				0.946 (1.04)	
EMNCs' Intangible Resources × EMNCs' Experience in Developed Countries					-1.017 (-0.49)
EMNCs' Intangible Resources × EMNCs' Experience in Other Countries					0.998 (0.54)
Constant	-0.219 (-0.95)	-0.253 (-1.11)	-0.149 (-0.64)	-0.219 (-0.95)	-0.209 (-0.90)
Dummy Year	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes
Number of groups	78	78	78	78	78
Number of observations	559	559	559	559	559
Chi-Square	149.796***	172.111***	157.789***	151.206***	150.177***

\*  $p < 0.1$ .\*\*  $p < 0.05$ .\*\*\*  $p < 0.01$ .

is positively moderated by EMNCs' acquisition experience in developed countries, thus fully confirming H4.

Second, we tried to assess whether the effects of the model are consistent over longer time lags. Specifically, we re-ran the FGLS regressions, lagging our explicative variables by either 1 or 2 years. The results, which are not shown in the tables but are available

upon request, indicate that the effects of lagged EMNC's resources on target firms' performance measures become insignificant after the second lagged year.

Third, we checked the sensitivity of our results to industrial sectors that exhibit common characteristics. Specifically, we explored variations across manufacturing (in which we included

**Table 5a**

Results of the FGLS regressions: acquisition experience in developed countries vs. other types of experience – target firm profit variation.

Explicative variables	Target firm profit variation				
	1)	2)	3)	4)	5)
H1: EMNCs' Tangible Resources	0.015 (1.53)	0.010 (0.81)	0.028** (2.32)	0.014 (1.32)	0.016 (1.52)
EMNCs' Intangible Resources	-0.012 (-0.60)	-0.013 (-0.62)	-0.022 (-1.05)	0.008 (0.22)	-0.013 (-0.37)
EMNCs' Acquisition Experience in Developed Countries (cell 4 in Fig. 1)	0.005 (0.56)	-0.004 (-0.45)	0.005 (0.62)	0.005 (0.60)	0.005 (0.56)
EMNCs' Acquisition Experience in Other Countries (cell 3 in Fig. 1)	0.006 (0.75)	0.008 (0.87)	0.003 (0.44)	0.006 (0.77)	0.006 (0.73)
EMNCs' Greenfield Experience in Developed Countries (cell 2 in Fig. 1)	-0.001 (-0.12)	0.001 (0.08)	0.009 (0.85)	-0.001 (-0.11)	-0.001 (-0.13)
EMNCs' Greenfield Experience in Other Countries (cell 1 in Fig. 1)	0.000 (0.04)	-0.001 (-0.06)	-0.004 (-0.30)	-0.000 (-0.02)	0.001 (0.07)
Target Firms' Tangible Resources	0.015 (1.31)	0.015 (1.27)	0.016 (1.39)	0.015 (1.30)	0.015 (1.31)
Target Firms' Intangible Resources	0.010 (0.51)	0.012 (0.61)	0.013 (0.65)	0.011 (0.57)	0.010 (0.51)
Target Firms Size	0.011*** (7.05)	0.011*** (7.15)	0.011*** (7.11)	0.011*** (7.04)	0.011*** (7.04)
EMNCs Public Company	-0.004 (-0.79)	-0.004 (-0.83)	-0.004 (-0.76)	-0.004 (-0.74)	-0.004 (-0.80)
Full Ownership	-0.004 (-0.84)	-0.004 (-0.87)	-0.005 (-1.12)	-0.003 (-0.73)	-0.003 (-0.78)
Conglomerate Investment	-0.007 (-1.47)	-0.008 (-1.52)	-0.008 (-1.65)	-0.008 (-1.59)	-0.008 (-1.47)
Vertical Investment	-0.001 (-0.14)	0.001 (0.14)	-0.001 (-0.07)	-0.001 (-0.19)	-0.001 (-0.15)
Host Eastern Europe	-0.003 (-0.47)	-0.002 (-0.28)	-0.002 (-0.33)	-0.003 (-0.44)	-0.003 (-0.47)
Host Japan	-0.004 (-0.56)	-0.005 (-0.59)	-0.003 (-0.31)	-0.004 (-0.51)	-0.004 (-0.56)
Host North America	-0.004 (-0.87)	-0.003 (-0.70)	-0.003 (-0.80)	-0.004 (-0.83)	-0.004 (-0.87)
Russia-Brazil	-0.007 (-1.20)	-0.010 (-1.59)	-0.007 (-1.17)	-0.007 (-1.23)	-0.007 (-1.20)
China	0.004 (0.66)	0.005 (0.85)	0.005 (0.82)	0.004 (0.70)	0.004 (0.66)
H4: EMNCs' Tangible Resources × EMNCs' Acquisition Experience in Developed Countries		0.057** (2.26)			
EMNCs' Tangible Resources × EMNCs' Acquisition Experience in Other Countries		-0.010 (-0.41)			
EMNCs' Tangible Resources × EMNCs' Greenfield Experience in Developed Countries			-0.039* (-1.81)		
EMNCs' Tangible Resources × EMNCs' Greenfield Experience in Other Countries			0.001 (0.03)		
EMNCs' Intangible Resources × EMNCs' Acquisition Experience in Developed Countries				-0.026 (-0.51)	
EMNCs' Intangible Resources × EMNCs' Acquisition Experience in Other Countries				-0.024 (-0.59)	
EMNCs' Intangible Resources × EMNCs' Greenfield Experience in Developed Countries					0.003 (0.07)
EMNCs' Intangible Resources × EMNCs' Greenfield Experience in Other Countries					-0.004 (-0.09)
Constant	-0.034*** (-2.89)	-0.036*** (-3.03)	-0.036*** (-3.04)	-0.034*** (-2.90)	-0.034*** (-2.89)
Dummy Year	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes
Number of groups	79	79	79	79	79
Number of observations	570	570	570	570	570
Chi-Square	83.223***	89.561***	87.563***	83.879***	83.237***

\*  $p < 0.1$ .\*\*  $p < 0.05$ .\*\*\*  $p < 0.01$ .

mining) and service industries as well as across high-tech and low-tech industries.<sup>20</sup> We re-estimated the results after adding new dummy variables and triple interactions in the model. Although the effects on target firms' profitability are statistically insignifi-

cant, this distinction is important when considering sales performance. More specifically, they suggest that the moderating effect that EMNCs' acquisition experience has on the relationship between EMNCs' tangible resources and target firms' sales performance is more significant for manufacturing industries than for services sectors. There is also a (weak) positive moderating effect of EMNCs' experience in developed countries on the relationship between EMNCs' intangible resources and target

<sup>20</sup> The distinction between high- and low-tech industries is based upon Eurostat-OECD classification (2007), which identifies high-tech manufacturing sectors and knowledge-intensive services.



**Table 5b**

Results of the FGLS regressions: acquisition experience in developed countries vs. other types of experience – target firm sales variation.

Explicative variables	Target firm sales variation				
	1)	2)	3)	4)	5)
H1: EMNCs' Tangible Resources	0.523*** (2.65)	0.081 (0.35)	0.883*** (3.76)	0.510** (2.50)	0.557*** (2.77)
EMNCs' Intangible Resources	-0.583 (-1.49)	-0.371 (-0.90)	-0.913** (-2.25)	-0.328 (-0.49)	-1.096 (-1.54)
EMNCs' Acquisition Experience in Developed Countries (cell 4 in Fig. 1)	0.356** (2.05)	0.055 (0.29)	0.382** (2.20)	0.398** (2.25)	0.392** (2.20)
EMNCs' Acquisition Experience in Other Countries (cell 3 in Fig. 1)	-0.038 (-0.25)	-0.131 (-0.72)	-0.109 (-0.72)	-0.055 (-0.36)	-0.060 (-0.40)
EMNCs' Greenfield Experience in Developed Countries (cell 2 in Fig. 1)	0.063 (0.39)	0.137 (0.87)	0.378* (1.95)	0.049 (0.30)	0.058 (0.36)
EMNCs' Greenfield Experience in Other Countries (cell 1 in Fig. 1)	-0.121 (-0.67)	-0.144 (-0.81)	-0.321 (-1.35)	-0.102 (-0.55)	-0.108 (-0.57)
Target Firms' Tangible Resources	-0.099 (-0.43)	-0.152 (-0.68)	-0.083 (-0.36)	-0.092 (-0.40)	-0.096 (-0.42)
Target Firms' Intangible Resources	-0.116 (-0.29)	-0.142 (-0.36)	-0.025 (-0.06)	-0.068 (-0.17)	-0.090 (-0.22)
Target Firms Size	0.242*** (7.97)	0.244*** (8.23)	0.243*** (8.10)	0.240*** (7.94)	0.241*** (7.94)
EMNCs Public Company	-0.166* (-1.76)	-0.158* (-1.72)	-0.161* (-1.72)	-0.167* (-1.77)	-0.164* (-1.74)
Full Ownership	0.044 (0.54)	0.037 (0.46)	0.010 (0.12)	0.074 (0.86)	0.066 (0.77)
Conglomerate Investment	-0.155 (-1.56)	-0.165* (-1.69)	-0.183* (-1.85)	-0.178* (-1.75)	-0.164 (-1.64)
Vertical Investment	-0.084 (-0.58)	0.013 (0.09)	-0.077 (-0.53)	-0.099 (-0.68)	-0.095 (-0.65)
Host Eastern Europe	-0.086 (-0.69)	-0.023 (-0.19)	-0.058 (-0.47)	-0.081 (-0.65)	-0.082 (-0.65)
Host Japan	-0.008 (-0.05)	-0.007 (-0.04)	0.038 (0.24)	-0.001 (-0.01)	-0.006 (-0.04)
Host North America	0.050 (0.60)	0.089 (1.10)	0.060 (0.72)	0.055 (0.66)	0.053 (0.64)
Russia-Brazil	0.117 (0.97)	0.014 (0.11)	0.109 (0.90)	0.102 (0.84)	0.108 (0.89)
China	0.040 (0.36)	0.121 (1.11)	0.062 (0.57)	0.046 (0.42)	0.044 (0.40)
H4: EMNCs' Tangible Resources × EMNCs' Acquisition Experience in Developed Countries		2.045*** (4.21)			
EMNCs' Tangible Resources × EMNCs' Acquisition Experience in Other Countries		0.433 (0.92)			
EMNCs' Tangible Resources × EMNCs' Greenfield Experience in Developed Countries			-1.257*** (-2.99)		
EMNCs' Tangible Resources × EMNCs' Greenfield Experience in Other Countries			0.345 (0.57)		
EMNCs' Intangible Resources × EMNCs' Acquisition Experience in Developed Countries				-1.288 (-1.30)	
EMNCs' Intangible Resources × EMNCs' Acquisition Experience in Other Countries				-0.044 (-0.06)	
EMNCs' Intangible Resources × EMNCs' Greenfield Experience in Developed Countries					0.777 (0.91)
EMNCs' Intangible Resources × EMNCs' Greenfield Experience in Other Countries					-0.093 (-0.10)
Constant	-0.176 (-0.76)	-0.225 (-0.99)	-0.226 (-0.97)	-0.189 (-0.82)	-0.186 (-0.80)
Dummy Year	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes
Number of groups	78	78	78	78	78
Number of observations	559	559	559	559	559
Chi-Square	145.756***	180.076***	157.458***	147.878***	146.804***

\*  $p < 0.1$ .\*\*  $p < 0.05$ .\*\*\*  $p < 0.01$ .

firms' sales performance in services sectors. Finally, when we examined how the results differ across high- and low-tech industries, the results did not indicate any significant differences for target firms' profitability. However, when we considered the effects on sales performance, we found that the moderating effects of EMNCs' acquisition experience in developed countries on EMNCs' tangible resources is more important for low-tech industries.

Finally, we explored the role of other combinations of experience. To do this, we introduced two new dummies to account for situations in which EMNCs have (1) both greenfield and acquisition experience (regardless of the geographic diversification), and (2) experience in both developed and other countries (regardless of the entry mode type). The results show that only EMNCs' experience in developed and other countries has a positive and significant moderating effect on the

relationship between EMNCs' tangible resources and target firm sales.

## 6. Discussion and conclusion

### 6.1. Theoretical implications

The emergence of new global players from BRIC countries and their investments in developed countries are changing the global landscape. In this study, we examined a phenomenon that remains under-theorized: "how do such acquisitions influence the performance of target firms in developed countries?" More specifically, building on the notion of context-specific applicability, we developed and tested a framework about the resource- and context-specificity of prior experience in acquisitions. We demonstrate that variations in the performance of target firms in developed markets can be explained by differences in (1) the resources of the acquiring EMNC and (2) the experience accumulated by the EMNC from previous acquisitions and investments in developed and emerging countries. Our conceptualization highlights the need to consider not only the characteristics of current acquisitions and investments, but also patterns in the previous ones. This approach is useful because it enables us to explain why some acquisitions generate greater benefits than others, even though the resources of the firms might be similar in their characteristics. It is also useful in showing that different types of experience may lead to different types of learning and capabilities and, in turn, influence different aspects of performance.

Our findings have a number of theoretical implications. First, an interesting pattern emerges concerning the role of experience. The results indicate that prior investment experience is not always beneficial for the performance of target firms, and that it might even have negative consequences. In fact, only specific types of investment experience enhance the performance of target firms. For instance, acquisition experience assists the acquiring firm in managing the resources of the organization as a whole and in identifying synergies and complementarities that improve the performance of the target firm through two key mechanisms – resource redeployment and asset divestiture (Capron et al., 1998; Lavie, 2006; Newbert, 2007). Interestingly, EMNCs that are most effective in enhancing the performance of target firms are those that have investment experience in *both* acquisitions and developed countries.

Overall, our analysis suggests that because inherent contextual properties map onto distinct learning processes (Muehlfeld et al., 2012), the experience that EMNCs gain from a given context is unlikely to influence subsequent acquisition outcomes in different contexts. Different investments are associated with a given set of capabilities and organizational routines that are not always transferable to other situations. This may also explain why multinationals often choose to follow a similar investment pattern over time. The theoretical implication for the OFDI literature is that that not all *types* of experience are equally beneficial. The usefulness of experiential learning differs across contexts depending on the type of market entry (greenfield or acquisition) and the investment location (emerging or developed countries). These findings differ from the general tenet that each additional investment experience makes firms better at managing future investments.

It seems that investment experience is so type- and location-specific that when EMNCs that only have greenfield investment experience engage in acquisitions, there is a negative effect on the performance of the target companies because greenfield experience is less useful in providing acquisition-specific knowledge. Greenfield investment involves a different logic and dynamic to acquisitions because it often focuses on asset-exploitation, rather than asset-exploration. Hence, the target firm might run the risk of

not being well embedded in the strategy of the parent company, thus decreasing the performance of both firms (Datta, 1991; Ramaswamy, 1997; Shelton, 1988). We also provide evidence that the performance of target firms, especially in the manufacturing sector, is largely driven by EMNCs' tangible assets. This finding stands in contrast with the established resource-based notion that intangible resources are usually more important. By contrast, while studies on developed market MNCs suggest that their intangible resources enhance the performance of target firms, we find that this does not hold in the case of EMNCs as the performance consequences of their intangible resources turn out to be insignificant. This finding is consistent with the view that EMNCs invest in developed countries to source rather than to transfer knowledge-intensive and intangible assets.

Furthermore, we show that both the direct and the moderating effects of experience differ in the case of EMNCs. Emerging country environments have different characteristics compared to developed countries. They are grounded in informal ties and democracies that are not always completely accomplished (Goldstein, 2007). These differences limit EMNCs' ability to undertake investments in developed economies, increasing the probability of making pre- and post-acquisition mistakes. This might explain our finding showing that previous investments in developed countries have a positive and significant direct effect on the performance of target firms. This type of experience provides EMNCs with the necessary knowledge to manage new deals in similar (i.e. developed) countries. An analysis of acquiring firms from developed countries might yield different results since such MNCs have a better understanding of the environments that can be found in other developed countries.

### 6.2. Managerial relevance

Our results have two implications for practice. First, developed countries often raise concerns about the acquisitions of EMNCs, suggesting that EMNCs will eventually control part of these economies. Although the international press focuses on high-visibility large acquisitions and raises concerns, we show that the performance effects of EMNCs' investments on target firms can be positive. This is consistent with the view that resource-based and cost-efficiency strategies can improve the performance of target firms by leading to revenue-enhancing and cost-based synergies. Nevertheless, our findings also imply that host-country governments should set up policies that attract not just experienced EMNCs (as generic experience is not always useful), but EMNCs with the right type of experience. Alternatively, they could choose to assist less experienced EMNCs to gain local knowledge before completing the takeover in the host country.

Second, performance outcomes depend not only on the characteristics of current acquisitions, but also on patterns in the previous ones. Hence, managers of EMNCs should carefully evaluate their experience before undertaking foreign investment. This significantly influences the success of the acquisition and the performance of new subsidiaries in developed countries. In this respect, what matters is not merely the "degree" of experience but its relevance and type. EMNCs with investment experience in acquisitions and in developed countries are likely to be more successful in their future international expansion plans. These firms are also more likely to have accumulated the capabilities required to manage new acquisitions and generate valuable post-acquisition synergies and complementarities. This may assist target firms in increasing their performance and expansion (Yaprak & Karademir, 2011). By contrast, it may be more beneficial for firms that have either no experience or experience that is less specific to a developed market to consider a cooperative strategy (e.g. joint-ventures) when investing in a developed country.

Our analysis is subject to a number of limitations, some of which offer opportunities for future research. First, the analysis is based on EMNCs. This group of firms has different idiosyncratic characteristics compared to multinationals from developed economies. A similar analysis for MNCs from developed countries may yield different results. For instance, a counterfactual analysis will allow future research to examine whether the resources of the acquiring firm and the direct or moderating effects of experience have different impacts when firms are acquired by EMNCs or developed country MNCs. Second, our analysis focused on the distinction between tangible and intangible resources. A useful research avenue for extending this approach would be to either examine the role of other resources (e.g. financial) or adopt a more fine-grained approach and consider what types of tangible or intangible resources contribute to the performance of target firms. Experience could be further disentangled by accounting for a more fine-grained distinction among entry modes (e.g. by including joint-ventures) and by considering more disaggregated geographic areas. Future

research should also investigate the direct and moderating effect of experience intensity by using a continuous variable (rather than a dummy variable) because the effect between a single experience and multiple experiences might be different. Furthermore, as the strategic objectives of EMNCs vary widely, an investigation of other performance indicators, such as innovation and knowledge acquisition, is needed. Future research should also try to open up the “black box” of target firms in order to understand whether and how they gain access to new production, technology and markets when they are acquired by EMNCs. Another fruitful avenue for future research is to investigate the effects of acquisitions from emerging countries on the rest of the host economy. This will increase understanding of whether the positive effects on firm performance are limited to target firms or they extend to their supply chain.

## Appendix

**Table 6**  
Results of the GMM-SYS analysis: the role of generic experience.

Explicative variables	Target firm profit variation			Target firm sales variation		
	1)	2)	3)	4)	5)	6)
Lagged value of performance measure	0.627 (1.33)	0.632 (1.33)	0.632 (1.32)	0.213 (0.63)	0.209 (0.63)	0.213 (0.64)
H1: EMNCs' Tangible Resources	0.008 (0.91)	0.011 (0.93)	0.008 (0.97)	0.875* (1.68)	-0.064 (-0.33)	0.586 (1.55)
EMNCs' Intangible Resources	-0.026 (-1.29)	-0.024 (-1.28)	0.030 (0.64)	-0.598 (-1.14)	-0.443 (-0.90)	-1.695 (-1.49)
EMNCs' Experience	0.011 (1.27)	0.010 (1.28)	0.009 (1.31)	0.016 (0.08)	0.035 (0.24)	0.203 (1.33)
Target Firms' Tangible Resources	0.051 (1.22)	0.048 (1.20)	0.053 (1.31)	-0.479 (-0.83)	-0.640 (-1.11)	-0.335 (-0.68)
Target Firms' Intangible Resources	0.040 (0.73)	0.042 (0.81)	0.035 (0.76)	-0.587 (-0.60)	-0.201 (-0.25)	-0.093 (-0.12)
Target Firms Size	0.016** (2.20)	0.016** (2.21)	0.016** (2.22)	0.677*** (2.75)	0.677*** (2.77)	0.675*** (2.80)
EMNCs Public Company	0.001 (0.14)	0.000 (0.02)	0.001 (0.19)	-0.149 (-0.91)	-0.116 (-0.80)	-0.123 (-0.81)
Full Ownership	-0.008 (-1.02)	-0.008 (-1.04)	-0.008 (-1.11)	0.182 (1.42)	0.187 (1.42)	0.164 (1.24)
Conglomerate Investment	-0.018 (-1.23)	-0.017 (-1.27)	-0.014 (-1.19)	-0.412** (-2.08)	-0.403** (-2.01)	-0.446** (-2.17)
Vertical Investment	-0.012 (-0.79)	-0.013 (-0.91)	-0.013 (-0.92)	-0.721** (-2.26)	-0.569* (-1.95)	-0.720** (-2.25)
Host Eastern Europe	-0.010 (-0.74)	-0.009 (-0.76)	-0.010 (-0.83)	-0.171 (-0.40)	-0.253 (-0.84)	-0.327 (-0.95)
Host Japan	-0.021 (-1.11)	-0.020 (-1.18)	-0.016 (-0.93)	0.046 (0.11)	0.070 (0.20)	0.130 (0.42)
Host North America	-0.006 (-0.35)	-0.006 (-0.40)	-0.003 (-0.19)	0.327 (1.34)	0.401* (1.65)	0.312 (1.32)
Russia-Brazil	-0.001 (-0.03)	0.001 (0.03)	-0.001 (-0.05)	0.481* (1.67)	0.409 (1.45)	0.500* (1.71)
China	0.014 (1.09)	0.013 (1.12)	0.009 (0.89)	0.102 (0.43)	0.132 (0.63)	0.155 (0.72)
EMNCs' Tangible Resources × EMNCs' Experience		-0.002 (-0.15)			1.186** (2.55)	
EMNCs' Intangible Resources × EMNCs' Experience			-0.058 (-1.11)			1.096 (1.00)
Constant	0.103 (0.44)	0.105 (0.45)	0.098 (0.42)	-0.488 (-0.77)	-0.422 (-0.73)	-0.532 (-0.87)
Dummy Year	Yes	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes	Yes
Number of groups	79	79	79	78	78	78
Number of observations	570	570	570	559	559	559
AR1	-1.764*	-1.749*	-1.742*	-1.919*	-1.915*	-1.915*
AR2	-1.017	-1.016	-1.019	-0.916	-0.954	-0.890
HANSEN TEST	18.946	17.610	20.882	28.425	30.134	41.044
Chi-Square	7487.793***	13085.803***	12800.607***	98199.186***	83986.432***	89743.142***

\* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ . Resources and experience of EMNCs and resources of target firms have been considered endogenous. Lagged values and first-differences of (i) endogenous variables, (ii) time dummies and (iii) EMNCs' industrial dummies have been used as instruments.

**Table 7a**

Results of the GMM-SYS analysis: acquisition vs. greenfield experience and experience in developed countries vs. other countries – target firm profit variation.

Explicative variables	Target firm profit variation				
	1)	2)	3)	4)	5)
Lagged value of performance measure	0.655 (1.36)	0.675 (1.37)	0.664 (1.35)	0.662 (1.35)	0.659 (1.34)
<b>H1: EMNCs' Tangible Resources</b>	0.030* (1.92)	0.023 (1.46)	0.019 (1.06)	0.024* (1.76)	0.023* (1.76)
EMNCs' Intangible Resources	-0.004 (-0.27)	-0.004 (-0.30)	-0.002 (-0.18)	-0.013 (-0.35)	0.036 (0.76)
EMNCs' Acquisition Experience	-0.001 (-0.13)	-0.006 (-0.66)	0.000 (0.01)	-0.002 (-0.21)	-0.004 (-0.37)
EMNCs' Greenfield Experience	-0.022 (-1.35)	-0.012 (-1.25)	-0.025 (-1.63)	-0.024 (-1.55)	-0.023 (-1.56)
Target Firms' Tangible Resources	0.009 (0.58)	0.014 (0.97)	0.009 (0.53)	0.012 (0.88)	0.007 (0.45)
Target Firms' Intangible Resources	0.008 (0.67)	-0.002 (-0.17)	0.010 (0.60)	0.010 (0.91)	0.014 (1.10)
Target Firms Size	0.070 (1.47)	0.054 (1.35)	0.054 (1.37)	0.057 (1.42)	0.061 (1.39)
EMNCs Public Company	0.041 (0.69)	0.032 (0.72)	0.019 (0.42)	0.035 (0.84)	0.033 (0.64)
Full Ownership	0.018** (2.23)	0.017** (2.25)	0.017** (2.24)	0.017** (2.25)	0.018** (2.31)
Conglomerate Investment	0.007 (0.91)	0.005 (0.87)	0.005 (0.75)	0.006 (0.70)	0.007 (0.87)
Vertical Investment	-0.020 (-1.33)	-0.016 (-1.38)	-0.017 (-1.28)	-0.017 (-1.25)	-0.017 (-1.34)
Host Eastern Europe	-0.001 (-0.08)	-0.007 (-0.81)	-0.005 (-0.47)	-0.004 (-0.50)	-0.005 (-0.53)
Host Japan	-0.011 (-0.66)	-0.003 (-0.26)	-0.004 (-0.34)	-0.007 (-0.51)	-0.008 (-0.56)
Host North America	0.001 (0.05)	-0.004 (-0.35)	-0.009 (-0.80)	-0.004 (-0.31)	-0.007 (-0.52)
Russia-Brazil	-0.038 (-1.18)	-0.021 (-0.91)	-0.036 (-1.22)	-0.035 (-1.39)	-0.027 (-1.13)
China	-0.014 (-0.63)	-0.006 (-0.38)	-0.014 (-0.66)	-0.015 (-0.73)	-0.012 (-0.60)
EMNCs' Experience in Developed Countries	-0.010 (-0.41)	-0.010 (-0.50)	-0.006 (-0.29)	-0.007 (-0.33)	-0.005 (-0.21)
EMNCs' Experience in Other Countries	0.011 (0.79)	0.012 (1.19)	0.008 (0.74)	0.010 (0.91)	0.005 (0.56)
<b>H2: EMNCs' Tangible Resources × EMNCs' Acquisition Experience</b>		0.057 (1.56)			
EMNCs' Tangible Resources × EMNCs' Greenfield Experience		-0.045 (-1.50)			
<b>H3: EMNCs' Tangible Resources × EMNCs' Experience in Developed Countries</b>			0.013 (0.54)		
EMNCs' Tangible Resources × EMNCs' Experience in Other Countries			-0.001 (-0.04)		
EMNCs' Intangible Resources × EMNCs' Acquisition Experience				0.001 (0.02)	
EMNCs' Intangible Resources × EMNCs' Greenfield Experience				0.010 (0.29)	
EMNCs' Intangible Resources × EMNCs' Experience in Developed Countries					0.074 (0.82)
EMNCs' Intangible Resources × EMNCs' Experience in Other Countries					-0.121 (-1.08)
Constant	0.066 (0.28)	0.066 (0.28)	0.075 (0.32)	0.076 (0.33)	0.070 (0.30)
Dummy Year	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes
Number of groups	79	79	79	79	79
Number of observations	570	570	570	570	570
AR1	-1.775*	-1.741*	-1.740*	-1.758*	-1.760*
AR2	-1.040	-1.070	-1.039	-1.033	-1.032
Hansen test	19.596	11.477	17.996	17.405	17.628
Chi-Square	12230.669***	13930.041***	11514.572***	11003.927***	9394.409***

\* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ . Resources and experience of EMNCs and resources of target firms have been considered endogenous. Lagged values and first-differences of (i) endogenous variables, (ii) time dummies and (iii) EMNCs' industrial dummies have been used as instruments.

**Table 7b**

Results of the GMM-SYS analysis: acquisition vs. greenfield experience and experience in developed countries vs. other countries – target firm sales variation.

Explicative variables	Target firm profit variation				
	1)	2)	3)	4)	5)
Lagged value of performance measure	0.207 (0.69)	0.221 (0.80)	0.262 (0.91)	0.251 (0.83)	0.209 (0.68)
H1: EMNCs' Tangible Resources	0.711** (2.08)	0.441 (1.57)	0.087 (0.62)	0.600* (1.89)	0.700* (1.94)
EMNCs' Intangible Resources	-0.261 (-0.62)	-0.215 (-0.57)	-0.082 (-0.26)	-0.905 (-1.25)	-1.293 (-1.19)
EMNCs' Acquisition Experience	-0.139 (-0.71)	-0.300 (-1.42)	-0.128 (-0.80)	-0.122 (-0.74)	-0.175 (-0.84)
EMNCs' Greenfield Experience	-0.719 (-1.59)	-0.253 (-0.82)	-0.643 (-1.57)	-0.613 (-1.49)	-0.679 (-1.60)
Target Firms' Tangible Resources	0.734* (1.76)	0.833** (2.06)	0.926** (2.07)	0.656* (1.81)	0.695* (1.72)
Target Firms' Intangible Resources	0.065 (0.24)	-0.438* (-1.87)	-0.437 (-1.31)	0.021 (0.10)	0.129 (0.42)
Target Firms Size	-0.035 (-0.08)	-0.082 (-0.22)	-0.277 (-0.78)	-0.018 (-0.05)	0.025 (0.06)
EMNCs Public Company	-0.850 (-0.89)	-0.869 (-0.98)	-0.822 (-1.26)	-0.385 (-0.67)	-0.688 (-0.74)
Full Ownership	0.693*** (3.07)	0.674*** (3.35)	0.664*** (3.10)	0.672*** (3.00)	0.701*** (3.15)
Conglomerate Investment	0.033 (0.21)	0.072 (0.53)	0.020 (0.18)	-0.042 (-0.31)	0.000 (0.00)
Vertical Investment	-0.037 (-0.22)	-0.055 (-0.37)	0.083 (0.74)	0.094 (0.76)	0.002 (0.01)
Host Eastern Europe	-0.245 (-1.14)	-0.403* (-1.95)	-0.299* (-1.88)	-0.276* (-1.71)	-0.279 (-1.25)
Host Japan	-0.636** (-2.19)	-0.450** (-2.14)	-0.407** (-2.08)	-0.466** (-2.11)	-0.648** (-2.35)
Host North America	-0.422 (-0.98)	-0.266 (-0.73)	-0.373 (-1.50)	-0.446 (-1.61)	-0.494 (-1.37)
Russia-Brazil	0.115 (0.32)	0.372 (1.21)	0.144 (0.62)	0.146 (0.69)	0.154 (0.49)
China	0.345 (1.41)	0.547*** (2.64)	0.433*** (2.93)	0.274* (1.79)	0.275 (1.29)
EMNCs' Experience in Developed Countries	0.282 (1.13)	0.211 (0.98)	0.196 (0.87)	0.321 (1.26)	0.327 (1.35)
EMNCs' Experience in Other Countries	-0.032 (-0.13)	0.173 (0.92)	-0.055 (-0.34)	-0.014 (-0.09)	-0.027 (-0.14)
H2: EMNCs' Tangible Resources × EMNCs' Acquisition Experience		2.456*** (2.84)			
EMNCs' T angible Resources × EMNCs' Greenfield Experience		-1.598** (-2.50)			
H3: EMNCs' Tangible Resources × EMNCs' Experience in Developed Countries			-0.758 (-1.10)		
EMNCs' T angible Resources × EMNCs' Experience in Other Countries			2.114** (2.49)		
EMNCs' Intangible Resources × EMNCs' Acquisition Experience				-0.631 (-1.01)	
EMNCs' Intangible Resources × EMNCs' Greenfield Experience				1.150 (1.55)	
EMNCs' Intangible Resources × EMNCs' Experience in Developed Countries					2.151 (1.15)
EMNCs' Intangible Resources × EMNCs' Experience in Other Countries					-1.186 (-0.80)
Constant	-0.944 (-1.20)	-1.102 (-1.49)	-0.766 (-1.16)	-0.798 (-1.23)	-0.949 (-1.20)
Dummy Year	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes
Number of groups	78	78	78	78	78
Number of observations	559	559	559	559	559
AR1	-2.010**	-2.169**	-2.063**	-1.997**	-2.018**
AR2	-0.922	-1.026	-0.936	-0.890	-0.892
Hansen test	30.344	18.183	15.876	15.374	23.139
Chi-Square	93473.845***	153000***	167000***	389000***	127000***

\* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ . Resources and experience of EMNCs and resources of target firms have been considered endogenous. Lagged values and first-differences of (i) endogenous variables, (ii) time dummies and (iii) EMNCs' industrial dummies have been used as instruments.



**Table 8a**

Results of the GMM regressions: acquisition experience in developed countries vs. other types of experience – target firm profit variation.

Explicative variables	Target firm profit variation				
	1)	2)	3)	4)	5)
Lagged value of performance measure	0.662 (1.36)	0.689 (1.33)	0.669 (1.37)	0.662 (1.36)	0.658 (1.36)
<b>H1: EMNCs' Tangible Resources</b>	0.018* (1.84)	0.000 (0.02)	0.046* (1.67)	0.022* (1.67)	0.020 (1.59)
EMNCs' Intangible Resources	-0.013 (-1.01)	0.001 (0.02)	-0.056 (-1.63)	-0.001 (-0.01)	0.004 (0.08)
EMNCs' Acquisition Experience in Developed Countries (cell 4 in Fig. 1)	0.006 (0.60)	-0.048 (-1.41)	0.010 (0.63)	0.010 (0.63)	0.010 (0.53)
EMNCs' Acquisition Experience in Other Countries (cell 3 in Fig. 1)	0.005 (1.10)	0.044 (1.22)	0.013 (1.14)	0.011 (1.14)	0.013 (1.12)
EMNCs' Greenfield Experience in Developed Countries (cell 2 in Fig. 1)	-0.000 (-0.08)	-0.034 (-1.50)	0.018 (1.14)	-0.000 (-0.04)	0.000 (0.03)
EMNCs' Greenfield Experience in Other Countries (cell 1 in Fig. 1)	-0.003 (-0.52)	0.031 (0.98)	-0.006 (-0.40)	-0.003 (-0.22)	0.000 (0.03)
Target Firms' Tangible Resources	0.038 (0.99)	0.181* (1.80)	0.080 (1.42)	0.071 (1.21)	0.072 (1.25)
Target Firms' Intangible Resources	0.018 (0.39)	0.187 (1.34)	0.045 (0.87)	0.024 (0.38)	0.032 (0.56)
Target Firms Size	0.016** (2.28)	0.020** (2.40)	0.017** (2.21)	0.017** (2.18)	0.017** (2.19)
EMNCs Public Company	0.003 (0.48)	0.010 (0.64)	0.005 (0.48)	0.005 (0.42)	0.002 (0.15)
Full Ownership	-0.011 (-1.01)	-0.022 (-1.28)	-0.021 (-1.47)	-0.020 (-1.34)	-0.020 (-1.33)
Conglomerate Investment	-0.004 (-0.64)	-0.008 (-0.44)	-0.012 (-0.85)	-0.005 (-0.42)	-0.006 (-0.54)
Vertical Investment	-0.013 (-0.96)	0.003 (0.10)	-0.016 (-0.56)	-0.014 (-0.56)	-0.010 (-0.42)
Host Eastern Europe	-0.003 (-0.34)	-0.010 (-0.34)	-0.011 (-0.74)	-0.014 (-0.96)	-0.021 (-1.37)
Host Japan	-0.018 (-1.08)	-0.017 (-0.35)	-0.028 (-0.97)	-0.040 (-1.34)	-0.040 (-1.44)
Host North America	-0.015 (-0.88)	0.034 (0.75)	-0.018 (-0.68)	-0.022 (-0.88)	-0.023 (-0.91)
Russia-Brazil	-0.006 (-0.24)	-0.028 (-0.87)	-0.008 (-0.31)	-0.006 (-0.24)	-0.004 (-0.16)
China	0.005 (0.82)	0.020 (1.20)	0.020* (1.85)	0.015 (1.50)	0.018* (1.73)
<b>H4: EMNCs' Tangible Resources × EMNCs' Acquisition Experience in Developed Countries</b>		0.238** (2.09)			
EMNCs' Tangible Resources × EMNCs' Acquisition Experience in Other Countries		-0.042 (-0.45)			
EMNCs' Tangible Resources × EMNCs' Greenfield Experience in Developed Countries			-0.098* (-1.87)		
EMNCs' Tangible Resources × EMNCs' Greenfield Experience in Other Countries			0.014 (0.29)		
EMNCs' Intangible Resources × EMNCs' Acquisition Experience in Developed Countries				0.005 (0.10)	
EMNCs' Intangible Resources × EMNCs' Acquisition Experience in Other Countries				-0.035 (-0.66)	
EMNCs' Intangible Resources × EMNCs' Greenfield Experience in Developed Countries					-0.034 (-0.60)
EMNCs' Intangible Resources × EMNCs' Greenfield Experience in Other Countries					-0.054 (-1.25)
Constant	0.100 (0.41)	-0.089 (-0.34)	0.060 (0.25)	0.075 (0.30)	0.076 (0.31)
Dummy Year	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes
Number of groups	79	79	79	79	79
Number of observations	570	570	570	570	570
AR1	-1.706*	-1.798*	-1.924*	-1.826*	-1.839*
AR2	-1.025	-1.064	-1.016	-1.040	-1.034
Hansen test	12.762	21.926	13.318	17.548	17.298
Chi-Square	18124.616***	8607.777***	19281.279***	22744.007***	13664.865***

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Resources and experience of EMNCs and resources of target firms have been considered endogenous. Lagged values and first-differences of (i) endogenous variables, (ii) time dummies and (iii) EMNCs' industrial dummies have been used as instruments.

**Table 8b**

Results of the GMM regressions: acquisition experience in developed countries vs. other types of experience – target firm sales variation.

Explicative variables	Target firm profit variation				
	1)	2)	3)	4)	5)
Lagged value of performance measure	0.256 (0.84)	0.257 (1.02)	0.178 (0.62)	0.197 (0.64)	0.194 (0.64)
H1: EMNCs' Tangible Resources	0.540** (2.00)	-0.598 (-1.12)	2.012** (2.01)	0.797* (1.82)	1.034** (1.99)
EMNCs' Intangible Resources	-0.599 (-1.59)	0.261 (0.25)	-1.456 (-1.59)	0.085 (0.13)	-1.467 (-1.34)
EMNCs' Acquisition Experience in Developed Countries (cell 4 in Fig. 1)	0.451 (1.60)	0.835 (1.37)	1.140 (1.53)	0.725 (1.59)	0.834* (1.66)
EMNCs' Acquisition Experience in Other Countries (cell 3 in Fig. 1)	-0.068 (-0.41)	-0.794 (-1.19)	-0.178 (-0.28)	0.020 (0.06)	-0.158 (-0.45)
EMNCs' Greenfield Experience in Developed Countries (cell 2 in Fig. 1)	0.212 (1.28)	0.432 (1.25)	1.186** (2.21)	0.287 (0.96)	0.359 (1.16)
EMNCs' Greenfield Experience in Other Countries (cell 1 in Fig. 1)	-0.261 (-1.35)	-0.542 (-1.06)	-0.988 (-1.64)	-0.313 (-0.75)	-0.452 (-1.04)
Target Firms' Tangible Resources	-0.122 (-0.36)	-0.827 (-1.03)	-0.200 (-0.24)	0.051 (0.11)	-0.176 (-0.37)
Target Firms' Intangible Resources	-0.567 (-0.86)	-1.445 (-0.75)	0.268 (0.22)	-0.091 (-0.09)	-0.377 (-0.38)
Target Firms Size	0.645*** (2.88)	0.695*** (3.92)	0.714*** (3.67)	0.688*** (3.17)	0.686*** (3.18)
EMNCs Public Company	-0.038 (-0.30)	0.013 (0.06)	0.035 (0.17)	-0.092 (-0.49)	-0.078 (-0.42)
Full Ownership	0.041 (0.30)	0.175 (0.67)	0.057 (0.21)	0.148 (0.78)	0.126 (0.72)
Conglomerate Investment	-0.218 (-1.50)	-0.707** (-2.00)	-0.715* (-1.91)	-0.468** (-2.01)	-0.386* (-1.67)
Vertical Investment	-0.533** (-2.02)	-0.615 (-1.45)	-0.828* (-1.92)	-0.630** (-2.05)	-0.676** (-2.24)
Host Eastern Europe	-0.329 (-1.27)	-0.369 (-0.77)	-0.341 (-0.61)	-0.617* (-1.72)	-0.526 (-1.40)
Host Japan	0.195 (0.79)	0.664 (0.71)	0.592 (0.81)	-0.010 (-0.03)	-0.052 (-0.14)
Host North America	0.339** (1.97)	1.115 (1.45)	0.884* (1.95)	0.255 (1.17)	0.269 (1.24)
Russia-Brazil	0.320 (1.41)	0.024 (0.07)	0.200 (0.59)	0.333 (1.20)	0.315 (1.15)
China	0.051 (0.32)	0.233 (0.68)	0.322 (1.01)	0.192 (0.78)	0.134 (0.51)
H4: EMNCs' Tangible Resources × EMNCs' Acquisition Experience in Developed Countries		4.180** (2.48)			
EMNCs' Tangible Resources × EMNCs' Acquisition Experience in Other Countries		2.438 (1.56)			
EMNCs' Tangible Resources × EMNCs' Greenfield Experience in Developed Countries			-3.591*** (-2.98)		
EMNCs' Tangible Resources × EMNCs' Greenfield Experience in Other Countries			1.166 (1.01)		
EMNCs' Intangible Resources × EMNCs' Acquisition Experience in Developed Countries				-1.542 (-1.08)	
EMNCs' Intangible Resources × EMNCs' Acquisition Experience in Other Countries				-0.752 (-0.91)	
EMNCs' Intangible Resources × EMNCs' Greenfield Experience in Developed Countries					1.055 (1.03)
EMNCs' Intangible Resources × EMNCs' Greenfield Experience in Other Countries					0.757 (0.78)
Constant	-0.664 (-1.11)	-1.285 (-1.15)	-1.243 (-1.25)	-0.783 (-1.17)	-0.633 (-1.00)
Dummy Year	Yes	Yes	Yes	Yes	Yes
Dummy Target Industry	Yes	Yes	Yes	Yes	Yes
Number of groups	78	78	78	78	78
Number of observations	559	559	559	559	559
AR1	-1.931*	-2.232**	-2.336**	-2.028**	-2.044**
AR2	-0.888	-1.433	-1.032	-1.003	-0.994
Hansen test	19.385	27.530	22.782	23.481	27.202
Chi-Square	585000***	121000***	166000***	233000***	172000***

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Resources and experience of EMNCs and resources of target firms have been considered endogenous. Lagged values and first-differences of (i) endogenous variables, (ii) time dummies and (iii) EMNCs' industrial dummies have been used as instruments.

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