

Bridging or Breaking? The Role of Cultural Distance in M&A Performance

Evidence from U.S. companies

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Abstract

Several studies have reported mixed findings on the role of national cultural differences in cross-border mergers and acquisitions, with some highlighting its negative effects, e.g. high adaptation costs and challenges in communication, while others emphasize their potential to facilitate the integration process. This research contributes to the M&A literature by offering a new perspective on how cultural distance, when carefully managed, can lead to enhanced post-acquisition performance. Specifically, it posits that the effect of cultural distance on post-acquisition performance is contingent on three moderating factors between the merging entities: similarity in knowledge bases, organizational structure, and dominant logic. Using a quantitative approach, this study examines the influence of cultural distance on post-acquisition performance through the lens of these dimensions. The analysis encompasses 1107 M&A deals involving 525 unique firms, with U.S.-based companies as the acquirers and European companies as the targets, over the period 1990 to 2022. The findings reveal no statistical evidence supporting a direct relationship between increased cultural distance and diminished post-acquisition performance. Furthermore, neither knowledge base similarity nor structural similarity demonstrates a significant moderating effect. However, the results indicate that dominant logic similarity amplifies the impact of cultural distance on post-acquisition performance. These results convey meaningful implications for both academia and managerial practice.

Preface

With great pleasure, I present my master's thesis in Strategic Management, which I have enjoyed writing. This thesis embarks the end of my academic journey at Tilburg University. Reflecting on this experience fills me with immense joy and gratitude.

Throughout my master's program, I engaged in various courses. In particular, I captured interest in the courses Corporate-level Strategy and Corporate Entrepreneurship, resulting in writing my thesis about M&As.

First and foremost, I would like to thank my supervisor, Dr. John Li, for providing excellent feedback and guidance, which were invaluable in shaping the direction and scope of my thesis. Further, I want to thank my family and friends for granting me the space and support essential for completing my thesis. Finally, I want to express my sincere appreciation to my partner, Bram Wijffels, for being an invaluable sparring partner throughout the thesis process.

Thank you, and enjoy reading my research.

Leanne Schoneveld

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Table of contents

Abstract.....	2
Preface.....	3
Chapter 1 - Introduction.....	6
1.1. Problem Indication	6
1.2. Problem Statement.....	9
1.3. Research Questions.....	9
1.4. Thesis structure.....	10
Chapter 2 - Literature Review.....	11
2.1. Cultural distance	11
2.2. The post-acquisition performance impact	11
2.3. Relative absorptive capacity	13
Chapter 3 – Hypothesis Development	15
3.1. Cultural distance	15
3.2. Knowledge base similarity	16
3.3. Structural similarity	18
3.2. Dominant logic similarity	20
3.4. Hypothesized Model.....	22
Chapter 4 – Methodology	23
4.1 Sample and Data.....	23
4.2 Measurements	24
4.2.1. Dependent variable.....	24
4.2.2. Independent variable	24
4.2.3. Moderating variables.....	25
4.2.4. Control Variables	27
4.2.5. Overview measurements	29
4.3 Methods of Analysis	30
Chapter - 5. Results & Analysis.....	32
5.1 Descriptive statistics and correlations	32
5.2 Regression analysis.....	35

5.3 Robustness check.....	37
Chapter 6: Conclusion and Discussions.....	38
6.1. Discussion.....	38
6.2. Academic Contributions	40
6.3. Managerial Implications	41
6.4 Limitations and Recommendations	41
6.5 Conclusion.....	43
Bibliography	44
Appendices.....	57

Chapter 1 - Introduction

1.1. Problem Indication

Cross-border mergers and acquisitions (CBM&As) have become a key strategy for multinational enterprises (MNEs) to enlarge their operations and leverage their resources and capabilities abroad (Prasadh et al., 2020). During the 1990s, this strategy became significantly popular, and its value rose from under \$100 billion in 1987 to \$720 billion by 1999 (UNCTAD, 2000). In 2007, worldwide acquisition activity even reached a record high of \$4.5 trillion (Reus & Lamont, 2009). Acquisitions provide firms with the opportunity to leverage economies of scale, access valuable resources and knowledge embedded within organizational cultures, teams, and individuals, and increase revenue by expanding market share (Chakrabarti et al., 2009). Knowledge transfer, which refers to the acquisition and utilization of new sets of knowledge-based resources, is one of the main reasons to engage in M&As (Ranft & Lord, 2002). Knowledge transfer is essential for creating value in cross-border M&As, benefiting both the acquiring company and the target. (Bresman et al., 1999). However, the effective management of international acquisitions seems to be extremely difficult for MNEs (Reus & Lamont, 2009). Recent reports continue to express skepticism about the likelihood of success in these types of deals (Moeller & Schlingemann, 2005).

Studies commonly point out that national cultural differences explain the complications in international acquisition management and present a significant challenge for CBAs (cross-border acquisitions) (Reus & Lamont, 2009; Schoenberg, 2000). When individuals from different cultures come into close contact during post-acquisition activities, cultural differences often create conflicts that hinder effective interactions and successful integration (Shenkar, 2001). This concept of cultural distance, defined as the differences in cultural values and practices between merging organizations (Kogut & Singh, 1988), was first introduced by Hofstede (1980) through the ‘cultural distance’ hypothesis. It suggests that as cultural differences between individuals, groups, or organizations increase, so do cross-cultural interactions, challenges, costs, and risks. The impact of cultural factors on the performance of CBM&As has been widely debated in the literature (Stahl & Voigt, 2004). However, the findings of these studies have been inconsistent and contradictory (Gomes et al., 2013; Teerikangas & Very, 2006). Some studies have revealed a negative correlation between cultural distance and the performance of MNEs following acquisitions due to integration difficulties (Boateng et al., 2019; Luo & Peng, 1999). On the contrary, other studies argue that

cultural differences can lead to positive outcomes by fostering innovation and creativity through diverse perspectives (Moura et al., 2023). Further, Barkema et al. (1996) partially supported the connection between cultural distance and acquisition performance. Given these mixed findings, the nature of the relationship—whether positive, negative, or neutral—remains unclear. This underscores the need for further investigation in this area to clarify the contradicting evidence.

The ability of a firm to absorb knowledge, also referred to as absorptive capacity, from a new acquisition can offer the acquirer a competitive edge by accessing and integrating strategic resources that are unavailable in its domestic market (Luo & Tung, 2007). This concept of absorptive capacity can be defined as “[the] ability to recognize the value of new information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal, 1990, p. 128). The absorptive capacity construct, however, implies that a firm has an equal capacity to learn from all other organizations. Consequently, several studies have adapted this concept of absorptive capacity to a dyadic level, introducing the concept of ‘relative absorptive capacity’, which highlights that a firm’s absorptive capacity is influenced by the partner involved in the knowledge transfer process (Dyer & Singh, 1998; Lane & Lubatkin, 1998). This study will use the theory of relative absorptive capacity to help clarify the contradictory evidence on the relationship between cultural distance and post-acquisition performance. It will suggest that firms’ ability to benefit from cultural differences depends on absorptive capacity dynamics, turning cultural distance into a strategic advantage that enhances knowledge transfer, integration, and post-acquisition performance.

Lane and Lubatkin (1998) define relative absorptive capacity as a firm’s ability to leverage knowledge from another organization, determined by three key dimensions: similarity in knowledge bases, organizational structures, and dominant logic. These dimensions will be used as moderators to explore the relationship between cultural distance and post-acquisition performance. First, firms with moderately similar knowledge bases integrate and share information more effectively, enhancing post-acquisition outcomes (Ahuja & Katila, 2001). However, when knowledge bases are significantly different, challenges in knowledge transfer arise. Second, organizational structure shapes firms’ processes and transfers knowledge through communication and interaction patterns (Guetzkow, 2013). Significant structural differences complicate knowledge assimilation, while structural similarity enables smoother integration and management of cultural challenges (Lane & Lubatkin, 1998). Lastly, dominant logic also plays a critical role in post-acquisition success. Dominant logic can be defined as “a mindset or a world view or

conceptualization of the business and the administrative tools to accomplish goals and make decisions in that business.” (Prahalad & Bettis, 1986, p. 491). When both firms share similar dominant logic, they align better in management styles and decision-making approaches, fostering smoother integration (Verbeke, 2010). By considering these dimensions, the interplay between cultural distance and post-acquisition performance can be better understood.

This research contributes to the M&A literature by advancing the understanding of cultural distance and its effect on post-acquisition performance. Previous studies have shown mixed and contradictory results regarding whether cultural distance either hinders or enhances the success of CBM&As. This study advances the literature by offering a more nuanced perspective, demonstrating that cultural distance can lead to positive outcomes when carefully managed. By integrating the three moderating effects of i) knowledge base similarity, ii) similarity in organizational structure, and iii) similarity in dominant logic, this research reveals that under the right conditions, cultural distance can lead to improved knowledge transfer, smooth integration process and in turn, enhanced performance. These specific moderating effects remain underexplored in this relationship. Thus, this fresh perspective not only addresses gaps in the literature but also redefines cultural distance as a potential strategic asset rather than merely a challenge to overcome.

Furthermore, this study makes a significant theoretical contribution by applying the concept of relative absorptive capacity to the M&A context, specifically to the relationship between cultural distance and post-acquisition performance. While relative absorptive capacity has been extensively studied in R&D, joint ventures, and strategic alliances (Lane & Lubatkin, 1998; Simonin, 2004), this study extends this theory into CBM&As by emphasizing how a firm’s existing knowledge and experiences influence its ability to absorb and apply new cultural insights, turning cultural differences into opportunities for value creation. Moreover, it enhances our understanding of how absorptive capacity facilitates knowledge transfer, reduces integration difficulties, and boosts post-acquisition performance. Additionally, it illustrates how relative absorptive capacity may be an essential instrument for managing cultural issues in M&As.

From a managerial perspective, this research offers practical implications for improving the success of CBM&As. Business practitioners should understand the importance of absorptive capacity in facilitating the integration of culturally different organizations in CBM&As. Firms can manage cultural distance better by focusing on the dimensions of relative absorptive capacity in

this relationship. Managers should pay particular attention to knowledge base similarity, organizational structure similarity, and dominant logic similarity, as these dimensions can mitigate the challenges posed by cultural differences and turn them into drivers of innovation and competitive advantage. This research provides a strategic framework that helps managers improve CBM&A outcomes and help develop sustainable strategies, transforming cultural distance into a source of growth and value creation.

1.2. Problem Statement

How does the cultural distance between acquirer and target influence post-acquisition performance, and how do knowledge base similarity, structural similarity, and dominant logic similarity moderate this relationship?

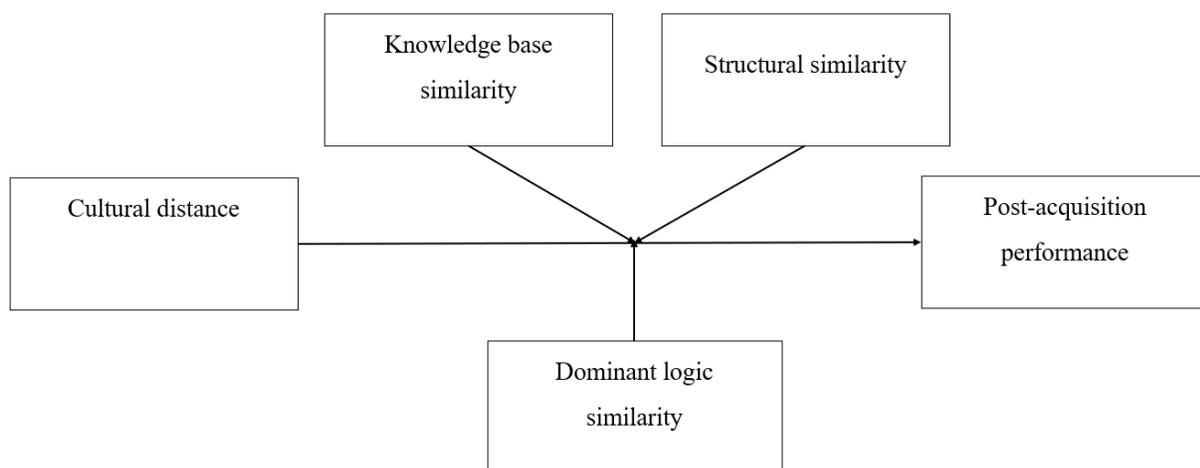


Figure 1: The Conceptual Model

1.3. Research Questions

This study will examine and evaluate the following research questions:

- I. How does the cultural distance between the acquirer and target firm influence post-acquisition performance?
- II. To what extent will knowledge base similarity strengthen or weaken the relationship between cultural distance and post-acquisition performance?

- III. To what extent will structural similarity strengthen or weaken the relationship between cultural distance and post-acquisition performance?
- IV. To what extent will dominant logic similarity strengthen or weaken the relationship between cultural distance and post-acquisition performance?

1.4. Thesis structure

The structure of the remaining sections of this thesis is as follows: Chapter 2 will explore the theoretical frameworks that form the basis for the relationships discussed in Chapter 1, and Chapter 3 will build on these theories to develop the research hypotheses. In Chapter 4, the data sampling procedures and methodological approaches used in the empirical analysis will be outlined. Subsequently, Chapter 5 will present the empirical findings and highlight key insights from the statistical analyses. Finally, Chapter 6 will provide a thorough discussion of the results, explaining their significance and the implications arising from the results.

Chapter 2 - Literature Review

2.1. Cultural distance

Cultural distance between the acquirer's country and the target's country is a critical factor influencing the success of cross-border acquisitions (CBAs) (Kogut & Singh, 1988; Very & Schweiger, 2001). Cultural distance, in this context, refers to the differences in norms, practices, and strategies related to areas like organizational design, new product development, and other management aspects between a multinational enterprise's (MNE) home country and its foreign operations (Kogut & Singh, 1988). MNEs are required to adapt to and incorporate the distinct business and management practices of their subsidiaries across various cultural environments (Dikova & Rao Sahib, 2013). Adapting to local cultural values shaped by a nation's political economy, education, religion, and language can present an additional challenge for MNEs operating in diverse countries (Kogut & Singh, 1988). Cultural differences can pose significant challenges to integration, but they can also offer opportunities for enhanced creativity and innovation if managed effectively (Moura et al., 2023).

Different theories and models explain the role of culture in M&As and how these cultural differences affect the integration process after a cross-border merger or acquisition. For example, the cultural fit model explains that typically, organizations strive to retain their own cultures, and as a result, greater cultural distance may lead to integration problems and will negatively affect performance (Cartwright & Cooper, 1993). Models of cultural fit are based on the notion that the level of cultural alignment between organizations participating in M&As plays a crucial role in shaping the success of the integration process that follows (Cartwright & Cooper, 1993). Moreover, a different perspective emphasizes that M&A success relies on the acculturation process where cultural differences from both organizations can either lead to forming a unified culture or maintaining its own culture, depending on each organization's willingness to adapt, preserve its cultural identity, and the integration approach of the acquiring firm.

2.2. The post-acquisition performance impact

The impact of cultural distance on post-acquisition performance is a multifaceted issue that has gained significant attention in the M&A literature. While many attempts of previous studies have

examined this relationship, the findings of these studies have still been inconsistent, showing negative, positive, or partial effects (Stahl & Voigt, 2004; Teerikangas & Very, 2006). Some studies emphasize the negative side of cultural differences in M&As, which has also been shown to be a significant factor in high failure rates, as researched in the M&A literature (Datta et al., 1992). For instance, Datta & Puia (1995) found that greater national cultural distance reduces wealth gains for acquiring shareholders. This research also indicates that cultural distance often leads to integration challenges and conflicts between employees from different cultural backgrounds. Weber et al. (2012) discuss that pre-merger cultural differences can cause conflicts during post-merger integration, affecting M&A performance negatively. Similarly, Huang et al. (2017) highlight the asymmetric effects of power distance differences, which hinder integration and undermine value creation in CBAs. This is consistent with the findings of Moura et al. (2023), who suggest that cultural differences lead to adaptation costs that can negatively affect performance. However, they also highlight the potential benefits of accessing diverse knowledge that cultural differences can provide (Moura et al., 2023). Yet, Schoenberg (1996) found cultural distance in the service industry to be consistently negative for post-acquisition performance, regardless of integration efforts. Even in domestic acquisitions, organizational cultural differences were linked to lower cumulative abnormal returns for acquiring firms (Chatterjee et al., 1992).

Conversely, various studies revealed a positive relationship between cultural distance and M&A performance. Research by Morosini, Shane, and Singh (1998) showed that national cultural differences enhanced post-acquisition performance by granting access to the diverse set of routines and capabilities of either the target or the acquirer. Ahammed et al. (2016) illustrate this duality, pointing out that national cultural distance can hinder communication and comprehension, which in turn negatively impacts post-acquisition performance. However, they emphasize that the planned level of post-acquisition integration can moderate this effect, indicating that effectively managing cultural differences is crucial for achieving successful outcomes. Furthermore, some studies suggest that cultural distance may not always be detrimental, whereas few studies argued that CBAs may generate higher cumulative abnormal returns for the target than domestic acquisitions (Harris & Ravenscraft, 1991; Swenson, 1993; Wansley et al., 1983). In another study, Rottig (2017) highlights the multifaceted influence of cultural differences, stressing that recognizing their effects is essential not just in the post-acquisition integration phase but also

during the pre-acquisition strategic planning phase. This is further examined by Tarba et al. (2019), who argue that cultural diversity in M&As can enhance performance if it's managed effectively.

Some studies even suggest that the effect of national cultural differences is insignificant. For instance, Larsson and Finkelstein (1999) offered no support for increased cultural clashes and employee resistance in international acquisitions due to national cultural differences. Goulet and Schweiger (2006) propose that these findings are often considered more acceptable, complementary, and tolerable than organizational cultural differences. Additionally, national cultural differences are viewed as external factors and are incorporated into the overall country risk assessment for foreign direct investment, which is taken into account during the acquisition decision-making process (Goulet & Schweiger, 2006). As a result, greater focus and understanding might be directed toward national cultural differences during post-acquisition integration, reducing their potential to create conflict (Goulet & Schweiger, 2006). In conclusion, the impact of cultural distance on post-acquisition performance is complex and context-dependent.

2.3. Relative absorptive capacity

Building on the earlier discussion, absorptive capacity allows firms to gain a competitive edge by accessing and integrating resources through new acquisitions beyond their domestic market (Luo & Tung, 2007), thereby shaping the relationship between cultural distance and post-acquisition performance. Through this capacity, a firm can leverage and benefit from the knowledge available from its external environment and create new skills (Björkman et al., 2007). Absorptive capacity focuses on building internal knowledge and interactions between partners, other firms, and the firm's environment (J. Li & Fleury, 2020). Higher levels of absorptive capacity offer strategic benefits and reduce costs, thereby enhancing innovation (Zahra & George, 2002). Moreover, when a multinational firm possesses strong absorptive capacity, it can more quickly adapt and utilize the resources available to it (Moura et al., 2023). Conversely, lower absorptive capacity hinders a firm's ability to learn and develop knowledge-based assets due to the slowness of firms in transforming and applying this knowledge, which delays the creation of value from its international investments (Park & Chung, 2019).

As mentioned earlier, this concept is transposed to a dyadic level between two firms, resulting in the term 'relative absorptive capacity' introduced by Lane and Lubatkin (1998). Similarly, Dyer and Singh (1998) called this concept 'partner-specific absorptive capacity' which

both refers to the capacity to acquire knowledge from a specific business partner. Both studies explain that a firm's absorptive capacity depends on the partner with whom they are engaged within the learning process, which in turn is determined by the characteristics of the two partners. Lane and Lubatkin (1998) argue that the capacity to benefit from knowledge located in inter-organizational relationships depends on similarities between the two firms in terms of 1) knowledge bases, 2) organizational structures, and 3) dominant logic. These concepts will be further elaborated in Chapter 3. On the contrary, Dyer and Singh (1998) stress that relative absorptive capacity is related to the implementation of interaction routines and the existence of overlapped knowledge between the two firms. However, this study adopts the conceptualization of relative absorptive capacity proposed by Lane and Lubatkin (1998).

The cultural perspective on absorptive capacity has been widely discussed in literature (Moura et al., 2023). Some believe that diverse cultural configurations can challenge the efficient allocation of firm resources and lead to increased transaction costs, negatively impacting financial performance (Rienda et al., 2018). However, others argue from a knowledge-based perspective, suggesting that these cultural differences enhance organizational learning by creating value through the transformation of differences into new knowledge (Reus & Lamont, 2009; Stahl et al., 2016). Moura et al. (2023) exemplify this by proposing that cross-cultural acquisitions, when coupled with absorptive capacity, improve a firm's ability to comprehend, integrate, and utilize knowledge, thereby generating tangible financial value and helping to mitigate liabilities. This study further explains that gaining an understanding of the new culture enables a firm to align its operations more effectively with local practices and values. By doing so, firms can not only integrate these new routines and processes into their global framework but also enhance and refine their existing systems simultaneously (Moura et al., 2023). This aligns with the notion that firms with well-developed absorptive capacity can better manage the complexities introduced by cultural differences, thereby improving integration and performance outcomes.

Chapter 3 – Hypothesis Development

3.1. Cultural distance

Cultural distance between acquiring and target firms has been shown to negatively impact post-acquisition performance due to challenges in communication, integration, and understanding of organizational practices (Dikova & Sahib, 2013; Ahammad et al., 2016; Akanni & Ahammad, 2015), as discussed in Chapter 2. More specifically, it has been stressed that greater cultural distance between the home and host countries leads to higher entry costs, reduced operational efficiencies, and difficulties in transferring core competencies to international markets (Kogut & Singh, 1988). Moreover, cultural distance can also raise transaction costs when conducting business across different cultures (Reus & Lamont, 2009), which, in turn, affects the firm's overall performance through its subsidiaries (Björkman et al., 2007). This is echoed by Popli and Kumur (2016), who argue that cultural differences magnify transaction costs and complicate capability transfer, which is crucial for successful integration post-acquisition. Furthermore, it has also often been argued that, due to cultural differences, confusion, hostility, and distrust emerge between the associates involved in the merged organization (Buono & Bowditch, 2003). Additionally, Sarala (2010) highlights that cultural differences within organizations can lead to increased post-acquisition conflict, thereby adversely affecting the integration process and diminishing performance. Lastly, Boateng et al. (2019) find that cultural differences create barriers to effective coordination and integration, decreasing the chance of achieving synergies from the M&A.

In contrast, the cultural distance between firms also provides opportunities for multinationals (Dellestrand & Kappen, 2012). Subsidiaries can access novel resources and absorb new knowledge and practices into the multinational framework (Ciabuschi et al., 2011). Varying national contexts, as seen in national cultural differences, can offer unique learning opportunities by introducing new routines and management practices (Stahl et al., 2016). Similarly, Moura et al. (2023) argue that firms can obtain new routines and operational norms due to greater cultural distance, leading to better problem-solving approaches and adaptive strategies. As a result, a firm's collective knowledge base has been shown to enhance, resulting in improved adaptability and post-acquisition performance (Moura et al., 2023). Furthermore, Morosini et al. (1998) found that cultural distance can positively impact post-acquisition performance by fostering complementarity

in organizational routines and cultural practices. This allows firms to leverage unique country-specific strengths and specialize in the most effective areas, thereby enhancing synergy realization.

However, the negative impacts of cultural distance in post-acquisition performance tend to outweigh the potential positives due to the pervasive difficulties it introduces in communication, integration, and operational alignment. These challenges include higher transaction costs, increased conflicts, and reduced trust, raising the complexity and cost of transferring core competencies effectively across cultures. For example, Boateng et al. (2019) emphasize: “Cultural differences lead to misunderstanding, and mistrust and make post acquisition coordination and integration more costly and difficult rendering the realization of synergies less likely.” (p. 287). Similarly, Ahammed et al. (2016) highlight that “Cultural differences represent a source of risk which impedes the integration of the firms involved in the acquisition transactions and negatively affect the acquisition returns” (p. 6). While cultural distance can introduce valuable knowledge and innovative practices, these challenges limit the positive impact. Based on these arguments, I propose that:

H1: The larger the cultural distance between the acquirer’s country and the target’s country, the lower the post-acquisition performance tends to be.

3.2. Knowledge base similarity

The first dimension of relative absorptive capacity, which describes the ability to recognize and value new external knowledge, is the similarity in the knowledge base between the acquirer and the target (Lane & Lubatkin, 1998). According to Lane and Levinthal (1998), a firm must already possess a certain level of basic knowledge to be able to comprehend and appreciate new external knowledge. This basic knowledge includes a broad understanding of the core traditions and techniques that form the basis of a particular discipline (Lane & Lubatkin, 1998). The absorptive capacity theory further suggests that a firm’s ability to absorb knowledge is enhanced when the incoming knowledge is closely aligned with its existing knowledge base (Cohen & Levinthal, 1990). As a result, possessing similar knowledge assets facilitates the process of integrating and incorporating new information into the existing knowledge base, which can also reduce the adaptation costs typically associated with cultural distance. This alignment is especially important

in CBAs, where the ability to leverage existing knowledge can lead to improved performance outcomes (Boateng et al., 2019; Moura et al., 2023). According to Cohen and Levinthal (1990), the assimilation of new knowledge is more effective when the firm already holds existing knowledge that is closely connected to the newly acquired information, making new information more coherent and easier to integrate (Kogut & Zander, 1992).

However, when firms in cross-border mergers have divergent knowledge bases, this leads to slower knowledge integration and higher adjustment costs, impacting operational performance negatively (Khan & Kalisz, 2024). This is further echoed by Cao and Liang (2013), who argue that differences in knowledge bases between firms in M&As result in misalignment in their absorptive capacity, which in turn results in reduced ability to leverage acquired knowledge effectively. This misalignment can lead to a significant loss in post-acquisition performance since firms struggle to integrate new knowledge into their existing frameworks, which, in turn, affects their competitive advantage (Cao & Liang, 2013). Furthermore, discrepancies in knowledge bases can hinder effective strategic alignment, resulting in lost synergies and diminished post-acquisition success, especially when intensified by cultural distance (C. Li & Gelfand, 2022). Additionally, Junni (2012) argues that differences in knowledge bases can aggravate cultural tensions, impeding knowledge integration post-acquisition. These disparities frequently prompt a protectionist stance from either the acquirer or target, which can limit the benefits of cultural synergies.

In contrast, firms with moderately similar knowledge bases tend to integrate and share information more effectively, leading to better post-acquisition outcomes (Ahuja & Katila, 2001). This is echoed by Khan and Kalisz (2024), who argue that having the same knowledge base helps firms to integrate new knowledge successfully. Furthermore, when the acquirer and target share similar knowledge bases, they are more likely to use a common language, share similar skills, and operate within familiar cognitive frameworks. This alignment leads to effective operations, ultimately enhancing performance. Building on Cohen and Levinthal's theory of absorptive capacity, Wang et al. (2017) argue that when the acquiring and target companies share similar industries, they also tend to have overlapping knowledge domains, which enhances the compatibility of knowledge between them. This alignment plays a critical role in determining the firms' absorptive capabilities during CBAs (Wang et al., 2017). However, as cultural distance increases, the potential for learning, knowledge transfer, and the ability to enhance the resource base of the acquired firm diminishes, making integration more challenging (Uhlenbruck, 2004).

These challenges can hinder the long-term development of the target and, thus, its overall performance. Conversely, when the knowledge bases of the acquiring and target firms are aligned, this similarity can mitigate some of the adverse effects of cultural distance on post-acquisition performance. Based on these arguments, I propose that:

H2: Knowledge base similarity negatively moderates the relationship between cultural distance and post-acquisition performance, such that higher similarity reduces the negative effects of cultural distance on performance.

3.3. Structural similarity

The second dimension of relative absorptive capacity, which describes the ability to assimilate new external knowledge, is the similarity in the organizational structure between the acquirer and the target (Lane & Lubatkin, 1998). Cohen and Levinthal (1990) observed that a firm's ability to assimilate new knowledge is shaped by its tacit, firm-specific expertise in handling and processing information within its existing systems. This firm-specific knowledge, which is embedded in an organization's established knowledge-processing system, is the basis of a firm's capabilities and the foundation of sustainable competitive advantage (Spender, 1993). According to Lane and Lubatkin (1998), when a learner firm seeks to acquire valuable firm-specific knowledge from another firm, its ability to absorb and internalize that knowledge is enhanced if the two firms have similar knowledge-processing systems. Lane and Lubatkin (1998) describe that the organizational structure can be used as a proxy for a firm's knowledge-processing system. Organizational structure can be defined as "the formal allocation of work roles and the administrative mechanisms to control and integrate work activities including those which cross formal organizational boundaries." (Child, 1972, p. 164). Structure plays a crucial role in how firms process knowledge, as organization members interact not only as individuals but also as actors fulfilling specific organizational roles (Lane & Lubatkin, 1998). Furthermore, structure also influences an organization's communication processes (Guetzkow, 2013).

Several studies show how dissimilarities in organizational structure between the acquirer and the target disrupt integration, diminish operational efficiency, and reduce overall benefits expected from CBAs (Huang et al., 2017; Koo, 2012; Lin et al., 2015). For example, Koo (2012) argues that structural mismatches hinder integration efforts, especially in the absence of cultural

distance, leading to underperformance in post-acquisition outcomes. Such structural misalignments prevent effective coordination, which in turn intensifies cultural clashes (Koo, 2012). Furthermore, firms with distinct structures struggle to form cohesive teams and strategies, causing conflicting integration practices, which in turn results in lower post-acquisition performance (Lin et al., 2015).

In contrast, Sarala (2010) argues that when the acquiring and acquired firms share similar organizational structures, operational and decision-making compatibility is promoted. This alignment reduces the likelihood of misunderstandings and conflicts that frequently arise from cultural differences (Sarala, 2010). Moreover, structurally similar organizations can utilize their shared frameworks and communication patterns to better manage cultural challenges, leading to enhanced post-acquisition performance. Additionally, the concept of organizational proximity, which includes structural similarity, is essential for fostering collaboration and knowledge transfer between merging entities (Romero-Torres, 2020). Organization proximity can be defined as the degree to which organizations are similar in interests and structure (Romero-Torres, 2020). According to Romero-Torres (2020), firms with similar structures tend to collaborate more efficiently because they align in both interest and operational practices. This is especially important in CBM&As, where integrating different cultures and practices can pose significant challenges. Moreover, Stankiewicz-Mróz (2016) argues that similarity in organizational characteristics, such as structure, positively impacts post-acquisition integration. This study indicates that firms with similar sizes and structures experience more seamless integration, which is crucial for optimizing the advantages of acquisitions (Stankiewicz-Mróz, 2016). This alignment improves operational efficiency and helps create a shared sense of identity among employees, reducing the negative effects of cultural distance.

Ahammad et al. (2016) argue that organizational cultural differences can hinder knowledge transfer during the integration process, which is essential for realizing synergies in acquisitions, leading to a decline in overall performance. However, when organizations have similar structures, knowledge transfer becomes more seamless, as employees can more easily understand and adapt to each other's practices and systems (Romero-Torres, 2020). This improved knowledge transfer is crucial for achieving the acquisition's strategic objectives, leading to higher performance outcomes. Thus, structural similarity helps organizations manage the challenges of cultural differences more effectively by enhancing compatibility in decision-making and operations,

fostering effective communication, minimizing conflict, and improving knowledge transfer. This, in turn, leads to higher integration outcomes and better post-acquisition performance. Taking all these arguments together, I propose that:

H3: Organizational structure similarity negatively moderates the relationship between cultural distance and post-acquisition performance, such that higher similarity reduces the negative effects of cultural distance on performance.

3.2. Dominant logic similarity

The third and last dimension of relative absorptive capacity, which describes the ability to commercialize new external knowledge, is the similarity in dominant logic between the acquirer and the target. It refers to how a firm applies its new knowledge gained from the partner commercially to achieve organizational objectives (Lane & Lubatkin, 1998). Dominant logic is a cognitive concept that indicates a mindset, worldview, or conceptualization of the business shaped by past experiences and strategic successes (Grant, 1988). It is reflected in the administrative tools to accomplish goals and make decisions, thus making this cognitive concept more operationalized (Prahalad & Bettis, 1986). Dominant logic guides decision-making, influencing preferences for certain types of projects, risk levels, strategies, and how firms use information to solve problems (Grant, 1988). While dominant logic helps a firm develop knowledge and consistency, it can also lead to rigidity, limiting the firm's ability to adapt to new challenges or opportunities (Leonard-Barton, 1992). Despite this, Lane and Lubatkin (1998) propose that the greater the similarity in business logic between the acquirer and target, the greater the inter-organizational learning. Research by Verbeke (2010) argues that international acquisition success relies on both creating a unified social community and institutionalizing the acquirer's dominant logic. Successful transfer of dominant logic ensures consistency in decision-making and resource utilization (Verbeke, 2010). Research by Prahalad and Bettis (1986) refers to this concept as the 'dominant general management logic', which consists of mental maps developed through experience in the core business. A dominant general management logic refers to how managers understand and interpret the business, shaping their decisions on allocating key resources such as technology, product development, distribution, advertising, and human resource management (Prahalad & Bettis, 1986).

Distinct dominant logic between acquirer and target, however, can hinder alignment in decision-making and processes, amplifying integration challenges and cultural clashes (Galavotti et al., 2020). This often leads to a decrease in overall acquisition performance. Furthermore, research by Vasilaki (2009) shows that dominant management logic dissimilarities create barriers to leadership and operational adjustments, which are further exacerbated by cultural differences. These factors contribute to a decline in the subsequent performance of the acquisition (Vasilaki, 2012). Moreover, Côté et al. (1999) argue that firms with short-term, independent management styles find it difficult to integrate and adapt to culturally diverse acquisitions. Different dominant logics between the firms impair post-acquisition performance by causing a mismatch between strategic objectives and operational practices (Côté et al., 1999). This results in incoherent management and underperformance.

Greater cultural distance may lead to misunderstandings and misalignments in organizational practices (Yeganeh, 2011). However, when the dominant logic of the acquiring firm closely aligns with that of the target firm, it can help reduce the negative impact of cultural distance. A shared cognitive framework of the business enhances a smoother integration process, as both firms are likely to share similar management styles, decision-making approaches, and operational practices, thereby enhancing post-acquisition performance. Furthermore, Tihanyi et al. (2005) highlight that while cultural distance plays an important role in determining international business performance, its impact can be influenced by the strategic decisions of the firm. Nonetheless, when the acquirer and target share a common dominant logic, they are more likely to make strategic choices that align with their operational strengths and cultural environments, allowing them to improve performance despite the challenges posed by cultural distance.

The concept of business similarity, which encompasses dominant logic similarity, plays a crucial role in creating potential synergies and enhancing knowledge transfer. The greater business similarity between the acquirer and target enhances knowledge transfer and may enhance potential synergies at the market, technological, and product levels, leading to improved post-acquisition outcomes (Pehrsson, 2019). This is due to the wider range of resources and capabilities that can be transferred to the newly acquired subsidiary (Pehrsson, 2019). In addition, the alignment of ‘cognitive structures’ and business principles between the acquiring and target firm can facilitate the transfer of knowledge, along with the acquirer’s firm-specific advantages, ultimately boosting the targets’ performance (Tang & Rowe, 2012). Relatedness between the businesses of both

parties, therefore, plays a critical role in ensuring a smooth transfer of knowledge and resources, leading to improved outcomes for the acquired firm (Galavotti et al., 2020). Thus, dominant logic similarity allows firms to navigate cultural challenges more adeptly, leveraging shared cognitive frameworks to enhance communication and decision-making, fostering inter-organizational learning and ultimately enhancing performance outcomes in CBAs. This leads to the following hypothesis:

H4: Dominant logic similarity negatively moderates the relationship between cultural distance and post-acquisition performance, such that higher similarity reduces the negative effects of cultural distance on performance.

3.4. Hypothesized Model

The model presented below illustrates the hypothesized relationships for each variable. It provides a visual depiction that clarifies the connections between the different elements being analyzed.

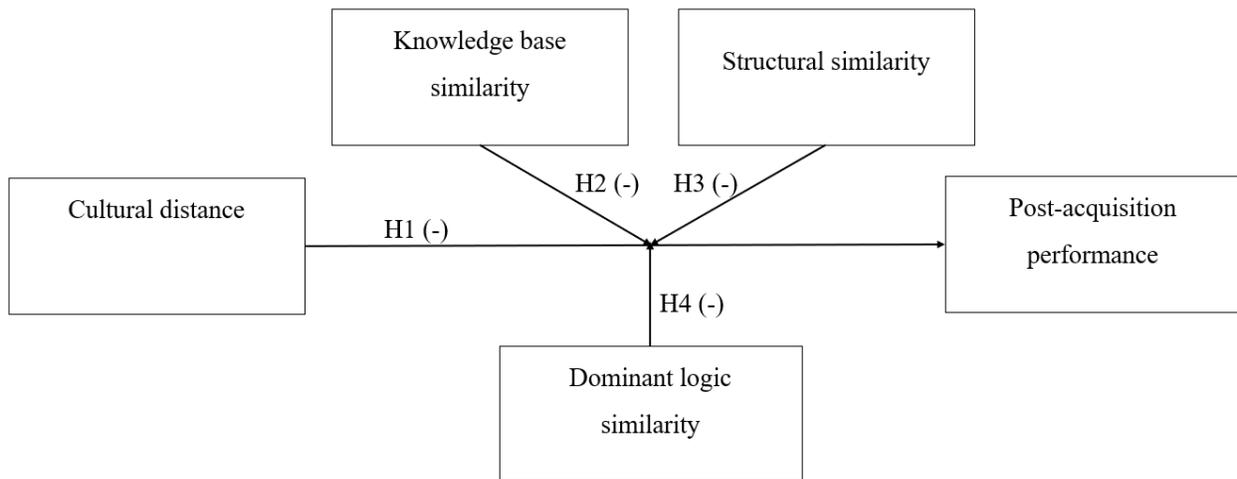


Figure 2: The Conceptual Model Including the Proposed Hypotheses

Chapter 4 – Methodology

4.1 Sample and Data

This study adopts a quantitative approach to test all hypotheses stated in the previous chapter. This research examines a comprehensive dataset encompassing completed mergers and acquisitions (M&As) involving publicly listed U.S. firms as the acquiring company from 1990 to 2022, employing a panel data methodology. The decision to focus exclusively on U.S. acquirers is driven by the relatively higher availability of comprehensive data for U.S.-initiated cross-border deals compared to those from other countries. Moreover, the volume of CBM&As involving US firms has been experiencing remarkable growth (Calipha et al., 2010). Furthermore, only deals targeting firms in Europe were included, as this region accounts for a significant share of CBM&As: 40% in Europe (Conn et al., 2005). The countries represented by the target firms in this dataset are Austria, Belgium, Switzerland, Czech Republic, Germany, Denmark, Turkey, Spain, Finland, France, Russia, United Kingdom, Greece, Croatia, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, and Sweden.

Data for this research were derived from multiple sources. First, the Orbis M&A database was used to gather details on cross-border M&A transactions involving U.S. firms as acquirers and European targets during the specified timeframe. Then, the unique identifiers, the 10-digit ISINs, of these corresponding transactions were used to access individual-level information on the TMTs through BoardEx- Europe and the UK, accessible through Wharton Research Data Services (WRDS). BoardEx provides information about directors' previous professional background and personal information (Oehmichen et al., 2022). Additionally, financial and accounting data on U.S. firms were obtained from the Compustat North America database. Lastly, national culture indices were sourced from Hofstede Insights' 6D Model of National Culture. To ensure data quality, observations with missing data were systematically excluded. Deals missing the ISINs of either the acquiring or target firms were removed, as were transactions not available in BoardEx for TMT tenure heterogeneity calculations. Furthermore, acquisitions were excluded if financial information was unavailable in Compustat or if Hofstede's cultural indices were not provided for the countries involved. After these refinements, the final dataset includes 1107 M&A deals involving 525 distinct firms, comprising 97 unique acquirers and 428 unique target firms.

4.2 Measurements

4.2.1. Dependent variable

The dependent variable in this study is post-acquisition performance. To measure this, a financial performance indicator will be assessed to examine the perceived value stakeholders hold towards an M&A deal. For this, Tobin's q will be used as a measurement. Tobin's q is a well-known and often utilized measurement among M&A researchers, offering valuable insight into the shareholder value generated by a deal (Dang, Li & Yang, 2018; Foster et al., 2021). Tobin's q is a market-based and forward-looking performance metric, making it well-suited for assessing post-acquisition outcomes. Acquisitions often require significant time for integration as firms adapt to new structures, cultures, and operations. Therefore, this measurement matches the context of acquisitions. Tobin's Q can be calculated as follows:

$$Tobin's\ q = \frac{(MKval + TA - BVE)}{TA}$$

With:

MKval = market value of common stock

TA = Book value of total assets of the firm

BVE = Book value of equity

4.2.2. Independent variable

The independent variable, *cultural distance*, will rely on Hofstede's (1984) cultural distance framework, using a distance formula introduced by Kogut and Singh (1988). Hofstede (1984) developed the cultural dimensions by analyzing survey data collected from IBM employees in various countries, employing factor analysis to uncover underlying cultural patterns. The results were then converted into standardized indices for each dimension by aggregating and weighting survey items, with scores scaled to enable meaningful cross-country comparisons. For this study, these cultural dimensions were used to calculate cultural distance by the following formula:

$$CD_j = \sum_{i=1}^4 \frac{(I_{ij} - I_{iN})^2}{V_i}$$

Where i is the cultural dimension, CD_j is the cultural distance between the target and acquirer country, $I_{i,j}$ is the index score for the i th dimension and j th country, I_{iN} is the index score for the i th dimension in the United States, and V_i is the variance of the index of the i th dimension. The value is divided into four parts because the cultural distance formula accounts for four specific dimensions: "Power Distance," "Individualism," "Masculinity," and "Uncertainty Avoidance." Although Hofstede has six cultural dimensions in the first place, only these four are included in the formula due to their considerable influence on economic decision-making. Kogut and Singh (1988) emphasized the importance of these four dimensions, highlighting their significant role in shaping firms' economic decisions, while the remaining two dimensions are excluded from the analysis.

4.2.3. Moderating variables

4.2.3.1. Knowledge base similarity

The first moderator, *knowledge base similarity*, will be assessed by examining the industry similarity between the acquirer and the target. In this study, industry similarity will be measured by comparing the industry US Standard Industrial Classification (SIC) codes between the acquirer and target per M&A deal (Pehrsson, 2019). The US SIC code is a numerical system used to specify the exact industry in which a company operates. This coding system follows a hierarchical structure, beginning with broad industry categories. The first two digits represent the primary industry the company is active in, while the last two digits provide a more detailed classification of the specific sector within that industry. Following Wang and Zajac (2007), this variable is operationalized as follows: if the first four digits of the primary SIC codes of the target and acquirer are the same, I code as 1; if only the first three digits are the same, I code as 0.75; if only the first two digits match, I code as 0.5; if only the first digit is common, I code as 0.25; otherwise, I code as 0. Higher values correspond to greater levels of relatedness.

4.2.3.2 Structural similarity

The second moderator, *structural similarity*, will be assessed by looking at the difference in firm size between the acquirer and the target. Previous research consistently demonstrates that organizational size is a crucial factor closely associated with the structure of an organization (Kimberly, 1976). Therefore, firm size will be used as a variable in this study to measure structural

similarity. Firm size is a widely used variable, functioning as an independent factor, control variable, and moderator. Given these multiple roles, it can be measured in several different ways. The most commonly used metrics among scholars are total assets, total sales, and market capitalization (Dang et al., 2018). Given the emphasis on perceived market value, this study selects market capitalization as the preferred measure of firm size. The firm size of both acquirer and target was calculated separately by taking the natural log of the market capitalization for each firm (Dang et al., 2018).

$$\textit{Firm size} = \textit{Log}(\textit{Market capitalization})$$

Then, structural similarity will be calculated by subtracting the firm size of the target from the firm size of the acquirer. A positive difference suggests that the acquirer is proportionally larger than the target, indicating structural similarity, as larger firms tend to acquire smaller firms in many cases. This aligns with prior M&A research, which indicates that larger firms tend to acquire smaller firms due to their more significant financial resources and strategic objectives (Weitzel & McCarthy, 2011). On the contrary, a negative difference suggests that the target is proportionally larger than the acquirer, indicating structural dissimilarity.

$$\textit{Structural similarity} = \textit{Acquirer firm size} - \textit{Target firm size}$$

4.2.3.3. Dominant logic similarity

The latter moderator, *dominant logic similarity*, will be assessed by examining the similarity in the tenure of the top management team (TMT) between the acquirer and the target. According to Sperber and Linder (2018), TMT members refer to company chairmen, general managers, chief supervisors, deputy general managers, and other directors, supervisors, and senior executives. As mentioned earlier, dominant (general management) logic refers to how managers understand and interpret the business (Prahalad & Bettis, 1986). Thus, the mindset of the firm often comes from the managers, and therefore, it has been chosen to focus on TMT heterogeneity. According to Yoon et al. (2016), TMT heterogeneity primarily includes TMT tenure and, therefore, will be used to measure dominant logic similarity. TMT tenure heterogeneity was calculated by determining the ratio between the standard deviation and the mean of the executives' respective tenures by year (Sperber & Linder, 2018; Xie et al., 2022; Yoon et al., 2016). First, TMT tenure heterogeneity will

be calculated separately for each acquirer and target involved in an M&A deal. This will be computed as follows:

$$TMT\ Tenure\ Heterogeneity = \frac{Standard\ Deviation\ of\ Tenure}{Mean\ Tenure}$$

Then, to compute dominant logic similarity, the difference in the TMT tenure heterogeneity scores for the acquirer (H_a) and the target (H_t) will be calculated in absolute difference:

$$Dominant\ logic\ similarity = H_a - H_t$$

A larger absolute difference between the TMT tenure heterogeneity of the acquirer and the target implies that the dominant logic of the two firms is more different and, thus, there is greater dissimilarity. In contrast, a smaller absolute difference between the TMT tenure heterogeneity of the acquirer and the target implies that the dominant logic of the two firms is more similar and, thus, there is greater similarity. The minimum difference is 0, indicating identical TMT tenure heterogeneity between the acquirer and target and, thus, perfectly dominant logic similarity.

4.2.4. Control Variables

To account for potential influences from other variables on post-acquisition performance, a set of control variables will be introduced and integrated into the models. The aim of this is to improve the internal validity of the study and reduce the impact of extraneous factors. The first control variable to be assessed and managed is deal value. High transaction values in M&As can positively influence announcement returns, impacting post-acquisition performance (Tuch & O'Sullivan, 2007). Since *deal value* offers large results, the natural log of the value will be used in the analysis.

The *acquisition size* will also be added as a control variable in the models. It measures the percentage acquired during the transaction. This control variable reflects the level of resources that the acquiring firm spent and could impact the post-acquisition performance (Buckley & Munjal, 2017). When the acquiring firm acquires more shares, the more difficult it becomes to achieve a return on those investments through performance (Moura et al., 2023). Additionally, the level of resource commitment reflects the firm's attitude toward taking on risky investments (Moura et al., 2023).

The completion time of an M&A deal computed in days will also be controlled for. This will be calculated by subtracting the announcement date from the completion date of an M&A deal. Longer deal durations often reflect greater complexity due to regulatory hurdles, legal negotiations, and integration challenges (Thompson & Kim, 2020). These complexities may negatively impact post-acquisition performance by driving up integration costs or extending periods of uncertainty for employees. Thompson and Kim (2020) highlight this dynamic, showing that extended M&A deal closures often signal poor post-M&A performance and increase the likelihood of eventual failure.

Fourthly, *uncertainty avoidance* is included as a control variable. Hofstede (1980) links uncertainty avoidance to a preference for organizational rules, procedures, and structured approaches to monitoring, planning, and control, which have been identified as influential factors in post-acquisition outcomes (Morosini et al., 1998). Additionally, cultures with high levels of uncertainty avoidance prioritize short-term feedback cycles, leading to hierarchical and faster post-merger management strategies that can promote sales growth (Morosini et al., 1998). Taken together, uncertainty avoidance is expected to positively influence post-acquisition performance. To account for this, this analysis will use Hofstede's (1980) national culture scores for uncertainty avoidance, corresponding to the target firm's country of origin.

Furthermore, *cash intensity*, calculated as total cash divided by total assets, takes into account a firm's liquidity position and how it may influence the choice of payment method in an M&A deal. Firms that use cash to finance their acquisitions tend to achieve more favorable outcomes (Haleblian et al., 2009). This advantage comes from greater managerial incentives in optimizing the efficiency of combined resources, which is one of the reasons why cash-financed deals exhibit superior post-deal performance than those financed with stock (Ghosh, 2001).

Consistent with Boateng et al. (1990), the *price-to-earnings ratio* of the acquirer, calculated as share price divided by earnings per share, will be included as a control variable. It reflects the market's expectations of a firm's growth and financial health, which can influence post-acquisition strategies and outcomes. Acquirers with high P/E ratios may face pressure to deliver quick results, which can impact integration decisions, while lower ratios may indicate reserved approaches toward the M&A deal.

4.2.5. Overview measurements

Table 1
Measurements

Variables	Definitions
<u>Dependent Variable</u>	
Post-acquisition performance	Tobin q = $\left(\frac{MKval+TA-BVE}{TA}\right)$
<u>Independent Variable</u>	
Cultural distance	$CD_j = \sum_{i=1}^4 \frac{(I_{ij} - I_{iN})^2}{4V_i}$
<u>Moderating Variables</u>	
Knowledge base similarity	Measured on a scale of 0-1 by comparing primary US SIC codes, with 0 being completely different and 1 being the same industry
Structural similarity	Acquirer LOG(market capitalization) – Target LOG(market capitalization)
Dominant logic similarity	TMT Tenure Heterogeneity = $\frac{\text{Standard Deviation of Tenure}}{\text{Mean Tenure}}$ Dominant logic similarity = H_a - H_t
<u>Control Variables</u>	
Deal value	LOG(Value of the performed deal in US Dollars)
Acquisition size	% amount of target company stake acquired

Deal completion time	Given in days: Completion date - announcement date of M&A deal
Uncertainty avoidance	Uncertainty avoidance score per country (Hofstede, 1990)
Cash intensity	Total cash divided by total assets
Price-to-earnings ratio	$\frac{\text{Share price}}{\text{EPS}}$

4.3 Methods of Analysis

Statistical models are used to simplify complex real-world situations by expressing them in an easier-to-understand mathematical framework (Haines & Crouch, 2007). The selection of an appropriate model is crucial since it directly influences result interpretation. In this study, pooled ordinary least squares (OLS) regression was employed to investigate the relationship between cultural distance and post-acquisition performance with the three moderators. A pooled OLS regression treats each observation as an independent observation, focusing on acquisition-level analysis rather than firm or times-specific effects. Since firms may have multiple acquisitions in a year, residuals within a firm are likely to be correlated. To account for this, standard errors will be clustered at the firm level so that the acquiring firm can adjust for within-cluster dependencies. More specifically, firm-level clustering accounts for correlations arising from repeated acquisitions by the same firm. Additionally, year-fixed effects were introduced into the analysis to consider time-specific factors that can impact post-acquisition performance. It accounts for any unobserved heterogeneity that is constant within each year but varies across time. The completion date of the M&A deal was used as a unit to analyze for fixed-year effects. Since this study clusters standard errors at the firm level for the acquiring firm, heteroskedasticity and autocorrelation are already accounted for. Furthermore, the Kurtosis test was performed regarding multivariate normality, resulting in a p-value < 0.05 (Appendix A). This indicates that the residuals deviate from

normal. To take possible outliers into account, the variable acquisition size is winsorized, resulting in the top and bottom 1% of the outliers being removed.

Regression models were utilized to analyze the relationship between cultural distance and post-acquisition performance, incorporating the effects of three moderating variables. In total, six models were developed for this study. Firstly, Model 1 is the baseline model, which includes only the control variables, while Model 2 adds the independent variable and the main effects of moderators to evaluate their individual contributions to the baseline model. Model 3, Model 4, and Model 5 measure Hypothesis 2, Hypothesis 3, and Hypothesis 4 respectively. Lastly, Model 6 will measure the complete regression equation, which is the following:

$$\begin{aligned}
 & \textit{PostacquisitionPerformance}_i \\
 &= \beta_0 + \beta_1 \textit{CulturalDistance}_i + \beta_2 \textit{KnowledgeBaseSimilarity}_i \\
 &+ \beta_3 \textit{StructuralSimilarity}_i + \beta_4 \textit{DominantLogicSimilarity}_i \\
 &+ \beta_5 (\textit{CulturalDistance}_i \times \textit{KnowledgeBaseSimilarity}_i) \\
 &+ \beta_6 (\textit{CulturalDistance}_i \times \textit{StructuralSimilarity}_i) \\
 &+ \beta_7 (\textit{CulturalDistance}_i \times \textit{DominantLogicSimilarity}_i) \\
 &+ \beta_8 \log \textit{DealValue}_i + \beta_9 \textit{AcquiredStake}_i + \beta_{10} \textit{DealCompletionTime}_i \\
 &+ \beta_{11} \textit{UncertaintyAvoidance}_i + \beta_{12} \textit{CASH}_i + \beta_{13} \textit{P/Eratio}_i + \epsilon_i
 \end{aligned}$$

Chapter - 5. Results & Analysis

5.1 Descriptive statistics and correlations

Summary statistics and correlations are provided in Table 1 and Table 2, respectively. The mean cultural distance between home and host countries is 1.553, suggesting that the target countries differ in terms of culture from the US. This aligns with the findings of Boateng et al. (2019), who reported a comparable moderate cultural distance value. The mean of knowledge base similarity, 0.084, indicates that M&A transactions in the dataset generally involve industries with little to no relatedness, reflecting a lack of knowledge base similarity. Structural similarity has a mean value of 2.509, indicating that acquirers are, on average, relatively larger than targets. Lastly, dominant logic similarity, measured as the average absolute difference in TMT tenure heterogeneity 0.153, suggests some degree of dissimilarity in management logic between acquirers and targets. However, the minimum value, close to zero (0.0000276), indicates that in certain cases, acquirers and targets have almost identical TMT tenure heterogeneity, reflecting high alignment in management logic for these firms.

The correlation matrix summarized in Table 3 shows that correlations between the independent variables are generally low to moderate and exhibit no serious multicollinearity, except for that between deal completion time and acquisition size ($r = 0.617$). However, a multicollinearity test was conducted by computing the VIF values of each variable in this study. As shown in Appendix B, the VIF values of the variables were all below 3, which is much lower than Hair et al.'s (2021) threshold value of 10, revealing that there are no indications of multicollinear problems. Furthermore, a regression analysis excluding the control variable deal completion time produced consistent results, with significant coefficients remaining unchanged.

Table 2
Descriptive statistics

	Variables	Obs.	Mean	SD	Min	Max
(1)	Post-acquisition performance	1107	0.599	0.874	0.014	8.845
(2)	Cultural distance	1107	1.553	1.049	0.597	5.116
(3)	Knowledge base similarity	1107	0.084	0.204	0.000	1.000
(4)	Structural similarity	1107	2.509	2.346	-11.436	8.567
(5)	Dominant logic similarity	1107	0.153	0.132	0.000	1.064
(6)	LogDeal value	1107	3.381	1.809	-2.130	9.800
(7)	Acquisition size	1107	6.360	18.742	0.020	100.000
(8)	Deal completion time	1107	7.081	35.500	0.000	422.000
(9)	Uncertainty avoidance	1107	58.453	21.953	23.000	112.000
(10)	Cash intensity	1107	0.231	0.085	0.012	0.825
(11)	Price-to-earnings ratio	1107	14.309	82.712	-2376.103	392.263

Table 3
Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Post-acquisition performance	1.000										
(2) Cultural distance	-0.005	1.000									
(3) Knowledge base similarity	0.231***	-0.070**	1.000								
(4) Structural similarity	-0.233***	0.145***	-0.222***	1.000							
(5) Dominant logic similarity	-0.001	0.063*	0.095***	-0.012	1.000						
(6) LogDeal value	0.126***	-0.051*	0.151***	-0.328***	-0.072**	1.000					
(7) Acquisition size	0.275***	-0.111***	0.442***	-0.345***	0.093***	0.375***	1.000				
(8) Deal completion time	0.183***	-0.012	0.264***	-0.216**	0.074**	0.261***	0.617***	1.000			
(9) Uncertainty avoidance	-0.029	0.252***	-0.023	0.009	-0.078***	0.209***	-0.103***	-0.044	1.000		
(10) Cash intensity	0.219***	-0.023	0.056*	-0.118***	-0.100***	-0.087***	-0.076**	-0.133***	0.045	1.000	
(11) Price-to-earnings ratio	0.008	0.017	0.011	0.025	0.038	0.019	-0.025	0.043	0.037	-0.050*	1.000

*** p<.01, **p<.05, *p<.10

5.2 Regression analysis

Table 4 presents the results of the pooled OLS regression. Model 1 shows only the control variables. In model 2, hypothesis 1 was tested. H1 proposes that cultural distance negatively impacts post-acquisition performance. The positive effect of cultural distance was verified ($\beta = 0.053, p < 0.01$), and thus, the relationship proposed in H1 is not supported. This finding aligns with previous research, which has shown that national cultural distance can influence post-acquisition performance in both positive and negative ways. To examine the moderating effects of knowledge base similarity (H2), structural similarity (H3), and dominant logic similarity (H4), the interaction terms were added to the regression analysis in Models 3, 4, and 5, respectively. H2 describes that knowledge base similarity negatively moderates the relationship between cultural distance and post-acquisition performance. Results show that the coefficient is positive ($\beta = 0.074, p > 0.10$); however, the interaction term is insignificant. Therefore, there is no evidence from this analysis to support H2. Similarly, the interaction effect between cultural distance and structural similarity is insignificant, revealing no support for H3. Additionally, the negative coefficient ($\beta = -0.012, p > 0.10$) suggests that higher structural similarity reduces the effect of cultural distance on post-acquisition performance, contrary to H3's expectation of a positive moderation effect.

Hypothesis 4 argues that dominant logic similarity negatively moderates the relationship between cultural distance and post-acquisition performance, such that higher similarity reduces the negative effects of cultural distance on performance. Results show a positive and significant effect ($\beta = 0.299, p < 0.05$), thus proving evidence for hypothesis 4. For every unit increase in cultural distance, the post-acquisition performance increases by an additional 0.299 units when dominant logic similarity increases by 1 unit. Put another way, higher dominant logic similarity amplifies the positive effects of cultural distance. This suggests that firms with more similar dominant logic (lower TMT tenure heterogeneity) are better positioned to handle cultural distance, resulting in higher performance. Lastly, it is worth noting that two of my control variables, acquisition size, and cash intensity, were consistently significant predictors of the dependent variable across all models.

Table 4
Pooled OLS regression analysis

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
LogDeal value	0.010 (0.018)	-0.005 (0.003)	-0.005 (0.022)	-0.006 (0.022)	-0.005 (0.022)	-0.007 (0.022)
Acquisition size	0.012*** (0.004)	0.009** (0.004)	0.009** (0.004)	0.009** (0.004)	0.009** (0.004)	0.009** (0.004)
Deal completion time	0.002 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Uncertainty avoidance	-0.004 (0.003)	-0.004 (0.002)	-0.004* (0.003)	-0.004* (0.003)	-0.004 (0.003)	-0.004 (0.003)
Cash intensity	2.816** (1.068)	2.514** (0.996)	2.519** (0.998)	2.507** (0.995)	2.511** (0.986)	2.506** (0.987)
Price-earnings ratio	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Cultural distance		0.053*** (0.020)	0.049** (0.015)	0.091* (0.051)	0.006 (0.028)	0.040 (0.059)
KnowledgeB similarity		0.363* (0.218)	0.272 (0.368)	0.365* (0.218)	0.377* (0.220)	0.313 (0.369)
Structural similarity		-0.050* (0.025)	-0.049* (0.025)	-0.032 (0.023)	-0.050** (0.025)	-0.031 (0.024)
DominantL similarity		-0.203 (0.327)	-0.197 (0.175)	-0.189 (0.324)	-0.726* (0.391)	-0.751* (0.390)
Cultural distance x KnowledgeB similarity			0.074 (0.210)			0.054 (0.220)
Cultural distance x Structural similarity				-0.012 (0.012)		-0.013 (0.013)
Cultural distance x DominantL similarity					0.299** (0.128)	-0.324** (0.124)
Constant	-0.621 (0.274)	-0.400 (0.300)	-0.390 (0.294)	-0.415 (0.295)	-0.364 (0.294)	-0.378 (0.283)
Observations	1107	1107	1107	1107	1107	1107

R-squared	0.216	0.238	0.238	0.239	0.240	0.242
Year Effects	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Robust standard error in parentheses.

*** $p < .01$, ** $p < .05$, * $p < .10$

5.3 Robustness check

Additional tests were performed to assess the model's robustness. Alternative proxies for post-acquisition performance and absorptive capacity variables were applied, consistent with previous studies (Liou & Rao-Nicholson, 2017; Moura et al., 2023; Xie et al., 2022). The results of these robustness tests are presented in Appendix D. First, ROA was used as a proxy for post-acquisition performance, which is widely used in IB literature as an accounting-based measure (Moura et al., 2023). Results in Table 7 show a significant moderating effect of structural similarity ($\beta = -0.002$, $p < 0.10$). Second, ROE, another established performance metric (Liou & Rao-Nicholson, 2017), was used as an additional robustness measure. However, the results displayed in Table 8 indicate no significant coefficients, offering no support for the hypotheses.

To further test the model, TMT age heterogeneity was substituted for TMT tenure heterogeneity as a proxy for dominant logic similarity. As shown in Table 9, this adjustment yielded no significant effects. As a final robustness check, TMT gender heterogeneity was considered as an alternative for dominant logic similarity. Interestingly, dominant logic similarity demonstrated a significant effect ($\beta = 0.468$, $p < 0.10$) (Appendix D: Table 10). However, this coefficient was lower than the main analysis ($\beta = 0.299$), suggesting that its effect, while present, is comparatively weaker.

Chapter 6: Discussions and Conclusion

6.1. Discussion

This study contributes to the literature on cross-border M&A performance by considering cultural distance in the presence of three moderators.

Hypothesis 1 proposed a negative association between cultural distance and post-acquisition performance. Contrary to expectations, results show that the coefficient is positive and significant, meaning that a larger cultural distance is associated with higher post-acquisition performance. This challenges the traditionally held belief in M&A literature that cultural distance is a liability (Reus & Lamont, 2009; Schoenberg, 2000). Instead, the findings resonate with the cultural distance paradox (Stahl et al., 2016), which suggests that cultural differences can provide opportunities for learning, innovation, and unique value creation. A possible reason is that cultural distance may force acquirers to adopt diverse cultural perspectives and more effective integration strategies, thereby improving outcomes (Reus & Lamont, 2009). The positive relationship can also reflect the diverse perspectives and problem-solving approaches introduced by cultural differences, which can improve creativity and adaptability during integration (Moura et al., 2023). Thus, this finding departs from earlier studies emphasizing the negative consequences of cultural distance, such as increased transaction costs and integration challenges (Datta & Puia, 1995; Weber et al., 2012). Besides, it is consistent with more recent perspectives emphasizing the strategic advantage of leveraging cultural diversity (Moura et al., 2023).

Hypothesis 2 argues that knowledge base similarity (measured by industry similarity) negatively moderates the relationship between cultural distance and post-acquisition performance, such that higher similarity reduces the negative effects of cultural distance on performance. The results showed a positive but statistically insignificant interaction effect on the relationship between cultural distance and performance. This result contrasts with the absorptive capacity theory, which posits that knowledge base alignment enhances integration and performance by facilitating knowledge assimilation (Cohen & Levinthal, 2000). The positive coefficient aligns with previous studies that emphasize the importance of relatedness in facilitating knowledge transfer and integration to enhance knowledge compatibility (Wang et al., 2017). However, a possible explanation for the lack of significance is that industry similarity might help firms share

knowledge more easily, but this alone may not be enough to amplify the benefits of cultural distance in improving performance. It is possible that the operationalization of knowledge base similarity (industry similarity based on SIC codes) does not fully capture deeper aspects of knowledge alignment, such as technological compatibility or intellectual property synergies. Future studies could consider additional or alternative ways of operationalizing knowledge base similarity, such as patent portfolios and R&D intensity, to capture broader dimensions of knowledge alignment.

Hypothesis 3 explains that organizational structure similarity (measured by firm size difference) negatively moderates the relationship between cultural distance and post-acquisition performance, such that higher similarity reduces the negative effects of cultural distance on performance. Similarly to H2, the moderating effect of structural similarity was insignificant, showing a negative coefficient. This finding challenges the theoretical expectation that structural similarity fosters collaboration and knowledge transfer between merging entities, thereby enhancing post-acquisition performance (Romero-Torres, 2020). However, structural similarity might not adequately capture the complexity of organizational structures. While size similarity can balance resources, it may not address structural dynamics, such as communication patterns, hierarchy, or decision-making styles. Therefore, it can be argued that firm size alone is an insufficient proxy for structural similarity and might oversimplify its role in integration. Further research should investigate additional dimensions of structural similarity beyond firm size, such as hierarchy levels or decision-making styles.

Hypothesis 4 argues that dominant logic similarity (measured by TMT tenure heterogeneity) negatively moderates the relationship between cultural distance and post-acquisition performance, such that higher similarity reduces the negative effects of cultural distance on performance. The results supported H4, showing a positive and significant moderating effect. This suggests that when acquirer and target firms share similar managerial mindsets, the benefits of cultural distance are amplified. The alignment of cognitive frameworks between acquirer and target creates a shared understanding and facilitates smoother communication and decision-making. This finding aligns with existing theories (Galavotti et al., 2020; Verbeke, 2010), reinforcing the importance of managerial alignment in M&As. It underscores the role of cognitive alignment in leveraging cultural differences as a strategic asset (Tang & Rowe, 2012).

6.2. Academic Contributions

This study contributes to the academic literature on CBM&As by challenging conventional assumptions about the role of cultural distance and introducing new perspectives on its potential as a strategic asset. Traditionally, cultural distance has been viewed as a liability in M&A integration, often associated with high transaction costs and organizational conflicts. However, this research, contrary to expected, shows that cultural differences, when managed effectively, can result in positive performance outcomes. The findings highlight that cultural distance is not inherently detrimental and can serve as a source of value creation when approached with the appropriate strategies. Another theoretical contribution of this study lies in its exploration of organizational similarities: knowledge base, structural, and dominant logic as moderators on the relationship between cultural distance and post-acquisition performance. Among these, dominant logic similarity emerged as a critical factor, underscoring the importance of managerial alignment in mitigating integration challenges and amplifying the benefits of cultural distance. This finding reinforces the application of the relative absorptive capacity theory in the CBM&As framework by showing how cognitive alignment between acquirer and target firms enhances integration processes and performance outcomes.

By demonstrating how organizational similarities can serve as facilitators for successful integration, this study further broadens the definition of relative absorptive capacity. While these similarities are framed as potential moderators in this research, the findings provide a deeper understanding of their roles. For instance, while knowledge base similarity and structural similarity show insignificant moderating effects, their potential to promote knowledge transfer and operational alignment should not be disregarded. These findings imply that absorptive capacity is a complex concept that functions dynamically across many organizational similarity dimensions. To better understand their complex relationships, future studies could examine these dimensions in various settings. Lastly, the results demonstrate that relative absorptive ability is a valuable tool for addressing cultural concerns in M&A transactions and expanding the theoretical knowledge of CBA performance.

6.3. Managerial Implications

The findings offer several important implications for practitioners and managers involved in CBM&As. First, managers should view cultural distance not as a barrier but as an opportunity to drive innovation and adaptability. The positive relationship between cultural distance and post-acquisition performance demonstrates that diverse cultural practices and perspectives can enrich organizational capabilities when leveraged effectively. Managers should shift their mindset and develop strategies that embrace rather than resist cultural distance. Second, managers of acquiring firms should focus on achieving greater alignment in dominant logic between them and target firms, as this alignment can help mitigate challenges posed by cultural differences and enhance their post-acquisition performance. Managers can achieve this by fostering open communication, creating joint integration teams, and establishing shared goals to bridge cultural differences. Despite the insignificant findings of knowledge base similarity and structural similarity in this research, these factors remain important considerations for managers aiming to enhance integration in CBM&As. Careful evaluation of these aspects before finalizing the acquisition can help identify potential challenges and develop tailored strategies, ultimately facilitating a smoother integration process. For instance, firms with similar industries and, thus, similar knowledge bases may benefit from joint training programs, while firms with different industries might focus on aligning routines or streamlining decision-making processes. By strategically leveraging these similarities, managers can improve the integration processes in CBM&As.

6.4 Limitations and Recommendations

This study is not without its limitations. One significant constraint lies in the dataset, which predominantly focuses on acquisitions involving U.S. firms as acquirers and European firms as targets. While this focus provides valuable insights into a specific regional context, it limits the generalizability of the findings to other regions, particularly to acquisitions involving firms from emerging markets. A broader dataset that includes acquisitions from developing countries could provide more novel insights and contribute to the discussion, particularly regarding how cultural distance impacts acquisitions in these regions. Future research could explore whether the dynamics observed in this study hold in other regional contexts, such as Africa or Asia, where both the acquirer and target originate from developing countries. Another limitation is that this study only

accounts for national cultural differences as measured by Hofstede's framework (1984). While Hofstede's dimensions provide a strong theoretical foundation, they don't capture the nuances of corporate culture, which is often equally important in CBM&As (Very & Schweiger, 2001). Future research should incorporate measures of corporate cultural distance to better understand the interplay between national and corporate cultural factors.

The findings related to knowledge base similarity and structural similarity were found to be insignificant. As mentioned earlier, alternative ways to measure these variables are recommended for future research. Furthermore, whether these variables play a more significant role in certain industries can be questioned. For example, industries with high technological intensity may require greater alignment in knowledge bases or organizational structures. Besides the alternative proxies for the variables, future research could also focus on sectoral differences to determine whether these factors exhibit stronger moderating effects in specific contexts. This study also focused on managerial alignment to dominant logic similarity, measured through TMT tenure heterogeneity. While this dimension is insightful, other factors of managerial alignment can be considered for future research, such as similarities in leadership style or similar educational background, to increase the explanatory power. For instance, Yoon et al. (2016) also include educational background as a measure for TMT heterogeneity.

Despite the 32-year time window being theoretically sufficient for panel data analysis, incorporating more recent data could provide greater relevance and precision. This would allow future studies to account for the evolving dynamics of global business and cultural integration, such as post-COVID effects and digital transformation. Lastly, this study uses Tobin's q , a relatively long-term performance measure of cross-border acquisitions. However, alternative long-term acquisition performance proxies, such as employee satisfaction or customer retention, should also be considered. These metrics are essential for capturing both internal and external dynamics that influence long-term outcomes. A combined measurement approach that integrates these factors is therefore recommended. Similarly, Zollo and Meier (2008) argue that acquisition performance is inherently multifaceted and should be examined through different options, including long-term indicators that better capture the overall impact of acquisitions.

6.5 Conclusion

The central aim of this study was to explore the impact of cultural distance between acquirers and targets on post-acquisition performance, considering variations across different levels of knowledge base similarity, structural similarity, and dominant logic similarity. While the findings did not provide comprehensive support for all the initial hypotheses, the results still yielded interesting insights for the literature on cultural distance and M&A strategies. The empirical findings suggest that national cultural distance is an important factor for researchers and managers to consider when deciding about and carrying out a cross-border acquisition. Among the examined moderating factors, dominant logic similarity significantly enhances the relationship between cultural distance and post-acquisition performance, highlighting the importance of managerial alignment. However, the effects of knowledge base similarity and structural similarity were found to be statistically insignificant. These results contribute to a more nuanced understanding of cultural distance in CBM&As, demonstrating its potential to drive positive outcomes under specific conditions.

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Appendices

Appendix A:

Table 5

Skewness and kurtosis tests for normality

Variable	Observations	Pr (skewness)	Pr (kurtosis)	Adj chi2 (2)	Prob>chi2
resid	1107	0.000	0.000	644.820	0.000

Appendix B:

Table 6

Multicollinearity test for each variable

Variable	VIF	1/VIF
Cultural distance	1.20	0.832
Knowledge base similarity	1.32	0.454
Structural similarity	1.35	0.571
Dominant logic similarity	1.12	0.863
LogDeal value	1.46	0.863
Acquisition size	2.26	0.535
Deal completion time	1.74	0.960
Uncertainty avoidance	1.45	0.726
Cash intensity	1.14	0.193
Price-to-earnings ratio	1.06	0.943

Appendix C:

Dominant logic similarity is also measured by using the TMT gender heterogeneity proxy and the TMT age heterogeneity proxy. First, TMT Gender Heterogeneity was calculated as follows:

$$\text{TMT Gender Heterogeneity} = 1 - \sum p^2i$$

, where p_i is the proportion of TMT members in each gender category (e.g., male and female).

Second, TMT age heterogeneity was calculated as follows:

$$\text{TMT Age Heterogeneity} = \frac{\text{Standard Deviation of Ages}}{\text{Mean Age}}$$

Then, to calculate dominant logic similarity, the absolute difference was calculated between its acquirer and its target for both proxies separately. Higher values indicate greater dissimilarity in gender or age heterogeneity between acquirer and target, reflecting less alignment in dominant logic. Lower values suggest a greater similarity.

Appendix D:

Table 7

Robustness check using ROA as the dependent variable

	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
LogDeal value	0.003** (0.002)	0.003 (0.002)	0.003 (0.002)	0.003 (0.002)	0.003 (0.002)	0.003 (0.002)
Acquisition size	-0.001** (0.004)	-0.001** (0.000)	-0.001** (0.000)	-0.001** (0.000)	-0.001** (0.000)	-0.001** (0.000)
Deal completion time	0.000** (0.000)	0.000** (0.000)	0.000** (0.000)	0.000** (0.000)	0.000** (0.000)	0.000** (0.000)
Uncertainty avoidance	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Cash intensity	-0.007 (0.094)	-0.006 (0.092)	-0.004 (0.093)	-0.007 (0.092)	-0.006 (0.092)	-0.005 (0.093)
Price-earnings ratio	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Cultural distance		0.005 (0.003)	0.003 (0.002)	0.011** (0.006)	0.006 (0.004)	0.009* (0.005)
KnowledgeB similarity		-0.028 (0.028)	-0.064 (0.051)	-0.028 (0.028)	-0.029 (0.028)	-0.058 (0.050)
Structural similarity		-0.002 (0.002)	-0.002 (0.002)	0.001 (0.003)	-0.002 (0.002)	0.001 (0.002)
DominantL similarity		-0.001 (0.030)	0.001 (0.031)	0.001 (0.030)	0.012 (0.046)	0.008 (0.044)
Cultural distance x KnowledgeB similarity			0.029 (0.023)			0.024 (0.022)
Cultural distance x Structural similarity				-0.002* (0.001)		-0.002 (0.001)
Cultural distance x DominantL similarity					-0.008 (0.015)	-0.003 (0.013)
Constant	0.005 (0.028)	0.007 (0.031)	0.009 (0.030)	0.003 (0.031)	0.006 (0.031)	0.005 (0.029)

Observations	1107	1107	1107	1107	1107	1107
R-squared	0.092	0.102	0.107	0.106	0.103	0.109
Year Effects	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Robust standard error in parentheses.
 *** p<.01, **p<.05, *p<.10

Table 8
Robustness check using ROE as the dependent variable

	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18
LogDeal value	-0.002 (0.005)	-0.006 (0.006)	-0.006 (0.006)	-0.006 (0.006)	-0.006 (0.006)	-0.006 (0.006)
Acquisition size	0.001 (0.002)	0.000 (0.002)	0.000 (0.002)	0.000 (0.002)	0.000 (0.002)	0.000 (0.002)
Deal completion time	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Uncertainty avoidance	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Cash intensity	-0.170 (0.151)	-0.227 (0.166)	-0.229 (0.168)	-0.226 (0.165)	-0.227 (0.166)	-0.228 (0.167)
Price-earnings ratio	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Cultural distance		-0.000 (0.005)	0.002 (0.005)	-0.006 (0.017)	-0.005 (0.012)	-0.006 (0.019)
KnowledgeB similarity		0.010 (0.119)	0.049 (0.228)	0.010 (0.119)	0.011 (0.121)	0.043 (0.232)
Structural similarity		-0.008* (0.005)	-0.008* (0.005)	-0.011 (0.010)	-0.008* (0.005)	-0.010 (0.010)
DominantL similarity		-0.108 (0.089)	-0.111 (0.095)	-0.110 (0.091)	-0.162 (0.182)	-0.158 (0.176)
Cultural distance x KnowledgeB similarity			-0.032 (0.094)			-0.026 (0.094)
Cultural distance x Structural similarity				0.002 (0.004)		0.001 (0.004)
Cultural distance x DominantL similarity					0.031 (0.057)	0.027 (0.052)
Constant	0.216*** (0.052)	0.263*** (0.076)	0.261*** (0.071)	0.266*** (0.081)	0.267*** (0.080)	0.266*** (0.078)
Observations	1107	1107	1107	1107	1107	1107

R-squared	0.019	0.026	0.026	0.026	0.026	0.027
Year Effects	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Robust standard error in parentheses.

*** p<.01, **p<.05, *p<.10

Table 9
Robustness check using TMT Age heterogeneity as a proxy for dominant logic similarity

	Model 19	Model 20	Model 21	Model 22	Model 23	Model 24
LogDeal value	0.018 (0.018)	0.000 (0.019)	-0.000 (0.019)	-0.001 (0.019)	-0.002 (0.019)	-0.002 (0.019)
Acquisition size	0.010*** (0.004)	0.008** (0.004)	0.008** (0.004)	0.008** (0.004)	0.008** (0.004)	0.008** (0.004)
Deal completion time	0.002 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Uncertainty avoidance	-0.004 (0.003)	-0.005* (0.002)	-0.005* (0.002)	-0.005* (0.002)	-0.005* (0.002)	-0.005* (0.002)
Cash intensity	2.469** (1.128)	2.111** (1.039)	2.114** (1.044)	2.108** (1.040)	2.110** (1.033)	2.107** (1.039)
Price-earnings ratio	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)
Cultural distance		0.029 (0.021)	0.026 (0.019)	0.060 (0.058)	-0.002 (0.021)	0.030 (0.046)
KnowledgeB similarity		0.372 (0.240)	0.317 (0.380)	0.373 (0.239)	0.371 (0.238)	0.382 (0.373)
Structural similarity		-0.056** (0.025)	-0.056** (0.025)	-0.041* (0.022)	-0.056** (0.025)	-0.041* (0.022)
DominantL similarity		-1.785* (0.934)	-1.786* (0.936)	-1.765* (0.950)	-3.184*** (1.080)	-3.174*** (1.059)
Cultural distance x KnowledgeB similarity			0.043 (0.206)			-0.008 (0.208)
Cultural distance x Structural similarity				-0.010 (0.013)		-0.010 (0.012)
Cultural distance x DominantL similarity					1.118 (1.063)	1.126 (1.048)
Constant	-0.575 (0.)	-0.264 (0.300)	-0.261 (0.295)	-0.283 (0.300)	-0.232 (0.287)	-0.252 (0.280)
Observations	1042	1042	1042	1042	1042	1042

R-squared	0.216	0.221	0.221	0.222	0.223	0.223
Year Effects	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Robust standard error in parentheses.

*** p<.01, **p<.05, *p<.10

Table 10
Robustness check using TMT Gender heterogeneity as a proxy for dominant logic similarity

	Model 25	Model 26	Model 27	Model 28	Model 29	Model 30
LogDeal value	0.018 (0.018)	0.001 (0.019)	0.001 (0.019)	0.000 (0.019)	-0.001 (0.020)	-0.002 (0.019)
Acquisition size	0.010*** (0.004)	0.008** (0.004)	0.008** (0.004)	0.008** (0.004)	0.008** (0.004)	0.008** (0.004)
Deal completion time	0.002 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Uncertainty avoidance	-0.004 (0.003)	-0.004* (0.002)	-0.004* (0.002)	-0.004* (0.002)	-0.005* (0.003)	-0.005* (0.003)
Cash intensity	2.470** (1.128)	2.087* (1.065)	2.090* (1.069)	2.083* (1.065)	2.061* (1.057)	2.056* (1.063)
Price-earnings ratio	0.001 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)
Cultural distance		0.038* (0.020)	0.035* (0.019)	0.072 (0.053)	-0.044 (0.042)	-0.007 (0.050)
KnowledgeB similarity		0.349 (0.237)	0.288 (0.383)	0.350 (0.218)	0.339* (0.239)	0.336 (0.374)
Structural similarity		-0.055** (0.025)	-0.054** (0.025)	-0.038* (0.021)	-0.054** (0.025)	-0.035 (0.022)
DominantL similarity		-0.274 (0.484)	-0.276 (0.486)	-0.278 (0.483)	-1.082* (0.768)	-1.112 (0.778)
Cultural distance x KnowledgeB similarity			0.047 (0.206)			0.003 (0.203)
Cultural distance x Structural similarity				-0.011 (0.013)		-0.012 (0.013)
Cultural distance x DominantL similarity					0.468* (0.252)	-0.482* (0.256)
Constant	-0.575 (0.303)	-0.286 (0.344)	-0.282 (0.340)	-0.305 (0.340)	-0.144 (0.370)	-0.162 (0.358)
Observations	1042	1042	1042	1042	1042	1042

R-squared	0.190	0.218	0.218	0.219	0.222	0.223
Year Effects	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Robust standard error in parentheses. *** p<.01, **p<.05, *p<.10