

Article

Improving Enterprises' Cross-Border M&A Sustainability in the Globalization Age—Research on Acquisition and Application of the Foreign Experience

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Abstract: The advancement of globalization has encouraged an increasing number of enterprises to go abroad and take cross-border mergers and acquisitions (M&A) to expand their overseas market and improve core competitiveness, although many acquirers fail to gain value from post-acquisition integration. On the basis of organizational learning theory, this paper explores the effect of executives' foreign experience on cross-border M&A sustainability, and examines how the externally acquired knowledge can be effectively applied to cross-border M&A practice. Taking a sample of Chinese listed companies that have completed cross-border M&As during 2008–2016, our research proposes an integrated framework of foreign experiential knowledge, and discusses the process of acquisition and application of this experiential knowledge into cross-border M&As. Empirical research findings show that, compared with the general foreign experience, the specific foreign experience based on target country significantly improves cross-border M&A sustainability, and executives with host-specific work experience plays a more important role than that of education experience. Further research found that long-tenured executives positively moderate the effect of foreign experiential knowledge on cross-border M&A sustainability, while the pay gap for executives, which hampers internal coherence, plays a negative moderating role. This research provides a new insight into the promotion of the sustainable development of enterprise cross-border M&A in the globalization age.

Keywords: cross-border M&A sustainability; foreign experience; knowledge application; value creation; executives' characteristics

1. Introduction

In the globalization age, cross-border mergers and acquisitions (M&A) which means multinationals going abroad and buying other companies in a foreign country, has developed dramatically and played a most important role in enterprises' internationalization strategy recently. As reported by the Ministry of Commerce, the total amount of cross-border M&As in Chinese firms has increased sixteen fold from 2006 (\$8.25 billion) to 2016 (\$135.33 billion), and the average growth rate is more than 150% per year. With cross-border M&As, enterprises can not only acquire advanced technology and managerial experience [1,2], but also expand their business and brand into global markets. For example, the giant company Alibaba has undertaken several cross-border M&A activities recently, and has now become a

famous multinational corporation with an e-commerce business covering more than 200 countries and regions in the world.

However, contrary to the high-growth of cross-border M&As, most of the enterprises who have acquired one showed poor performance in the post-acquisition integration, and failed to create value in overseas operations [3]. As the data of PWC showed, more than half of the deals failed for China's cross-border M&As by the end of 2016, which is lower than the average 70% success rate among global M&As. Improving enterprises' cross-border M&A sustainability has attracted notable attention and concern from researchers and policymakers in recent years [4,5].

Prior studies based on organizational learning theory have emphasized that firms with extensive acquisition experience will have a positive effect on the value creation of the post-acquisition process [6–8]. As firms accumulate acquisition experience, they develop their acquisition management expertise and are more likely to select the right target and manage post-acquisition integration effectively than those with little or no experience. Recent studies have paid attention to the role of executives with foreign experience [9,10], especially in the emerging market where most of the enterprises are still in the primary stage of internationalization [11,12] and have accumulated less international capacity. Scholars assumed that the foreign experience of returnee managers enables firms to enhance their commitment in foreign markets; in particular, this experiential knowledge plays an important role in helping enterprises reduce information asymmetry and external uncertainty, and improves their legitimacy and adaptability to overseas operations [13]. On the other hand, others found that foreign experience has no significant impact on cross-border M&A effectiveness [14,15]. As shown in Figure 1, the success rate of cross-border M&As fluctuates around 50% with the increasing number of returnee managers in China.

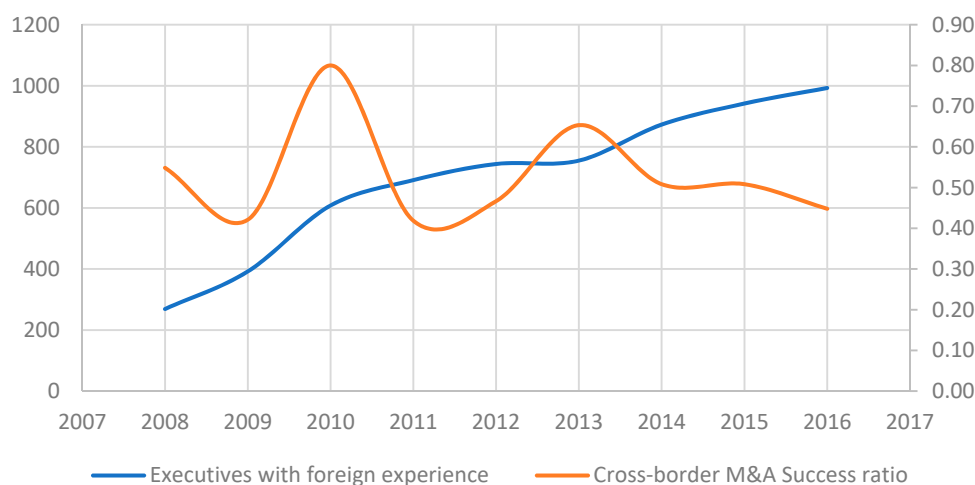


Figure 1. Number of returnee managers and Cross-border M&A success ratio in China.

It is noteworthy that cross-border M&As involve both companies (parent and subsidiary), and are embedded into the target country environment. Knowledge about the target country is crucial in the process of cross-border acquisition [16]. In this regard, executives with foreign experience in the same region as the target country may have more advantages within their enterprise to obtain local information, accumulate local resources, and better deal with local stakeholders. We called this specific foreign experience, which refers to foreign experience based on the specific target country. For finer-grained examination of the effect of executives' foreign experience, we further explore how this externally acquired knowledge could be effectively absorbed and applied in cross-border M&A practice. Executives with different characteristics are considered to have different abilities in utilizing their acquired knowledge. Specifically, executives with long-term tenure are more familiar with the corporate situation, which enables firms to better absorb and match the information from the foreign country [17]. The pay gap for executives, which influences internal communication and

cooperation [18], also has an impact on the application of experiential knowledge in cross-border M&A practice.

We empirically test our hypotheses in the context of cross-border M&As by Chinese listed firms from 2008–2016. The Chinese context is appropriate and advantageous because cross-border M&As grew rapidly recently in China, which provides a substantial number of cases and data for this research. Additionally, there is an increasing number of internationally experienced executives returning to China, and this presents a great opportunity for us to statistically detect the hypothesized effects.

Overall, this article makes several contributions. First, we contribute to cross-border M&A research, and explore the effect of executives' foreign experiential knowledge on firms' cross-border M&A sustainability. Second, we also add to the literature of organizational learning by providing a new insight into differentials in the influence of general and specific foreign experience on cross-border M&A outcomes, with the findings showing that specific foreign experience plays a more important role in a firm's cross-border M&A sustainability. Lastly, we examine the contingency conditions that affect the application of foreign experience to cross-border M&A practice. Specifically, we explore the moderating role of executives' characteristics, which advances our knowledge of the application of acquired experiential knowledge.

2. Theoretical Background

With the globalization, there is an increasing number of enterprises go abroad and take various of ways to expand their overseas market and enhance international competitiveness [19]. Among them, cross-border M&A which act as an important FDI way has attracted highly attention among scholars in the past few years [20,21]. In the prior research of cross-border M&A, many scholars focus on the antecedent and consequence of cross-border M&A from different perspectives, such as enterprise characteristic [22,23], board structure [24], national institutional environment [25,26], culture distance [27], payment method [28] and so on. However, these researches paid more attention to the developed countries, and seldom did they discussed the multinationals in the China context, where the cross-border M&A has increased substantially over the past decade.

Review of the cross-border M&As taken by Chinese firms, actually, many cases still face difficulties and challenges in post-acquisition integration, which greatly hampers cross-border M&A sustainability [29,30]. We define the cross-border M&A sustainability in this paper as the acquiring company achieving value creation or better performance after acquisition, and realizing sustainable development in the long run. One important reason of enterprises' poor sustainability is that they know less about the target-country environment, and have weak internationalization capacity. Due to the liability of foreignness and newness [31], these firms often suffer criticism from the target country, and face obstacles with local stakeholders in overseas operations. The contradiction of the growth of cross-border M&As and low sustainability has been a key issue in this field in the globalization age.

On the basis of organizational learning theory (OLT), early studies focused on the role of a firm's prior acquisition experience [8,32,33], and found that prior acquisition experience provides enterprises with feedback about effective and ineffective patterns of managing acquisitions, which enables them to enhance performance in managing acquisitions over time [6,34]. Other research findings found that the effect of acquisition experience is far from positive or monotonic [35–37]. Halebian and Finkelstein proposed a "U-shaped" relationship, and argued that the influence of acquisition experience on performance is dependent on the similarity of prior acquisitions and the focal acquisition, and the firm's tactics of applying these experiences [38].

In addition to the firm's acquisition experience, recently, the numbers of individuals with foreign experience returning to their home countries has increased, and it is assumed that they may play a particularly important role in their firm's internationalization practice. Based on organizational learning theory, some scholars have directed their attention to these internationally experienced executives, and argued that executives who have gathered experience abroad often hold high potential to contribute foreign experiential knowledge, which enables firms to reduce uncertainty and facilitate the success of

foreign investments [39]. However, most of the literature has traditionally discussed foreign experience in a general sense, such as the presence or proportion of foreign directors in the firm [13,40–42]. Only seldom did they pay attention to the executives who had host country experiential knowledge, which may also have advantages in promoting cross-border M&A sustainability. For example, in the case of Geely successfully acquiring Volvo, nearly half of Geely's top management team came from the United States or had work or study experience in the United States.

Additionally, some scholars have also explored the factors that influence the effectiveness of applying external experiential knowledge into management practice. Giuliani and Bell argued that differences in the ability to absorb external knowledge lead to different performance outcomes [43]. Escribano et al. analyzed the moderating role of absorptive capacity in external knowledge gains, and found that enterprises with higher absorptive capacity can derive greater benefits and perform better in market competition [44]. Executives with different characteristics are also considered to have different abilities to utilize externally acquired knowledge [45], which has not yet received due attention in the OLT literature. Therefore, this article fills a research gap by examining the different effects of foreign experiential knowledge on cross-border M&As in the globalization age, and exploring the moderating effect of executives' characteristics in the above knowledge applications. Furthermore, this research also examines which type of foreign experiential knowledge plays a more important role in cross-border M&A sustainability.

3. Hypothesis Development

3.1. Foreign Experience and Cross-Border M&A Sustainability

The development of economic globalization has promoted an increasing number of enterprises to go abroad seeking overseas markets and strategic assets, however many acquirers face difficulties in managing post-acquisition, and show poor sustainability. As defined before, cross-border M&A sustainability refers to the acquiring company achieving sustainable development in the long run, which the company can enjoy a better performance and gain value creation after managing effectively in the post-acquisition. To solve the above problems, enterprises tend to undertake a diligent pre-investigation into the host market, or resort to professional intermediaries for reducing potential acquisition risks. However, these actions typically generate large consulting costs and information-search fees. Recently, large amounts of individuals who have gathered foreign experience abroad have begun returning to their home countries, and their abundant international knowledge has the potential to make great contributions to their firm's internationalization strategies.

In cross-border acquisitions, firms that have general foreign experiential knowledge tend to perform better than those without this knowledge. On the one hand, executives' foreign knowledge provides their company with diversified information about international rules and institutional environment, which enhances a firm's international knowledge and helps managers overcome uncertainty and potential risks when managing cross-border M&As. Additionally, the accumulation of foreign knowledge develops firms' internationalization capacity, and managers in these firms are highly able to take cross-culture management and have confidence in operating foreign businesses [46]. Carpenter et al. pointed out that executives with foreign experience have a greater willingness to take risks and promote enterprises that undertake internationalization strategies to maintain value promotion [47]. On the other hand, firms with foreign knowledge could enhance their understanding of the economic and institutional environment of foreign markets, which would enable managers to make accurate estimations on cross-border M&A projects and utilize better management strategies in a post-acquisition operation [48].

Despite the relative advantage of general foreign experience in cross-border M&A sustainability, some enterprises that have a number of internationally experienced executives still suffer difficulties in dealing with foreign business and post-acquisition management, especially for small and medium

enterprises. To this end, we further differentiate the region attribute of foreign experience, and exploring the specific foreign experience based on the target country.

Compared to executives' foreign experience without target country presence, specific foreign experience based on the target country could enhance a firm's cross-border M&A sustainability for several reasons. First, it can provide firms with information about the target country, such as the political environment, customer preferences, and market competition [49], which not only helps decision-makers grasp of the target country's overall situation, but also contributes to access to local tacit knowledge. Cavusgil et al. found that this non-codified and unrepeatable tacit knowledge plays a key role for firms obtaining sustainable competitive advantages [50]. Second, executives with target country experience can provide firms with local social resources through their personal networks. When enterprises enter a target country, they need to cope with different stakeholders like customers, the government, the community and so on, and inevitably various potential problems can arise. According to social network theory [51], the executive's social network could help their company alleviate potential conflicts with local stakeholders in overseas operation, and reducing the probability of lawsuits. More importantly, their experience in building and maintaining local relationships can facilitate the firm's further expansion in the target market, thereby contributing to cross-border M&A sustainability in the long run.

Moreover, specific foreign experience based on the target country also helps firms build up legitimacy in the cross-border M&A process [52,53]. For internal legitimacy, executives who have accumulated experiential knowledge in the target country are more likely to help firms in managing cross-cultural conflicts in post-acquisition integration. Additionally, their capacity to communicate and cooperate with local employees greatly promotes their firm's inner synergy [54]. For external legitimacy, their accumulated knowledge and resources from the target country enable firms to better deal with external key stakeholders, such as media and the community. In addition, they can help firms enhance corporate social responsibility (CSR), which contributes to gaining trust and support from local people.

Even though experience of other countries also provides firms with diversified international knowledge, limited understanding of the target business environment may cause firms to misinterpret or misapply some information [16]. We thus propose:

Hypothesis 1 (H1). *General foreign experience is positively associated with cross-border M&A sustainability.*

Hypothesis 2 (H2). *Specific foreign experience is positively associated with cross-border M&A sustainability.*

3.2. Application of Experiential Knowledge: The Moderating Role of Executives' Characteristics

Executives' cognitions, values and risk preferences are reflected in their behaviors [45]. Different characteristics of executives play different roles in the application of experiential knowledge to organizational decision-making. Specifically, this paper explores the two factors of executives' tenure, and the pay gap.

3.2.1. Moderating Effect of Tenure

Tenure reflects how long the executives have held their positions and the experiences they have accumulated in their work, which may influence the application of the knowledge that is externally acquired by the returnee managers [17,55].

First, executives with a long-term tenure enable the firm to better absorb externally acquired knowledge. On the one hand, the tenure is highly relevant to daily work; long-tenured executives often develop their business capabilities and information processing abilities during their work experience, and can efficiently recognize and obtain foreign experiential knowledge acquired by returnee managers, and apply it to corporate post-acquisition management. While some scholars believe that long-tenured

executives tend to be less flexible and less creative [56], in the globalization age, the increasingly fierce competition among multinational enterprises promotes their open-mindedness and positive responses to the external changing environment.

Second, long-tenured executives, based on their familiarity with the inner environment, could better match the experiential knowledge from the foreign country. Jaw and Lin found that executives with a long-term tenure are more familiar with the overall situation of the company [57], such as the firm's structure, operation conditions, financial status, and so on. When receiving international knowledge about the foreign country, they could match and integrate the information and resources between two parties more effectively, and choose appropriate integration strategies and produce the effect of " $1 + 1 > 2$ ".

Third, long-tenured executives with greater power and control over corporate decision-making can strengthen the application of foreign experiential knowledge [58,59]. Specifically, in cross-border M&As, long-tenured executives with greater power and higher status can apply useful experiential knowledge into organization strategy more efficiently, and ensure the effectiveness of implementation of acquisition decisions, which will improve the firm's post-acquisition management and promote cross-border M&A sustainability.

Based on the above analysis, in the globalization age, longer-tenured executives could better promote the absorption and application of foreign experiential knowledge, and integrate this knowledge into cross-border M&A. We thus propose:

Hypothesis 3 (H3). *Executives' tenure positively moderates the effect of general foreign experience on cross-border M&A sustainability.*

Hypothesis 4 (H4). *Executives' tenure positively moderates the effect of specific foreign experience on cross-border M&A sustainability.*

3.2.2. Moderating Effect of the Pay Gap

The executives' pay gap is determined by their company's compensation structure, which refers to the difference degree of salaries among top management team members [60]. In the globalization age, the executives' pay gap is high in many enterprises in the Chinese market, including in companies such as Alibaba and Tencent.

The executives' pay gap also affects the application of foreign experiential knowledge in organizations. On the one hand, social comparison theory emphasizes that a large pay gap for executives may produce a sense of unfairness, leading to jealousy, nervousness, and other negative emotions [61,62]. A large pay gap also stimulates internal conflicts and dissatisfaction among executives; members who earn lower compensation may have less motivation to share their international experience and knowledge with others [63], and alternatively take a "free-ride" or dawdle over their work, which hinders their communication and cooperation in a firm's post-acquisition integration.

On the other hand, a large pay gap among executives reduces their commitment and identity to the organization. In order to narrow the pay gap, some executives with lower compensation are motivated to engage in opportunistic behaviors for their private benefit [64]. In cross-border M&As, they may distort their experiential knowledge from the foreign country, or exploit this knowledge to interfere the decisions for maximizing their profits. Additionally, a cross-border M&A is a huge project with lots of investments, and these executives may tend to think that their efforts do not match their returns, thereby decreasing their positive impact in the corporate decision-making process.

Despite other research based on tournament theory suggesting that the executives' pay gap can promote their competition and reduce firms' agency costs [65], we argue that a larger pay gap may greatly hamper a firm's internal coherence, thus weakening the effectiveness of applying foreign experiential knowledge in cross-border M&A. We propose:

Hypothesis 5 (H5). *The executives' pay gap negatively moderates the effect of general foreign experience on cross-border M&A sustainability.*

Hypothesis 6 (H6). *The executives' pay gap negatively moderates the effect of specific foreign experience on cross-border M&A sustainability.*

As a result, the research model is illustrated in Figure 2, which shows the main variables that this paper focuses on and the logical relationships among them.

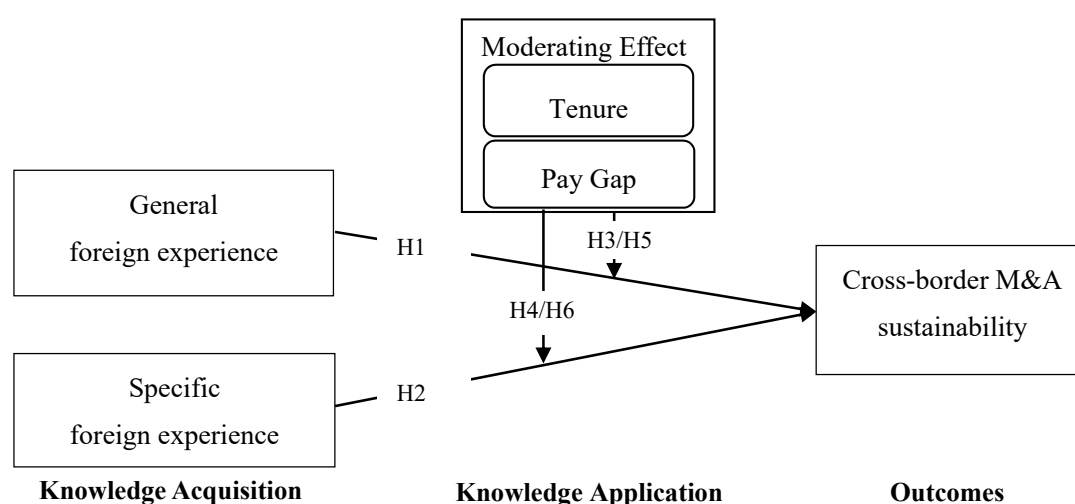


Figure 2. Research model.

4. Methodology

4.1. Sample and Data Collection

The advancement of economic globalization has promoted an increasing number of enterprises to take cross-border M&As in foreign countries to expand their markets. Recently, the Chinese government and multinational enterprises have introduced highly skilled, talented emigrants, and these returnees often hold high level qualifications such as PhDs from leading universities, or have acquired managerial and commercial knowledge working in renowned enterprises. Once in China, such individuals may join corporate top management teams as executives [66]. This context provides a great opportunity for exploring the effect of internationally experienced executives on cross-border M&A sustainability.

Our research takes publicly-listed Chinese companies which have completed cross-border M&As from 2008 to 2016 as the sample. We use a web crawling tool to collect our data from the WIND database and CSMAR database, which include detailed data of cross-border M&A transactions, corporate governance, and the financial structure of all listed companies in China, and have been widely used in management research [67,68]. We obtained the executives' biographies for the sample firms from the companies' annual reports. We screened 15,930 executives' biographies, cross-verifying the information through various news and internet searches, such as SINA and SOHU. As shown in Figure 3, the number of staff with foreign experience has increased from 2008 to 2016. Correspondingly, the executives with foreign experience also grew rapidly in number during this time. Figure 4 further shows the specialty structure of the executives with foreign experience. It is obvious that management accounts for the highest proportion, with finance and accounting second, indicating that many executives tend to take management courses or hold management positions in foreign companies prior to returning to their home country. R&D ranked third, reflecting enterprises' propensity to technologic innovation.

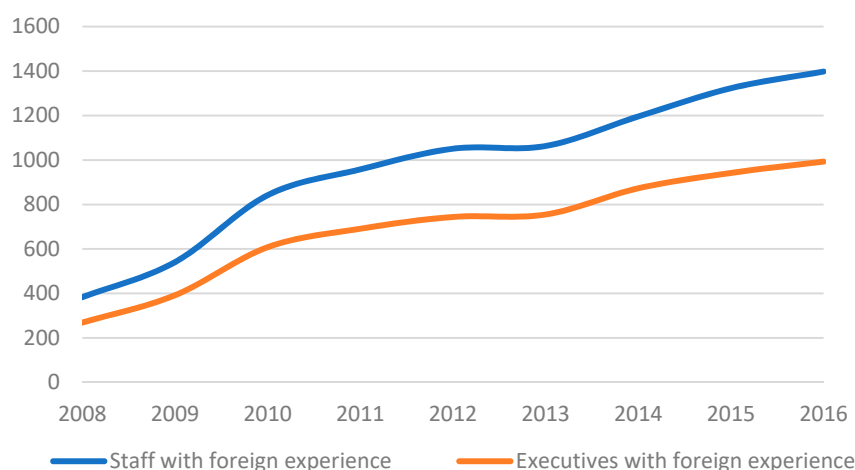


Figure 3. Numbers of individuals with foreign experience in China.

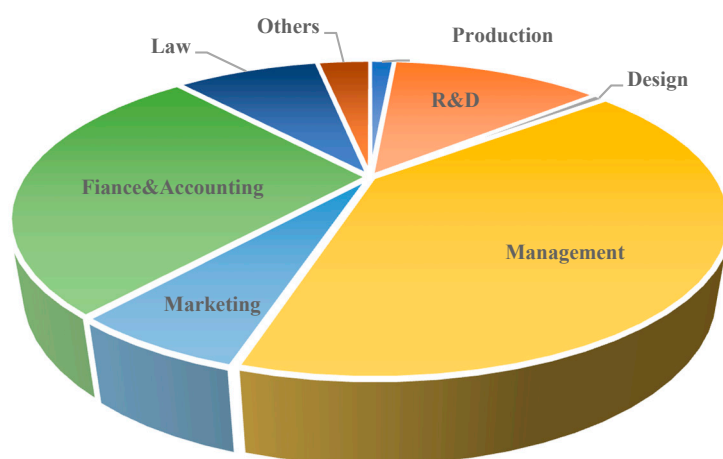


Figure 4. Specialty structure of the executives with foreign experience.

The macroeconomic data, such as the GDP, GDP growth, and total trade volume, is collected from the World Bank Database and United Nations Statistical Database. In addition, we exclude samples with missing financial data and those meeting the following conditions: (1) Samples of overseas subsidiaries or branches that are mainly owned by the acquirers; (2) the samples for which the M&A share of the acquirer is less than 10%; and (3) the acquired company is from the British Virgin Islands or the Cayman Islands. We also retain the first event for which the company undertook multiple cross-border transactions in a given year [69,70]. Finally, we obtained 708 cross-border M&A samples, and used STATA 12.0 to analyze our data.

4.2. Measures

Dependent variable: We use CBA(Δ TQ) as the measurement of cross-border M&A sustainability in this paper. Prior research has devoted great efforts to understanding cross-border M&A outcomes, including short-term stock market returns and long-term performance [71–73]. However, many scholars have suggested that investors' reactions to cross-border M&A announcements do not necessarily predict acquirers' long-term sustainability [74]. Therefore, contrary to the indicator that calculates the cumulative abnormal return (CAR) in the stock market by the Event Study method, we focus on firms' sustainability in cross-border M&As by using the financial indicator. Consistent with the research of Cai and Sevilir [75], we measure this variable by calculating the change in industry-adjusted Tobin's

Q from two years prior to the deal announcement to two years after deal completion. We use the equation as follows:

$$CBA(\Delta TQ) = (TQ_{t+1} - TQ_{t-1}) + (TQ_{t+2} - TQ_{t-2})/2$$

Independent variable: We use GFE and SFE to measure the indicators of general foreign experience and specific foreign experience in this paper. Specifically, we identify executives with foreign experience of a firm through structured content analysis of the biographical description of top management team (TMT) members disclosed in the annual reports. We count the number of executives (1) who had work or education experience in foreign countries; and (2) who had work or education experience from the same region within the target country. Then, we calculate respectively the ratios of a firm's TMT members. We use these ratios as a measurement of the two types of executives' foreign experience

Moderating variable: The moderating variables in this paper include the two indicators of executives' tenure and the pay gap. Specifically, tenure is measured by the average number of years TMT members have been in their position until the year of the cross-border M&A. As for the pay gap, in the company's annual report, public firms are required to disclose the salary compensation of their top three executives and the total salary of all executives, however the pay of each TMT member is seldom listed. Given this, we calculate this variable by using the proportion of the salary of the top three executives from the total salary of all executives in a firm.

Control variables: We controlled for firm size, which may affect M&A decisions and risk-taking behaviors [76,77]. This variable is measured by the logarithm of a firm's total assets. We also controlled for financial leverage level, measured by the debt-to-asset ratio of the firm, which reflects its financing ability. In addition, considering the effect of a firm's growth opportunities on cross-border M&As, we controlled for this variable by considering the firm's total asset growth rate. To control for the possibility that excess resources drive firms to make cross-border M&A investments, we controlled the ratio of free cash flow. Moreover, we controlled firms' R&D investments to capture the effect (if any) of a firm's innovation capacity on cross-border M&A performance. We measure this variable by the proportion of R&D expenditure on total sales.

We also controlled the variables at the country level. The country's economic development is considered to influence firms' cross-border M&A performance. We thus controlled for the GDP and GDP growth rate of both the home country and the host country. In addition, the degree of openness of the host country reflects the opportunities for company entry and investment, and we also controlled for host openness by the proportion of total import and export trade volume of the GDP in the year. The institution distance between two countries matters for cross-border M&A sustainability due to the different institutional environments. Following the research by Kogut and Singh [78], we measured this variable by the World Governance Indicator (WGI). The WGI is widely used in institutional research, and includes six dimensions: (1) Voice and Accountability; (2) Political Stability and Absence of Violence/Terrorism; (3) Government Effectiveness; (4) Regulatory Quality; (5) Rule of Law; and (6) Control of Corruption. Specifically, the indicator of national institutional distance was calculated using the formula:

$$ID = \sum_{i=1}^6 \left\{ \frac{(I_{ihost} - I_{ihome})^2}{V_i} \right\} / 6$$

where i equals each dimension of the national institutions, I_{ihost} and I_{ihome} refer to the institutional index from the host country and home country (here, China), respectively, and V_i is the standard deviation of index i .

Likewise, we also control the cultural distance using the index of Hofstede's six culture dimensions [79]. In addition, we controlled the economic distance by the difference of the logarithm of the GDP between the two countries. Lastly, we also controlled for industry and year fixed-effects.

5. Result and Findings

Table 1 reports the Pearson correlation for each variable. The correlation between cross-border M&A sustainability and general foreign experience is 0.11, and is 0.15 for specific foreign experience, suggesting a positive correlation between experiential knowledge and cross-border sustainability. Additionally, the two types of experiential knowledge are positively correlated with executives' tenure and negatively correlated with pay gap. Table 2 presents statistics describing the variables. On average, about 22% of executives have foreign experience, and only 9% of executives have foreign experience in the target country. We also check the Variance Inflation Factors (VIF) to test for the presence of multicollinearity. The result shows the VIF values of all variables range from 1.04 to 4.32. Additionally, the correlation coefficients for each of the variables are under 0.5, indicating that there is no serious multicollinearity problem in our models.

5.1. Regression Results

We use the OLS (Ordinary Least Square) model to test the research hypotheses, and regression results are reported in Table 3. The column of the baseline includes only the control variables. Model 1 shows that the coefficient of general foreign experience is positive (0.351) but not significant, while the coefficient of specific foreign experience in Model 2 is positive (2.145) at the 5% significant level, suggesting that only specific foreign experience based on the target country has a significant positive influence on cross-border M&A sustainability in the globalization age—H2 is thus supported. As for the result of H1, the possible reason for this is that most Chinese enterprises are still in the initial stage of internationalization; they have not accumulated extensive foreign experiences of different countries, and have weak international capacities and adaptabilities to overseas operations. In addition, despite general foreign experience providing firms with diversified international knowledge, it does not offer sufficient resource support towards the target country, including information resources and social resources, and thus does not help firms build up legitimacy in the local place. This is consistent with the research of Zhu [15].

Models 3–6 show the results of the moderating effects. As predicted, tenure positively moderates the effects of general foreign experience (0.128, $p < 0.1$) and specific foreign experience (0.25, $p < 0.05$) on cross-border M&A sustainability, which supports the H3 and H4. Additionally, the interaction of the pay gap is significant and negative with the general foreign experience (-5.302 , $p < 0.05$) and specific foreign experience (-2.75 , $p < 0.1$)—H5 and H6 are therefore also supported. These findings reveal that executives with a long-term tenure often have experience and the ability to process information, allowing them to better absorb and apply the externally acquired knowledge into management practices. On the other hand, a large pay gap among executives may hamper internal communication and coherence, decreasing the role of experiential knowledge in organizational sustainability. Figures 5 and 6 show the plot of the interaction effects of tenure and pay gap with experiential knowledge.

Our test also shows the results of the control variables. Firm size is negatively related to cross-border M&A sustainability, suggesting that larger enterprises tend to overinvest and have poor supervision, which reduces cross-border M&A effectiveness. This conclusion is consistent with the research of Moeller et al. [80]. In addition, high-growth enterprises also have a negative impact on cross-border M&A sustainability due to their increased risk taking behavior and blind expansion in the globalization age.

Table 1. Pearson correlation coefficients.

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1.CBA(Δ TQ)	1																
2.GFE	0.11	1															
3.SFE	0.15	0.08	1														
4.Tenure	0.05	0.07	0.05	1													
5.PayGap	0.01	−0.03	−0.07	0.10	1												
6.Firm Size	−0.14	0.17	−0.40	−0.20	−0.38	1											
7.Leverage	0.07	0.03	−0.08	−0.18	−0.29	0.51	1										
8.Firm growth	−0.38	−0.02	−0.00	0.01	0.02	−0.02	−0.07	1									
9.Cash	0.02	0.03	0.01	−0.10	−0.07	0.25	0.14	−0.00	1								
10.R&D	0.03	0.00	0.04	0.17	0.09	−0.31	−0.36	−0.02	−0.02	1							
11.Home GDP	0.09	0.04	−0.94	0.04	0.17	0.40	0.05	0.01	−0.01	0.14	1						
12.Home GDP growth	0.09	0.06	−0.72	0.10	0.17	0.15	−0.02	0.03	−0.09	0.14	0.83	1					
13.Host GDP	−0.02	−0.04	0.45	−0.0	0.07	−0.43	−0.06	−0.00	−0.00	0.10	−0.47	−0.42	1				
14.Host GDP growth	0.01	−0.04	0.48	−0.03	0.03	−0.43	−0.06	−0.00	−0.00	−0.00	−0.48	−0.42	0.50	1			
15.Openness	0.01	−0.02	0.34	−0.02	0.03	−0.13	0.09	0.00	0.02	−0.06	−0.37	−0.21	0.38	0.38	1		
16.Institutional distance	−0.05	−0.01	−0.08	0.00	−0.04	−0.01	−0.09	−0.00	−0.04	0.10	0.08	0.02	−0.09	−0.09	0.11	1	
17.Cultural distance	−0.03	−0.04	0.45	−0.03	−0.05	−0.43	−0.06	−0.00	−0.00	0.06	−0.48	−0.46	0.50	0.50	0.38	−0.11	1
18.Economic distance	0.05	0.06	0.04	−0.01	−0.02	0.02	0.10	−0.01	0.03	−0.08	−0.07	0.03	0.09	0.09	0.06	−0.48	0.11

Table 2. Descriptive statistics.

Variables	Mean	S.D.	VIF	Variables	Mean	S.D.	VIF
CBA(Δ TQ)	0.02	0.53	-	R&D	0.36	0.01	1.29
GFE	0.22	0.06	1.49	Home GDP	29.65	0.07	1.52
SFE	0.09	0.03	1.53	Home GDP growth	8.67	0.06	1.48
Tenure	2.60	0.12	1.09	Host GDP	27.79	0.68	2.39
Pay Gap	0.36	0.03	1.26	Host GDP growth	2.31	0.95	1.31
Firm Size	22.91	0.18	2.27	Openness	1.00	0.45	4.11
Leverage	0.46	0.04	1.95	Institutional Distance	3.37	0.58	3.70
Firm Growth	0.51	0.27	1.04	Cultural Distance	3.53	0.58	3.24
Cash	0.13	0.19	1.14	Economic Distance	−1.69	0.33	4.32

Table 3. Regression results.

Variables.	Baseline	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GFE		0.351		0.321		2.745 **	
SFE			2.145 **		2.144 *		7.357 **
Tenure				0.031 *	0.009		
GFE X Tenure				0.128 *			
SFE X Tenure					0.250 **		
Pay Gap						−1.741 *	−0.912
GFE X Pay Gap						−5.302 **	
SFE X Pay Gap							−2.75 *
Firm Size	−0.239 ***	−0.255 ***	−0.253 ***	−0.255 ***	−0.252 ***	−0.258 ***	−0.237 ***
Leverage	0.755	0.794	0.765	0.800	0.776	1.000 *	0.873
Firm Growth	−0.969 ***	−0.970 ***	−0.976 ***	−0.965 ***	−0.968 ***	−0.978 ***	−0.989 ***
Cash	0.280	0.288	0.298	0.285	0.295	0.323	0.333 *
R&D	0.814	0.788	0.710	0.821	0.774	0.590	0.597
Home GDP	0.087	0.146	0.178	0.132	0.159	0.211	0.193
Home GDP Growth	0.408	0.255	0.251	0.298	0.305	−0.026	0.124
Host GDP	−0.000	−0.002	−0.038	−0.000	−0.036	−0.008	−0.0478
Host GDP Growth	0.031	0.031	0.029	0.031	0.029	0.022	0.0260
Openness	−0.050	−0.044	−0.090	−0.039	−0.084	−0.070	−0.121
Institutional distance	−0.027	−0.034	−0.019	−0.035	−0.019	−0.009	−0.00605
Cultural distance	0.065	0.069	0.046	0.072	0.050	0.065	0.0424
Economic distance	0.113	0.106	0.119	0.106	0.123	0.149	0.151
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-square	0.8660	0.8663	0.8664	0.8660	0.8656	0.8655	0.8685
Wald chi2	1199	1198.71	1211.00	1180.50	1182.55	1203.23	1214.04
Prob > chi2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Note: N = 708; standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

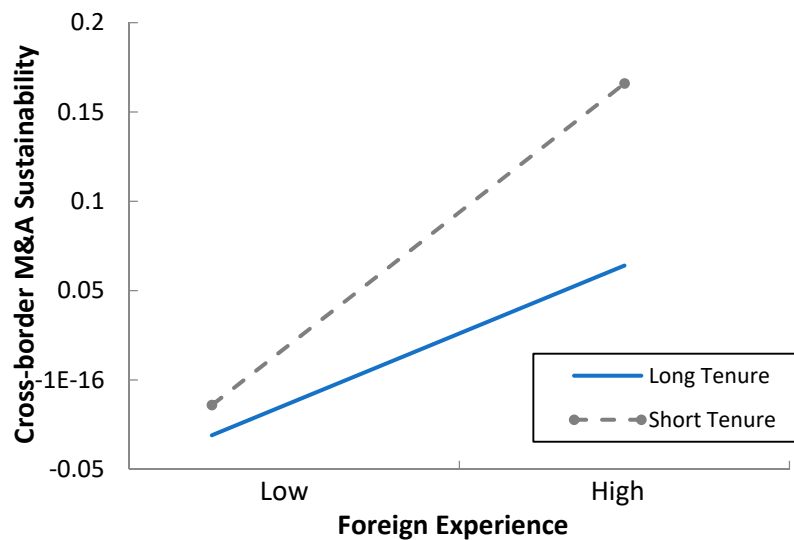


Figure 5. Moderating effect of tenure.

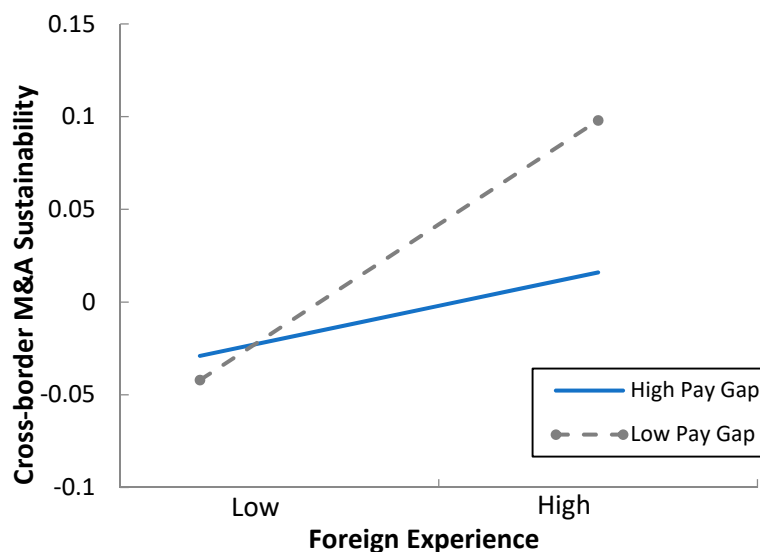


Figure 6. Moderating effect of executives' pay gap.

5.2. Further Analysis

The empirical results above suggest that only specific foreign experience based on the target country significantly improves cross-border M&A sustainability for enterprises in the globalization age. To provide evidence on the mechanisms driving our results, we further explore which type of experience obtained from the target country affects cross-border M&A sustainability more significantly. Specifically, we compare the role of experience knowledge from foreign work, and foreign education.

For executives with work experience in the target country, on the one hand, they had direct interactions with the local environment when managing a business overseas, and could provide the company with working-related knowledge and resources of the target country, which would help the firm better understand the target country business environment and predict potential risks to the acquisition. On the other hand, their experience in building local networks would help the company enhance external legitimacy, and more importantly, enable the firm to better deal with local stakeholders, such as suppliers, customers, trade unions, and the media, which would accelerate the firm's expansion into the target market. For executives with education experience in the target country, they typically have a high capacity for learning and absorbing new things, and also have a comprehensive cognition of target markets, which helps the company respond in a timely manner to the changing environment in the target country, and could allow the firm to better identify the potential opportunities and risks when undertaking cross-border M&A activity [81]. However, considering that most Chinese enterprises have less overseas business experience, executives with target country education experience might have less influence on cross-border M&A performance than those with target country work experience.

This paper thus further calculates the proportion of executives with work experience and education experience in the target country. As shown in Table 4, we found that host-specific work experience has a positive (0.45) and significant ($p < 0.1$) influence on cross-border M&A sustainability, while the coefficient of host-education experience is positive but not significant. Model 3 includes all the variables and the result is robust. This finding supports our argument that executives' work experience in the target country plays a more important role in promoting cross-border M&A sustainability than education experience.

Table 4. Regression results of different types of specific foreign experience.

Variables	Model 1	Model 2	Model 3
SFE_Work	0.450 *		0.435 *
SFE_Education		0.314	0.287
Firm Size	−0.257 ***	−0.239 ***	−0.256 ***
Leverage	0.725	0.752	0.723
Firm growth	−0.977 ***	−0.972 ***	−0.979 ***
Cash	0.294	0.313	0.324
R&D	0.569	0.697	0.469
Home GDP	0.169	0.144	0.218
Home GDP growth	0.299	0.219	0.129
Host GDP	−0.030	−0.012	−0.039
Host GDP growth	0.028	0.029	0.025
Openness	−0.078	−0.072	−0.097
Institutional distance	−0.016	−0.016	−0.006
Cultural distance	0.042	0.059	0.037
Economic distance	0.127	0.128	0.140
Industry	Yes	Yes	Yes
Year	Yes	Yes	Yes
R-square	0.8666	0.8662	0.8667
Wald chi2	1207.29	1204.92	1211.69
Prob > chi2	0.0000	0.0000	0.0000

Note: standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

5.3. Robustness Test

We take the following methods to test the robustness of our models. First, we use an alternative measure of the change of return on assets (ROA) as the dependent variable. Similarly, this variable is measured by the change in industry-adjusted ROA from two years prior to the deal announcement to two years after deal completion. The results remain stable. Second, executives who obtained foreign experience from another country where the institutional environment is similar to the target country may also perform a similar positive role. We used the variable of institutional distance between the target country and the country where the executives obtained foreign experience in measuring the independent variable. The results are also robust.

In addition, instead of using the first cross-border M&A event of the company in the year, we undertook alternative methods to deal with these samples by: (1) Retaining the sample of the largest cross-border M&A deal in the year; (2) eliminating the company samples that took multiple cross-border M&As in a year; and (3) taking the number of cross-border M&As in a year as a control variable. The results are also basically consistent with the previous conclusions.

6. Conclusions and Discussion

Improving cross-border M&A sustainability for enterprises in the globalization age is a key issue in economic development. On the basis of organizational learning theory, we empirically analyzed the role of executives' foreign experience on cross-border M&A sustainability, and explored the moderating effect of executives' characteristics (tenure and pay gap) on the above relationship. Taking a sample of 708 Chinese listed companies that completed a cross-border M&A during 2008–2016, this research reveals some important findings.

This paper contributes to the study of organizational learning by examining the effect of executive's foreign experience on cross-border M&A sustainability. Previous studies have focused more on the role of acquisition experience, and have argued that a firm's prior cross-border M&A experience has a significant impact on subsequent cross-border M&A activities [35,82]. However, in this paper, we considered enterprises in the Chinese context which have less international experience, and suggest that executives' foreign experience also has an influence on firms' cross-border M&A. Different from

the researches which discuss the executives' foreign experience in a general sense [40], we differentiate the region attribute of foreign experience, and our findings show that only specific foreign experience based on the target country, rather than general foreign experience, could significantly improve the cross-border M&A sustainability. In addition, consistent with the research of Liu et al. [83], our further research has observed that host-specific work experience could help enterprise better deal with local stakeholders and bring experiential knowledge in managing a business overseas, which plays a more important role than that of education experience.

Consistent with the research on organizational learning mechanisms [84,85], this paper also explores the factors that affect the application of experiential knowledge to organizational performance. In the globalization age, executives with a long-term tenure typically have the ability to process information extremely well, and are more familiar with the corporate inner situation, which enables them to better recognize and match the information obtained from foreign countries and apply it to cross-border M&A management. This result is somewhat consistent with the research of Xie [17]. However, if the pay gap is high in TMT members, executives may have less motivation to share their knowledge and communicate effectively with others [63], which not only increases internal conflicts but also leads to opportunistic behaviors among low-paid executives. Therefore, the pay gap negatively moderates the relationship of experiential knowledge and cross-border M&A sustainability.

Overall, this paper has some implications for both research and practice. With respect to research implications, on the one hand, this paper contributes to the OLT literature by providing new insights to distinguish executives' foreign experience, and explores, for the first time, the role of specific foreign experience based on the target country, which is particularly pivotal for emerging market enterprises undertaking cross-border M&A activities. On the other hand, this paper contributes to the research of cross-border M&As in the globalization age, emphasizes the importance of acquisition and application of foreign experience, and provides evidence that executives' characteristics have different influences on absorbing and applying external acquired experiential knowledge.

With respect to practice implications, in the globalization environment, enterprises which aim to expand into overseas market by cross-border M&As should encourage TMT members to establish contacts with the target markets, specifically by recruiting returnees who have foreign experience in the target country, or actively building cooperative relationships with companies or relevant institutional sectors in the target country to exchange experiences. Moreover, enterprises should minimize the frequency of TMT turnover, as long-tenured executives could help the firm better absorb external experiential knowledge and apply it to management practice. Lastly, a large pay gap may hamper internal coherence for enterprises, so the company should also pay attention to the negative impact of executives' pay gaps on cross-border M&As, narrow the pay gap, and encourage internal communication and cooperation.

Our study also has several limitations, which can suggest directions for future research. First, this paper mainly focuses on executives' foreign experience; other people, such as executives' friends, relatives or alumni who have experience in foreign countries or even the target country may also provide information and resource support for enterprises. Further research could explore the roles of these potential social relationships in corporate cross-border M&A investment in the globalization age. Second, this paper discusses knowledge application by exploring the moderating effect of executives' characteristics. Further studies may explore other possible effects, such as managerial discretion and ownership structure, which also influence the relationship of foreign and cross-border M&A sustainability.

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