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ACQUIRER REPUTATION IN MERGERS AND ACQUISITIONS

by

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ABSTRACT

Reputation is a firm's key intangible assets for shareholders' value creation. Reputation building is a firm's corporate strategy approach that is vital for the firm in order to sustain itself in this competitive global world. The influence of reputation on firm's performance, decision making, employee retainment, cost reduction, and partner selection have been studied and documented by academics. Despite this, there have been insufficient studies on reputation and mergers and acquisitions (M&A) activity. M&As are an important corporate strategy that firms use to survive and expand their global market. In the UK, both the number and value of domestic and cross-border M&As has increased significantly over the years. Drawing from the emerging popularity of reputation and the increased amount of M&A activity by UK acquirers, this thesis investigates the relation between reputation and UK acquirer M&A activity.

This thesis focuses on three main issues: (1) the impact of reputation on acquirer cross-border M&A returns; (2) the relation between reputation and UK acquirer domestic and cross-border deal completion time; and (3) the relation between UK acquirer reputation and target's ownership nature.

Firstly, event-time and calendar-time approaches are used to examine UK acquirer cross-border M&A returns. The result reveals a significant relation between reputation and acquirer M&A returns. The author finds high reputation acquirers earned significant cross-border event-time and calendar-time returns. Secondly, this study

finds a significant positive relation between acquirer reputation and domestic and cross-border deal completion time. This result implies that a high reputation acquirer takes more time to complete a deal. Lastly, the author finds a high reputation acquirer is more likely to choose a public target over a private target in domestic and cross-border M&As. However, the author finds a mixed result for subsidiaries: a high reputation acquirer is more likely to choose a subsidiary for a cross-border M&A, and less likely to for a domestic M&A.

KEYWORDS: *Corporate Reputation, Mergers and Acquisitions, Cross-border, Domestic, Short and Long-term Performance, Duration and Target Ownership Nature*

DEDICATION

To my late father

With all my love and gratitude

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Abbreviations and Variable Definitions

AME = average marginal effect

BHAR = buy hold abnormal return

BMAC = Britain's most admired companies

CAAR= cumulative average abnormal return

CAR = cumulative abnormal return

CSIT = corporate social irresponsibility

CSR = corporate social responsibility

CV = curriculum vitae

DAX = Deutsche Aktienindex

FCF = free cash flow

GVC = global value chain

HR = human resource

IMAA = Institute for Mergers, Acquisitions and Alliances

LSE = London stock exchange

M&A = mergers and acquisitions

MT = Management Today

NPV = net present value

OLS = ordinary least square

ONS = Office for National Statistics

ROA = return on asset

SOE = state-owned enterprise

TCE = transaction costs economics

WOS = wholly owned subsidiary

Variable Definitions

Variable	Definition
Reputation	Any firm listed in MT during the M&A announcement year is called a reputation firm (Source: MT).
High reputation	The top 50% of MT listed firms are called high reputation firms. The dichotomous variable equals 1 if the MT listed firm's reputation score is equal to or above the median score (Source: MT).
Low reputation	The bottom 50% of MT listed firms are called low reputation firms. The dichotomous variable is equal to 1 if the MT listed firm's reputation score is below the median score (Source: MT).
CAAR	CAAR is the sum of average abnormal returns over the event time and it obtains the aggregate effect of abnormal returns. We used the Carhart four-factor asset pricing model to estimate CAAR (Source: Bloomberg database and authors' calculation).
Alpha	Alpha refer to excess returns of investment relative to the return of the benchmark. We used the Carhart four-factor assets pricing model to estimate alpha (Source: Bloomberg database and authors' calculation).
Duration	Number of calendar days between the deal announcement date and the completion date (Source: Thomson Reuters Eikon).
Public target	Dichotomous variable equals 1 if target's ownership nature is public (Source: Thomson Reuters Eikon).
Private target	Dichotomous variable equals 1 if target's ownership nature is private (Source: Thomson Reuters Eikon).
Subsidiary target	Dichotomous variable equals 1 if target's ownership nature is subsidiary (Source: Thomson Reuters Eikon).
Cash payment	Dichotomous variable equals 1 if the deal payment is made in cash (Source: Bloomberg and Thomson Reuters Eikon).
Stake sought	Percentage stake being acquired (Source: Bloomberg and Thomson Reuters Eikon).
FCF	Operating income before depreciation minus interest, expenses, income taxes and capital expenditures, scaled by

	book value of total assets (Source: Bloomberg and Thomson Reuters Eikon).
Leverage	Book value of debts (sum of current liabilities and long-term debt) divided by market value of assets (total book value of assets minus book value of equity plus market value of equity (Source: Bloomberg and Thomson Reuters Eikon).
Tobin's q	Market value of assets (total book value of assets minus book value of equity plus market value of equity) over book value of assets (Source: Bloomberg and Thomson Reuters Eikon).
Relative deal size	Deal value reported in Bloomberg and Thomson Reuters Eikon over market value of acquirer equity (Source: Bloomberg and Thomson Reuters Eikon).
ROA	The industry median of return on assets. It is calculated as EBITDA divided by book value of total assets (Source: Bloomberg and Thomson Reuters Eikon).
Industry similarity	Dummy variable equal to 1 if the acquirer's and target's industry sectors are the same, and 0 otherwise (Source: Bloomberg and Thomson Reuters Eikon).
Rule of law	Capturing perceptions of the extent to which agents have confidence in, and abide by, the rules of society, and in particular, the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence (Source: World Bank database and Kaufmann, 2010).
Voice of accountability	Capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media (Source: World Bank database and Kaufmann, 2010).
Political stability	Capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism (Source: World Bank database and Kaufmann, 2010).
Religious diversity	Religious diversity index is constructed such that a value of 1 represents the situation where no two individuals within the country adhere to the same religion. Conversely, a value of 0 represents the situation where every individual within the country adheres to the same religion (Source: Dow et al., 2016).

Geographical distance	Geographical distances are calculated following the great circle formula, which uses latitudes and longitudes of the most important cities/agglomerations (in terms of population) for the distance variable and the geographic coordinates of the capital cities for the distance capital variable (Source: CEPII, 2020; Mayer and Zignago, 2011).
Individualism	The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people´s self-image is defined in terms of "I" or "We". In individualist societies people are supposed to look after themselves and their direct family only. In collectivist societies people belong to 'groups' that take care of them in exchange for loyalty (Source: Hofstede, 2001).
Long-term orientation	This dimension describes how every society has to maintain some links with its own past while dealing with the challenges of the present and the future, and societies prioritize these two existential goals differently (Source: Hofstede, 2001).
Power distance	This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities among us. Power distance is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (Source: Hofstede, 2001).
Indulgence	This dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. Relatively weak control is called "Indulgence" and relatively strong control is called "Restraint" (Source: Hofstede, 2001).
Masculinity	A high score (Masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organizational life. A low score (Feminine) on this dimension means that the dominant values in the society are caring for others and quality of life. A feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. The fundamental issue here is what motivates people: wanting to be the best (masculine) or liking what you do (feminine) (Source: Hofstede, 2001).

Uncertainty avoidance	The dimension, uncertainty avoidance, has to do with the way that a society deals with the fact that the future can never be known: does the society try to control the future or just let it happen? This ambiguity brings with it anxiety, and different cultures have learned to deal with this anxiety in different ways. The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these is reflected in the score for uncertainty avoidance (Source: Hofstede, 2001).

CHAPTER 1. Introduction

1.1. Background

This thesis examines acquirer corporate reputation[1] on mergers and acquisitions (M&A) activity. Over the past few decades, reputation has become increasingly noticeable in work by academics which has shown good reputation facilitates a number of benefits. These include improving financial performance (Raithel and Schwaiger, 2015; Robert and Dowling, 2002), influencing investors' decisions (Pfarrer et al., 2010; Rindova et al., 2005) and partner selection (Stern et al., 2014; Jensen and Roy, 2008; Saxton and Dollinger, 2004), easier access to capital (Stuart et al., 1999), lowered costs and the ability to charge higher premiums (Benjamin and Podolny, 1996), protection from new entrants (Milgrom and Robert, 1982), greater sustainability (Rao, 1994), attracting employees and resources (Rindova et al., 2005; Hannon and Malkovich, 1996), reducing information uncertainty and information asymmetry (Reuber and Fischer, 2005; Rindova et al., 2005), and it is favourable to stakeholders[2] (Hawn, 2020; Fombrun, 2018; Fombrun and Shanley, 1990) and influences M&A activity (Haleblian et al., 2017; Saxton and Dollinger, 2004).

[1] The word 'reputation' is used throughout this thesis to mean 'corporate reputation'.

[2] Local media, regulators and financial analysts favour high reputation firms and thus, they often react positively to high reputation firms (Hawn, 2020; Fombrun, 2018).

This study is motivated by firm's reputation and the increased volume of UK acquirers' M&A activity. Despite M&A prevalence, questions remain about activity. Drawing from reputation research (Rodell et al., 2020; Haleblian et al., 2017; Zavyalova et al., 2016; Raithel and Schwaiger, 2015; Petkova et al., 2014; Stern et al., 2014; Mishina et al., 2012; Pfarrer et al., 2010; Brammer and Pavelin, 2006; Rindova et al., 2005; Saxton and Dollinger, 2004; Robert and Dowling, 2002; Fombrun and Shanley, 1990), this thesis addressed the UK acquirers M&A activity by isolating an important subset of high reputation firms[3] (Haleblian et al., 2017).

High reputation firms have a dynamic character not only because of their potential for value creation, but also because of their intangible character makes replication by competing firms considerably more difficult (Robert and Dowling, 2002). Rindova et al. (2006) defined reputation as the firm's ability which creates value for the firm compared to its competitor and generates value in the firms' key dimension of performance. Reputation is an invaluable intangible asset that enhances a firm's competitive advantage and organizational performance (Rindova et al., 2005). Petkova et al. (2014) advocated reputation as an indicator of the capability of the firm to earn greater value than its competitors. Reputation is defined as stakeholder's aggregate perception about a firm's past and present activities and its ability to deliver future return (Fombrun, 2018; Petkova et al., 2014; Pfarrer et al., 2010; Fombrun and Shanley, 1990).

[3] High reputation firms are highly regarded by stakeholders (Fombrun, 2018; Riel and Fombrun, 2007).

M&A is among the most critical decisions[4] that a firm make and firms often undertake this for market growth and asset diversification (Bao and Edmans, 2011; Luo, 2005; Berkovitch and Narayanan., 1993; Bradley et al., 1988). Following the global financial crisis, UK M&A activities rebounded strongly as the economy recovered. Office for National Statistics (ONS) reported UK acquirers cross-border M&A volume reached their peak since 2000 in 2017 (Hamroush, 2018). Consequently, the value of cross-border deals in the UK were also 77.41% higher in 2017 compared to the value in 2016. However, the value of domestic M&As dropped by 24.70% between 2016 and 2017. Despite this, the value of domestic M&As remained above the annual totals between 2009 and 2015 ((Hamroush, 2018). The report from Institute for Mergers, Acquisitions and Alliances (IMAA) show that UK had over 3900 deals with a total value of £326 billion in 2017 (IMAA, 2021). While the number of M&A decreased in most parts of the world, the number of UK acquirers M&A deals increased by 7.3% and value increased by 33% compared to 2016 (IMAA, 2021).

[4] The stake (incentive and disincentive) is high whether an announced M&A is completed or withdrawn. The deal termination causes the acquirer significant financial and reputational damage (Luo, 2005). For instance, during the negotiation phase, acquirer shareholders often experience negative stock returns (Gregory and McCorriston, 2005; Sudarsanam and Mahate, 2003) while the target firm's shareholder simultaneously experiences the significant positive returns (Martynova and Renneboog, 2011, 2008).

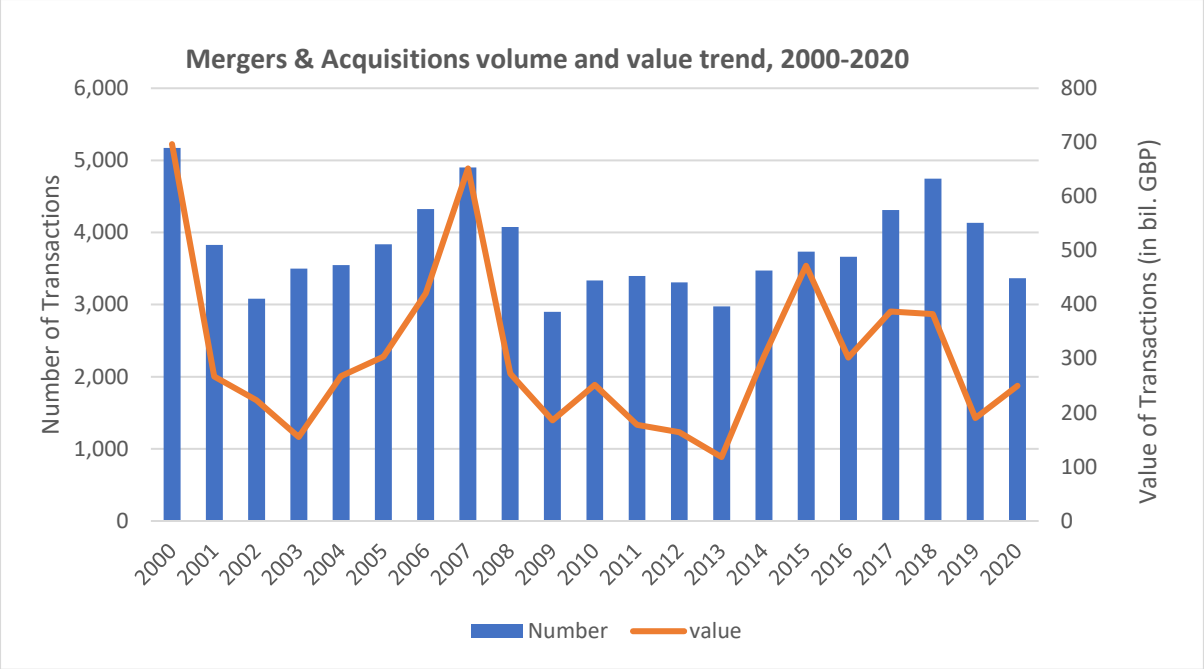


Figure 1. UK M&As Volume and Value Trend. Author's Own Calculation. Source: IMAA (2021)

Past studies documented M&A activities strongly affected by information asymmetry and uncertainty[5] (Jansen, 2020; Bonaime et al., 2018; Luypaert and Caneghem, 2017; Bhagwat et al., 2016; Reuber and Fischer, 2005). Information asymmetry is prevalent in cross-border M&A deals due to country-related barriers (Li et al., 2017). These include the host and home country's cultural, institutional and regulatory differences (Reddy and Fabian, 2020; Dikova et al., 2010). Information uncertainty delays information flow into stock price and affects investor's sentiment, and thus leads to a lower stock return and delay of deal completion and investment decision (Jansen, 2020; Nguyen et al., 2017; Luypaert and Caneghem, 2017; Gulen and Ion, 2016; Moeller et al., 2007; Zhang,

[5] Bergh et al. (2019) and Akerlof (1970) defined information asymmetry as a condition where one party in a relationship has more or better information than another. Information uncertainty is defined as ambiguity in information (Zhang, 2006). Information asymmetry causes uncertainty in decision making (Dixit and Pindyck, 1994) and is often modelled as information uncertainty (Bhagwat et al., 2016; Zhang, 2006). Thus, throughout this thesis, information asymmetries and information uncertainties are used interchangeably.

2006; Jiang et al., 2005). For instance, Luypaert and Caneghem examined the impact of target and acquirer information asymmetry on M&A returns. The result shows that acquirer information asymmetry has a stronger negative impact on acquirer returns and a positive return for target information asymmetry. Thus, the author argues that acquirer reputation signals would reduce information asymmetries, consequently, the high reputation acquirer would have a positive M&A outcome.

Moreover, prior studies documented that information asymmetry jeopardizes M&A negotiation processes (Jansen, 2020; Gulen and Ion, 2016; Iselin, 1989) and triggers distrust (Akerlof, 1970) and lengthy deal term discussions (Caiazza and Pozzolo, 2016; Bhagwat et al., 2016). Information asymmetries lead to a negative market reaction and trigger valuation difficulties and thus acquirers end up overpaying the target (Zhang, 2006; Jiang et al., 2005).

From an economics perspective, high reputation firms view uncertainty as a function of the information asymmetries between competing firms and their stakeholders (Rindova et al., 2005). Past studies recognized reputation as valuable because it reduces the uncertainty that stakeholders face in evaluating a firm in a competitive context (Petkova et al., 2014; Rindova et al., 2005; Reuber and Fischer, 2005; 2007).

Reputation is a firm's comprehensive measure for its overall quality[6] (Fombrun and Riel, 2007; Fombrun and Shanley, 1990) and is shown to have a significant effect on various firm level activities (Haleblian et al., 2017; Saxton and Dollinger, 2004). However, the author did not find any evidence examining the relation between UK high reputation acquirers' domestic and cross-border M&A activity. These include acquirer M&A returns, deal completion duration[7] and selection of target firm's ownership nature.[8]

Acquirer M&A performance yields a mixed result, and often UK acquirer gains are negative, zero, or, at best, marginal (Andriosopoulos and Yang, 2015; Martynova and Renneboog, 2011, Conn et al., 2005; Gregory and McCorriston, 2005; Sudarsanam and Mahate, 2003).

Gregory and McCorriston (2005) examined UK acquirer foreign acquisition returns over 384 deals between 1984 and 1994. The result from the market model shows UK acquirers gained a positive cumulative abnormal return (CAR) for a five-day event

[6] Acquirer reputation data were obtained from Management Today (MT) and MT follows similar methodology to Fortune magazine. MT measure firm's corporate reputation based on 9 to 13 individual attributes which cover a wide range of activities (please see chapter 2, section 2 for details "Reputation Measure and Justification").

[7] Duration is time elapse between deal announcement and deal completion. The duration is measured in days by subtracting the announcement date from the completion date (Dikova et al., 2010).

[8] Thompson Reuters reported four types of firm's ownership nature, and these are public, private, subsidiary, and government or state owned. This study only included public, private and subsidiary. The major difference in ownership nature is that public firms trade in equity market and are owned by shareholders while private firms do not trade in equity markets, are owned by individuals and subject to different reporting policies. And a subsidiary firm belong to another firm, which is often called parent firm, and parent can be public, private or state-owned.

window (-3, 1) when targets were in US, and negative CAR for firms in Europe and the rest of the world. However, none of these returns were statistically significant. In addition, buy and hold abnormal return (BHAR) and CAR were estimated by Fama and French's three-factor asset pricing model and estimated over a 1-, 3- and 5-year period. The result is statistically insignificant and shows considerable variation by region. UK acquirers underperformed for US acquisitions and gained insignificant returns from EU and rest of world acquisitions.

Prolonged deal completion is costly for the acquirers as well as for the target firms (Ahmad and Lambert, 2019; Amel-Zadeh and Meeks, 2019; Bhagwat et al., 2016; Chakrabarti and Mitchell, 2016; Dikova et al., 2010) due to upfront financial costs and termination fees, as well as losses in terms of firm reputation, credibility (Luo, 2005), time, and diversion of managerial attention (Dikova et al., 2010). For instance, Bhagwat et al. (2016) examined the real effects of uncertainty in M& A activity. Their result shows during uncertainty deal activity decreased and took more time to complete a deal. Bhagwat et al. advocated that a longer duration of deal completion increases the risk and financial cost and this happens when the adverse effect of interim risk increases in volatility.

Moreover, prior studies documented that target ownership nature affects acquirer M& A activity (Arikan and Stulz, 2016; Erel et al., 2015; Dikova et al., 2010; Faccio et al., 2006; Draper and Paudyal, 2006; Fuller et al., 2002). Acquisition of private targets

creates value for acquirer shareholders compared to acquisition of public targets (Capron and Shen, 2007). For instance, Arikan and Stulz (2016) found acquiring firms created value for shareholders and gained higher growth opportunities through acquisitions of private firms. However, acquisition of private targets incurs higher transaction cost in the presence of adverse selection processes and acquirers avoid private targets that have significant intangible assets. Capron and Shen argued that a lack of information on target firms limits the acquirer search, and acquirers prefer private targets from an industry that has high intangible assets.

Reputation is an invaluable intangible asset that enhances the firm's competitive advantage, and organizational performance that generates more significant value than its competitors (Petkova et al., 2014; Rindova et al., 2005). Over the years reputation has become an integral part of business's success and growth despite very few studies conducted to show the direct link between a firm's reputation and acquirer M&A activity. The reason for little research in reputation and M&A may be due to lack of available reputation data and the difficulty of measuring reputation. Reputation literature shows researchers often use Fortune magazine's reputation ranking as an index for reputation (Haleblian et al., 2017; Anderson and Smith, 2006). Fortune magazine started its ranking in 1983 (Highhouse, 2009) and Management Today (MT) started in 1990 (Echo Research, 2021).

In sum, this thesis makes major contribution by showing the relation between a firm's reputation and M&A activity. These include acquirer cross-border M&A returns,

domestic and cross-border M&A deal completion duration, and target ownership nature selection.

1.2. Aims and Objectives

Despite the increasing popularity and importance of firm reputation, there has not been enough research on the relation between acquirer reputation and domestic and cross-border M&A activity. Although previous studies tried to answer some of the questions and assumptions concerning this phenomenon, there are still some gaps in the literature that need to be filled.

The main aim of this thesis is to examine the relation between reputation and domestic and cross-border M&As made by UK acquirers between 2000 and 2018. To investigate this, the author proposed the following research questions:

a) What is the impact of acquirer reputation in cross-border M&A returns?

b) Does reputation matter in acquirer domestic and cross-border M&A deal completion time?

c) Does reputation predict the target's ownership nature in domestic and cross-border M&A deals?

To examine the above questions, the author follows the past studies (Brammer et al., 2009; Brammer and Pavelin, 2006; Brammer and Millington, 2005) to obtain UK acquirer reputation data. Acquirer reputation data were obtained from Management Today (MT), which uses a similar methodology to Fortune magazine (Agarwal et al., 2011; Brammer et al., 2009), and M&A and financial related data were collected from

Bloomberg and Thomson Reuters Eikon (Amel-Zadeh and Meeks, 2019). Acquirer and target country related institutional quality and geographical distance were collected from the CEPII database (Zhou et al., 2016; Schweizer et al., 2019). The data for religious diversity for acquirer and target country were collected from the Douglas Dow database (Dow et al., 2016). Hofstede's six-dimension cultural data were collected from Hofstede Insight. Following relevant past studies, the author set a specific sample selection criterion to obtain the final sample[9].

This thesis includes three empirical chapters, and these chapters are interrelated to one another. The first chapter examines the impact of reputation on acquirer cross-border M&A returns. The result shows a significant relation between acquirer reputation and cross-border M&A returns. This result led to study the previous phase of M&A activity, which is the completion phase, and in this phase, the author examined the UK acquirers deal completion time. This phase includes continuous negotiation and exchange of information. The prolonged duration of deal completion creates uncertainty and raises concern of deal abandonment. Consequently, firms face higher financial cost and risk of reputational damage. The result in this empirical chapter shows a high reputation acquirer takes significantly longer to complete a domestic and cross-border M&A deal. Thus, the first and second empirical chapter motivated to study the third chapter where the author examined the relation between acquirer

[9] Please see chapter 2, section 3 (Sample Selection) for detailed explanation of the data, database, and sampling criteria.

reputation and selection of target ownership nature. Target ownership is vital for the acquirer because past studies documented the target ownership nature affected the acquirer M&A returns and deal completion time.

1.3. Hypothesis Development

To examine the first research question, the author hypothesised that acquirer reputation is positively related to cross-border M&A returns. This hypothesis is developed based on the signalling theory which refers that acquirer reduces information asymmetry through reputation signals. Thus, a high reputation acquirer would attract a quality target and consequently, the high reputation acquirer earns a positive M&A return. To test this hypothesis, the author measured acquirer cross-border M&A returns by employing the event-time approach to estimate the Carhart four-factor asset pricing model to compute individual cumulative average abnormal return (CAAR)[10] (Brown and Warner, 1985). The results show that high reputation acquirers earned a significant return for 3- and 5-day event windows compared to the low reputation acquirers. In addition, acquirer calendar-time returns were measured over three years from M&A completion. The result also shows that the high reputation acquirer portfolio generated a significantly higher positive alpha over three years compared to the low reputation acquirer. The portfolio returns from event-time and calendar time show that the acquirer's reputation is positively related to the acquirer's

[10] CAAR is the sum of average abnormal returns over the event time period and it is more effective because it aggregates the effect of abnormal returns (Fama et al., 1969).

M&A return. Thus, this result supports the author's proposed hypothesis and proved the first research question.

To answer the second research question, the author hypothesised that the acquirer's reputation is negatively related to the acquirer's domestic and cross-border M&A deal completion time. Specifically, deal completion time by a high reputation acquirer would be shorter because of reduced information asymmetry. The lengthy negotiations in M&A occur because of information asymmetry, mistrust, and involvement of regulatory and political intervention. However, past studies find that a high reputation acquirer enjoys a better reputation among stakeholders, and this alleviates the risk of regulatory and political intervention and provides more positive media and analyst coverage. Thus, the M&A initiated by a high reputation acquirer should have less uncertainty and consequently, the deal completion time should be shorter. To test these hypotheses, the OLS regression models were used to estimate the relation between high reputation and acquirer deal completion time. The OLS regression analysis shows a significant positive relation between reputation and deal completion time. These results implies that a high reputation acquirer takes more time to complete a domestic and cross-border M&A transactions. However, this result does not support the proposed hypotheses. Thus, maybe a high reputation acquirer spends more time on due diligence and therefore, this study accepts the alternative hypotheses.

To investigate the final research question, the author hypothesised that a high reputation acquirer is more likely to acquire a less opaqued target in cross-border and domestic M&A. The past studies documented that a public target and subsidiary are more likely to be less opaqued compared to a private target. This study embedded signalling and organizational learning theories to examine the target ownership selection by a high reputation acquirer. The signalling theory suggests that the acquirer would prefer to acquire a public target while organisational learning theory suggests acquirer would prefer a subsidiary if the mergers were motivated by know-how or R&D development. To test these hypotheses, a probit regression models were used to estimate the relation between acquirer reputation and target ownership natures. The result shows a significant positive relation between high reputation acquirers and public targets, and a negative relation with private targets in domestic and cross-border M&A. These results indicate that a high reputation acquirer is more likely to choose a public target for a domestic and cross-border M&A and less likely to acquire a private target. However, the author found a mixed result for subsidiaries which had an insignificant positive relation in cross-border deals and a negative relation for domestic deals. These results suggest that a high reputation acquirer has a different approach for subsidiaries, and this implies that a high reputation acquirer is more likely to acquire a subsidiary for a cross-border deal than domestic M&A deal. These results support the proposed hypotheses and prove that a high reputation acquirer is more likely to acquire a less opaqued target in domestic and cross-border M&A.

1.4. Contribution of this Study

This study contributes to M&A literature by showing the relation between firm's reputation in domestic and cross-border M&A activity. This thesis aims to examine some issues which differ from the previous studies in the following aspects:

- This study attempts to examine UK acquirer cross-border M&A returns between 2000 and 2016 over 813 completed deals. Past studies concentrated on the US and French markets. For instance, Chalençon et al. (2017) used 147 cross-border M&A deals between 2010 and 2012 and measured reputation via online survey. Haleblian et al. (2017) conducted a survey in the US market and focused on acquisition behaviours and acquirer returns between 1991 and 2008 over 1213 domestic and cross-border M&A deals. In contrast, the author used more recent and a larger cross-border M&A sample in a different geographic location. The estimation of acquirer calendar-time returns is non-existent in previous literature, and thus the second chapter of this thesis makes a major contribution to the literature.

- The examination of the influence of acquirer reputation on deal completion duration assists firm's management to develop a strategic plan for the negotiation process and decide whether to take more time and focus on detailed due diligence checks to avoid information ambiguity.

- Also, examination of the influence of acquirer reputation on target ownership nature selection help acquirers' management of the initial pre-phase M&A screening process of whether to choose public, private or subsidiary firms. The findings of this thesis are a recommendation for acquirer management on selection of target ownership nature and prevent shareholders value loss in M&A.

- The examination of the impact of reputation on M&A activity contributes to information asymmetry and signalling theory by adopting a firm's reputation which reduces information asymmetry via reputation signals. This study helps acquirer management and strategists to consider reputation signals to the prospective target for M&A to mitigate information uncertainty.

- The finding of this thesis may provide some insight into reputation to managers and policy makers to think about importance of reputation in M&A activity and adopt a reputation building strategy.

- The result of thesis may help investors (individual and institutional) and swing traders (who buy and sell following the event) to consider whether to buy or sell a stock prior to an announcement based on reputation.

- Finally, findings of this thesis may motivate academicians to pay more attention to reputation and open further avenues of research into reputation in M&A activity.

1.5. Structure of the Thesis

This thesis has five chapters. Chapter one provides a general introduction and overview of whole thesis. These includes a general background, aims and objectives, contribution and structure. Then briefly discussed the motivation, research questions and methodology.

Chapters two, three and four are empirical chapters. Chapter two examines the following research question: What is the impact of acquirer reputation in cross-border M&A returns? The chapter provides a detailed literature review and empirical evidence on reputation and M&As. The author reviews the firm's reputation, influence of reputation and factors that affect cross-border M&A returns. Also introduce and explained signalling theory and M&A background study. And then discuss event study methodology and estimation methods to measure acquirer returns, and regression models to analyse relations between reputation and acquirer M&A returns.

Chapter three examines the following research question. Does reputation matter in acquirer domestic and cross-border M&A deal completion time? This chapter

examines the impact of acquirer reputation in domestic and cross-border M&A completion duration. Then provide a literature review on deal completion time and introduce the OLS regression models to estimate relation between reputation and deal completion time.

Chapter four investigates the following research question: Does reputation predict the target's ownership nature in domestic and cross-border M&A deals? This chapter examines whether acquirer reputation determines target ownership nature in domestic and cross-border M&A deal. This chapter provides a literature review on target's ownership and introduce probit regression models. Then develops research hypotheses and embed different theories.

Chapter five presents the conclusion and summarise the key findings, contributions, and implications of this thesis. Moreover, this chapter shows the discussion on the limitations of this study and suggestions for the future research on reputation and M&A.

CHAPTER 2. Cross-Border M&A and Acquirer Reputation

2.1. Introduction

2.1.1. Research Motivation

Reputation has been an emerging focus of attention for investors, academicians and industry researchers. Reputation is defined as the stakeholder's combined perception about a firm's past and present activities and its ability to deliver continuous sustainable performance (Fombrun, 2018; Petkova, et al., 2014; Pfarrer et al., 2010; Fombrun and Shanley, 1990; Rao, 1994).

Prior studies documented that a portfolio formed based on the firm's reputation outperformed the market benchmark (Raithel and Schwaiger, 2015; Pfarrer et al., 2010; Anderson and Smith, 2006; Roberts and Dowling, 2002; Fombrun and Shanley, 1990). For instance, Raithel and Schwaiger examined the impact of reputation on 30 leading German public firms listed on the Deutsche Aktienindex (DAX) between 2005 and 2012. The results showed superior reputation increased shareholders' long-term value. In addition, reputation that is driven by non-financial attributes is more value relevant in the future than reputation driven by previous financial performance.

M&A is a central branch of corporate finance, and it has undergone momentous changes over the last few decades. After the global financial crisis while the global economies were recovering slowly, the M&A activities rebounded strongly. M&A

activity strongly rebounded in 2013 and 2014 and continued in the following years (Gaughan, 2017). IMAA reported UK cross-border M&A deal numbers and deal values reached to their highest in 2015 after a sharp declined in 2009 (IMAA, 2021). Between 2009 and 2014 there were an average of 3231 deals with an average value of £200 billion. However, in 2015, UK acquirers made 3733 deals with a total value of £472 billion. In comparison, UK acquirers made 262 more deals with a total value of £162 billion than 2014 (IMAA, 2021).

Despite the rising M&A activity, acquirer M&A returns remain hostile. Acquirer M&A returns produce a mixed result (Martynova and Renneboog, 2011, 2008). In comparison with their target, acquirers mostly had a negative or zero gain, or at best marginal abnormal returns (Haleblian et al., 2017; Faccio and Stolin, 2006; Ang and Cheng, 2006; Faccio et al., 2006; Gregory and McCorriston, 2005; Bradley and Sundaram, 2004; Sudarsanam and Mahate, 2003).

However, prior studies documented that information asymmetry lowers the future stock returns because it creates uncertainty, and thus delays the information flow into stock price (Zhang, 2006; Jiang et al., 2005). For instance, Luypaert and Caneghem (2017) examined the impact of target and acquirer information asymmetry and information uncertainty on M&A announcement returns. The result shows that acquirer information asymmetry and uncertainty have a stronger negative impact on

acquirer return, and target information asymmetry and uncertainty have a significant positive impact.

However, past studies used the event-time approach to examine the impact of reputation on acquirer returns (Haleblian et al., 2017; Chalençon et al., 2017) while this study used the event-time[11] and calendar-time portfolio approaches (CTPA)[12] to estimate acquirer return in a different geographical location by using a bigger sample and a different reputation index (Highhouse et al., 2009; Fryxell and Wang, 1994). Saxton and Dollinger examined the target firm's reputation effect on M&A outcomes. Haleblian et al. (2017) and Chalençon et al. (2017) examined US and French acquirer M&A returns, respectively. Chalençon et al. used a relatively small sample over a short sample period and measured reputation by random public interview survey. Haleblian examined US acquirer acquisition behaviour on deal relatedness, deal frequency and announcement return. This study addresses the shortcomings of sample size and reputation measurement for the previous studies conducted by Chalençon et al. Haleblian et al. (2017) used an event time approach to estimate US acquirer returns; however, acquirer M&A return varies across geographic location (Martynova and Renneboog, 2011) and methodology (Mitchel and Stafford, 2000; Kothari and Warner,

[11] Event-time is the traditional earliest approach for event study. In event-time approach, the event date for an individual firm remains independent throughout the test, and the initial event date for all firms exist and the event date is set at 0 for the same starting point (Brown and Warner, 1985).

[12] In the calendar time portfolio approach (CTPA), the event date for the individual firms remains dependent and all the event dates are set monthly while the actual event date does not exist. In the calendar-time approach, all different event dates are set on a specific date in a month and the actual event date no longer exist.

1997). Thus, this study provides further insight and compares the impact of reputation in different geographic locations with a different estimation technique and makes a major contribution to M&A literature by adopting the CTPA approach to estimate acquirer returns.

2.1.3. Aims and Objectives

The aim of this study is to investigate high reputation UK acquirer cross-border M&A returns. Prior studies revealed that information asymmetries and information uncertainties strongly affect acquirer M&A returns (Luypaert and Caneghem, 2017; Moeller et al., 2007; Zhang, 2006; Jiang et al., 2005). Following prior research, the author argues that acquirer reputation signals would reduce information asymmetries (Rindova et al., 2005; Reuber and Fischer 2005; 2007), and consequently attract a quality target (Stern et al., 2014; Riel and Fombrun, 2007; Saxton and Dollinger, 2004). Therefore, the high reputation acquirer would have more positive cross-border M&A returns compared to a low-reputation acquirer.

Following the past studies (Ali et al., 2015; Brammer et al., 2009; Brammer and Pavelin, 2006), the author used Management Today (MT) to obtain acquirer reputation data. M&A and financial data were obtained from Bloomberg. To measure acquirer returns, the event-time and CTPA approaches were used to estimate the Carhart four-factor models to compute CAAR and alphas, respectively. In addition, for regression analysis, the OLS regression models were used.

2.1.4. Contribution of this Study

This study contributes to cross-border M&A literature by introducing corporate reputation and its influence on acquirer return. The M&A literature shows that acquirers mostly experience a negative return compared to the target firm. The author argues that acquirer return reflects information receiving by the market and the choice of target. Thus, an M&A return by a high reputation acquirer would have a positive market reaction because of reputation signals which reduce information asymmetry and uncertainty. In addition, high reputation firms are favourable to analysts, the media, regulators, investors, and the wider stakeholder community.

This study would assist acquirer management to consider reputation building because it influences to gain positive stakeholders' perception. This research will benefit investors as they should consider firm reputation during investment decisions, and it will benefit policy makers during M&A negotiations. For instance, if investors predict that a firm will continue to gain a positive return during the M&A negotiation period then they will keep their investment, otherwise they may withdraw if the future earning prediction is negative. Since the author found a limited studies conducted to link the firm's reputation in M&A, this study will bring more academic attention to consider the firm's reputation in M&A research.

This chapter is organized as follows. First reviews the impact of M&A background and reputation on acquirer M&A returns. Next describe the methods and variables and then present results and discussion. The final section presents conclusions, discussion, implication of the result and future research direction.

2.2. Literature Review

2.2.1. M&A Background

This section reviews the initial M&A process and motives, the method of payment and the geographical challenges. Then review asymmetric information theory to get an understanding of the asymmetric information effect on stock price. Throughout this thesis, information asymmetry and information uncertainty were used interchangeably even though some academics define them differently (Lu et al., 2010; Zhang, 2006) while the others used them interchangeably (Bhagwat et al., 2016). Finally, review the theoretical motives to link reputation into M&A returns.

2.2.1.1. M&A Process

The M&A process consists of two phases and three events (Boone and Mulherin, 2007). The first phase is a private process, and this phase covers talks held secretly between the acquirer and target management. The private takeover process begins when the acquirer/target firms hire a financial adviser and consider the number of potential targets/acquirers to contact (Boone and Mulherin, 2007). Once both parties agree on

a primary term then an initial confidentiality agreement is signed on exchange of information and agreement is reached not to make any unsolicited bid.

The second phase starts when the acquirer makes a public announcement in the financial press. After the official announcement of the public offer, only two firms, the seller and the bidder, enter the period of a public takeover. This phase begins with the announcement date and completion or abandonment date. This phase can take several months to complete. Once the initial agreement is signed, both firms, the market, and investors continue to receive information regarding the deal and firm values as the negotiation process evolves.

The finance literature indicates that release of any new information at this phase has a significant impact: increase the risk and return of M&A arbitrage. The release of new information may lead to the deal withdrawal or further renegotiation. Deal completion is imperative from the acquirer's perspective, as the acquirer incurs substantial upfront cost for the initial offer. Luo (2005) and Muehlfeld et al. (2007) argued that deal abandonment incurs significant reputational damage to the acquirer firm. The acquirer invests a significant amount of wealth and effort to find an appropriate target. Collecting private information for a target in cross-border M&A is costly; hence, a cross-border deal is more complicated than a domestic deal.

2.2.1. 2. Economies of Scale and Scope

The acquirer benefits from economies of scale because it lowers average cost. The cost decreases when the production unit increases. Similarly, economies of scope lower average costs because costs are spread over a variety of products (Sudarsanam, 2010). Economies of scale occur in horizontal mergers. For instance, in horizontal mergers two firms operate in the same industry and at the same stage of the production. Thus, the acquirer is able to lower the production cost by producing more products through horizontal mergers. Vertical mergers occur when two firms are in different stages of production within the same industry. While conglomerate merges occur when two separate firms operate their business in different areas. Acquirers can reduce the production cost in vertical and conglomerate mergers by diversifying the range of varieties of products. For instance, the acquirer can lower production costs by increasing the production for those are profitable than those that are non-profitable. Moreover, under synergy motive, economic scale and scope are imperative for the acquirer to engage in M&A. And these can be achieved when two firms operate in the similar industries and produces similar products by decreasing production, distribution, and any other operating costs (Moeller et al., 2004). Giddy (2009) argues that the combination of two firms can reduce its fixed cost by eradicating duplicate departments or operations, thus, lower the cost of company's operations relative to the same revenue stream and increase the net profit margins.

2.2.1.3. M&A Motives

The literature on M&A refers to the several motives that influence the M&A activity (Sudarsanam, 2010; Campa, and Hernando, 2004). For instance, acquirer and target combined return or alone acquirer or target positive return consider that mergers are motivated by synergistic gains (Bradley et al., 1988; Trautwein, 1990; Berkovitch and Narayanan, 1993). While the acquirer's negative returns are considered that mergers are motivated by either agency problems or hubris (Malatesta, 1983; Jensen and Ruback, 1983). Similarly, managers may engage in growth-oriented or empire-building approaches to create a diversified portfolio (where the firm relies on management skills) to lower their employment risk (Jensen and Meckling, 1976). Trautwein (1990) conducted a survey on merger motives and relate them to prescriptions for merger strategies. He classified theories of mergers motives into seven groups (see table 1) and four of those motives are beneficial for acquirer firms.

<table>
<tr><th colspan="4">Theories of mergers motives</th></tr>
<tr><td rowspan="5">Mergers as rational choice</td><td rowspan="4">Mergers benefit the acquirer's shareholders</td><td>Net gains through synergy</td><td>Efficiency Theory</td></tr>
<tr><td>Wealth transfer from customers</td><td>Monopoly Theory</td></tr>
<tr><td>Wealth transfer from target's</td><td>Raider Theory</td></tr>
<tr><td>Net gains through private information</td><td>Valuation Theory</td></tr>
<tr><td colspan="2">Mergers benefits managers</td><td>Empire-building Theory</td></tr>
<tr><td colspan="3">Mergers as process outcomes</td><td>Process Theory</td></tr>
</table>

Mergers as macroeconomic phenomenons	Disturbance Theory

Table 1. M&As Motive: source; Trautwein (1990)

Trautwein (1990) also documented that the prescription of all three topics (acquisition mode, entry mode, and integration) are dominated by the efficiency motive. He documented that the efficiency theory of mergers dominates the field of corporate strategy and research on the merger's motives.

In addition to Trautwein (1990), Berkovitch and Narayan (1993) condensed the above theories into three main categories (see table 2).

The merger Motive	Total Gains	Gains to Target	Gains to Acquirer
Efficiency or Synergy	+	+	+
Hubris (winner's curse, overpay)	0	+	-
Agency problems and mistakes	-	+	-

Table 2. M&As Motives; Berkovitch and Narayan (1993)

According to M&A literature, synergy is the primary motive for the most M&As (Bradley et al., 1988; Trautwein, 1990; Berkovitch and Narayan, 1993). Thus, this study concentrates on the synergy motive to explore acquirer performance and M&A activity. This theory implies that total gain by acquirer and target are positive (Berkovitch and Narayan, 1990). Specifically, synergy theory suggests that M&A occurs because of economic gains that result from the acquirer and target's resources

(Berkovitch and Narayan, 1993). Jensen and Ruback (19983) found that M&A that occurs under synergy motives incur negative returns. Hence the validity of synergy theory is controversial. However, synergy motive can be biased by managerial hubris and agency motive (Jensen, 1986; 1988; Roll, 1986).

Agency and hubris motives are often categorised under behavioural theories of M&A motives. Agency theory postulates managers as rational but they do not act accordingly to accrue shareholders' wealth maximization. Precisely, the agency motive suggests that M&As occur because they enhance the acquirer management's personal gain at the expense of the acquirer's shareholders (Berkovitch and Narayan, 1993). While hubris theory suggest managers are irrational and systematically commit errors on the valuation of the target firm (Jensen, 1986; 1988). According to Berkovitch and Narayan (1993), hubris hypothesis suggests that managers make mistakes in evaluating target firms and engage in M&A even when there is no synergy. This may also occur due to manager's overconfidence which is derived from past successful mergers experience (Roll, 1986). A rational manager would not overvalue the target's worth compared to its actual market value. Hence, the managerial motives are influential in M&A outcomes because the manager may decide to enhance their own utility and embroil in empire-building instead of creating shareholders (Trautwein, 1990; Jensen, 1986; 1988). For instance, managers may invest firm's free cash flow in a negative NPV project if that facilitates managers' gains instead of shareholder wealth. Specifically, the acquisition of a new firm may offer managers some particular benefits

such as a management position (CEO) of the combined firm or special financial bonus or share schemes. Roll (1986) documented that the hubris hypothesis suggests the gains of target shareholders represent wealth transfers from acquirer firms' shareholders.

In addition, previous studies find that managers face the "employment risk" in conglomerate mergers because managers' future employment guarantee and earning potential are assigned to the firm's risk (Amihud and Lev, 1981; Black, 1989). Thus, risk-averse managers may pursue investing in a negative NPV project to minimise their employment risk instead of shareholders' value maximization (Weston et al., 2001). Mueller (1969) noted that managers' bonuses, social status, salary, and promotion are related to firm size. He also argues that managers may invest in an underperformed investment project which is unacceptable to shareholders. Lewellen and Rosenfeld (1985) examined whether managers act to maximise the shareholder's wealth. Thus, they estimated 191 acquiring firms' stock returns between 1963 and 1981. The findings showed that acquirers had significant positive returns but managers with large personal ownership were less likely to engage in M&A. Consequently, this would have prevented acquirer shareholders from synergy gain. Similarly, Van Frederikslust et al. (1999) conducted an empirical study under the hubris motive between 1954 and 1997. The result showed both acquirer and target gained significant positive returns for a two-day event window. However, a similar study under hubris motive by Doeswijk and Floor (2007) found significant negative CAR for acquirer but positive for target firms.

Therefore, the managerial hubris also can be viewed as an agency problem. The agency problems arise due to the separation of ownership and control (Jensen and Meckling, 1976). The separation of ownership and control deter managers from pursuing self-benefits and forces them to work for shareholder interest. However, monitoring and controlling incur agency costs. Hence, small firms often tend to find it difficult to oversee managers' activities. Since synergy is the primary motive and most M&A occur under this motive, hence, this study will explore further the synergy motive to examine UK acquirer M&A performance and activity.

The word synergy originated from the Greek word "Synergos" and it means working together to achieve more than working separately (Goold and Campbell, 1998). Synergy theory is also known as efficiency theory. Synergy is defined as a strategy that a firm integrates into business, and consequently, increases the value by combining two entities by summing up separate entities. According to Gaughan (2017), there are two main types of synergy: operating synergy and financial synergy. The operating synergy refers to the revenue enhancement by cost reduction and this revenue enhancement and efficiency gain may be derived in horizontal or vertical mergers. While financial synergy refers to the possibility that the cost of capital may be lowered by combining one or more firms. In addition, Hitt (2001) documented that synergy is created through the integration of value-enhancing activities between two or more units or businesses. Trautwein (1990) argued that under synergy motive the acquirer may achieve the following motives: operational, financial, and managerial synergy.

Synergy theory suggests that financial synergy can be achieved by lowering the cost of capital. According to synergy theory, a firm can achieve low finance costs by reducing the firm's systematic risk by diversifying its investment portfolio (Gaughan, 2007). However, this idea faces theoretical criticism because financial synergy cannot be achieved in an efficient capital market (Trautwein, 1990). On the contrary, the acquirer may gain synergy by expanding its size through acquisition by accessing cheaper capital from target firms (Fulghieri and Hodrick, 2006). In addition, Healy et al. (1997) noted that firms can achieve financial synergy by setting up an internal capital market that may operate on the superior information and hence the firm may allocate its capital more efficiently. Hitt (2001) noted that operational synergy can be achieved by merging two separate firms' sales units into one. Kaplan and Norton (2006) documented a firm may gain operational synergy through knowledge transfer between acquirer and target. Thus, operational synergies lower the cost for the involved business unit (Hitt, 2001). Managerial synergy occurs when acquirer management has superior skills in target valuation. Acquirer management's superior skill may promote gaining access to the target firm's information. Therefore, acquirer management may make an accurate valuation of the target firm. Thus, the acquirer shareholders would earn positive M&A returns.

According to the synergy theory, the manager's primary role is to maximise shareholders' wealth by creating financial synergy, thus, they would invest in a positive

NPV project (Jensen and Ruback, 1983; Jarrell et al., 1988). M&A creates financial synergy by reducing the cost of capital, shifting core product line, and combining two separate product unit, market, or management. For example, if a firm experiences a slow market growth in its current market, then it may engage in M&A to diversify its investment portfolio by acquiring a new product and selling it in a familiar and less risky market (DePamphilis, 2019). In addition, the acquirer may achieve financial synergy in M&A by acquiring a target that is registered in a country that pays lower corporate tax than the acquirer. Trautwein (1990) argues that M&A occurs under synergy motives, the acquirer often gains no abnormal return while the target gains significant positive abnormal returns. Similarly, Bradley et al. (1988) found shareholders of both target and acquiring firms realize significant positive abnormal returns. However, most of the gains are captured by the stockholders of target firms. They also found that the acquirer's high competitiveness reduces the acquirer's returns but increases the target's return. However, Berkovitch and Narayanan (1993) examined acquirer and target M&A performance under three major motives (synergy, agency, and hubris) for a sample of 330 tender offers between 1963 and1988. The result shows acquirer and target gained a significant combined total positive abnormal return under synergy motive for an event window of eleven days (-5, +5). While agency and hubris motive show a negative and zero correlation, respectively. They found that the average takeovers yield positive total gains, and this occurs in 75 per cent of the sample. Berkovitch and Narayan (1993) documented that amongst three motives, synergy is dominant. Literature suggest that majority of M&A occurs for synergy purposes. Thus,

this study explores the synergy motive (efficiency motive, value maximization motive) for UK acquirer domestic and cross-border M&A performance and activity.

2.2.1.4. Determinant of Acquirer Cross-Border M&A Performance

Information uncertainty creates share price disparity for firms (Shah and Arora, 2014; Branch and Yang, 2006). The acquirer stock price reaction remains controversial (Martynova and Renneboog, 2011). Prior studies found the acquirer earned a negative M&A announcement return (Campa and Hernado, 2006; Gupta and Misra, 2004; Ravenscraft and Long, 2000; Kaplan and Weisbach, 1992; Dodd, 1980). However, other studies documented acquirer gained a positive announcement return (Ben-Amar and Andre, 2006; Loughran and Vijh 1997; Jarrell and Poulsen, 1989; Dennis and McConnell, 1986; Asquith et al., 1983).

M&A literature documents several factors that determine acquirer returns. These include acquirer firm, industry, deal and country level factors. There is considerable empirical research that shows firm size affects M&A performance. Moeller et al. (2004) found smaller acquirers gained 2.24% more announcement return compared to larger acquirers. Conversely, larger acquirers gained higher announcement returns (Asquith et al., 1983). Moeller et al. (2004) advocated that small firm's shareholders profit in the acquisition, however, their dollar gains are smaller due to the smaller acquisition.

Underperformance leads firms to go on acquisition and smaller firms become targets for that acquisition (Lehto, 2006). Buyers collect information to measure the seller's value; however, longer distances weaken the quality of information (Green, 1998). Information costs increase when bidding firms make a bid on a target which is far from their location (Greunz, 2003). When two firms are closer, the chance of an M&A happening is higher (Sudarsanam, 2010). However, Krishan et al. (2007) documented that if the bidding firm can evaluate the value of the target firm, the geographical distance does not matter so much. They also found that geographical distance has a negative impact on acquisition. The distance introduces social, cultural and political barriers; hence the M&A become more complicated (Buckley and Casson, 1976). Longer distance makes the M&A performance difficult; thus, the acquirer earns a negative return (Sudarsanam, 2010).

Mulherin and Boone (2000) examined a sample of 138 US cross-border deals between 1990 and 1999. The results showed the acquirer realized a negative abnormal return of -0.37%. Similarly, Kuiper et al. (2002) studied 181 US cross-border transaction between 1981 and 1999 and found acquirers earned a negative -0.92% abnormal return. However, Martynova and Renneboog (2011) studied a sample of 2419 deals in 28 European countries between 1993 and 2001. Their study found that the acquirers experienced a 0.53% positive abnormal return while the target earned 9.13%. In contrast, the UK target earned higher returns than continental Europe with lower returns for the UK acquirer.

Palepu (1986) and Stulz (1988) stated that a firm that has a high unused debt capacity is an attractive acquisition target. Firms with lower financial leverage reduce the default risk and increase the debt capacity. A lower financial leverage ratio indicates that the firm's incompetency in managing finance; therefore, the acquirer management would be motivated to increase financial debt capacity by acquiring such a target. Usyal (2011) found overleveraged firms made more acquisitions and were less likely to use cash as a payment method.

A substantial number of past studies were conducted on M&A payment methods and documented that payment method is one of the critical aspects in the negotiation process and M&A returns (Boateng and Bi, 2013; Barbopoulos and Sudarsanam, 2012). Travlos (1987) measured payment methods in M&A and used the market model to compute the abnormal returns. Their study shows a different result for different payment methods. In stock payment, the bidding firms experienced a negative abnormal return, and for cash payment it was a positive abnormal return. Alexandridis et al. (2010) studied a worldwide sample covering 39 countries. Their result showed that the acquirer gained a negative abnormal return for stock financing and they advocated cash payment as a better option to create value for acquirer shareholders. Similarly, cash payment also yields a higher M&A return for target firms (Eckbo and Langohr, 1989; Huang and Walking, 1987). Prior research shows that the acquirer gains

a significantly lower abnormal return when payment is stock and a higher return for cash payment (Antoniou and Zhao, 2004; Fuller and Glatzer, 2003).

The liquidity hypothesis suggests firms with a higher liquidity ratio will have a higher chance to engage in the acquisition. Specifically, a cash rich acquirer will be keen on acquisition to improve their investment project (Song and Walking, 1993). Yang et al. (2019) finds that firms who have more cash reserved are more likely to go for an acquisition. Their study also shows that firms with a higher growth opportunity are less likely to use cash as a payment method.

Moreover, a cross-border M&A indicates the change of the firm's corporate strategies (Tao et al., 2017). Investors react to this change through a rational response by buying and selling stocks based on their perception of the firm's future performance. Acquirer returns in cross-border M&As produce an ambiguous result, such as a marginal positive return, negative returns or a zero return (Sudarsanam and Mahate, 2003, 2006; Limmack, 1991; Kennedy and Limmack, 1996; Gregory, 1997; Higson and Elliot, 1998). Extensive empirical research has been carried out in UK, US and continental Europe; however, all those studies documented bidding firm's shareholders losses as average or, at best, break-even (Martynova and Renneboog, 2011; Sudarsanam, 2010). Prior studies documented a stock price decline for several years after completion of cross-border deal acquisition (Hsu et al., 2021; Gaughan, 2007; Campa and Hernando, 2006; Gregory and McCorriston, 2005; Conn et al., 2005; Andre et al., 2004; Sudarsanam and

Mahate, 2003). Martynova and Renneboog (2008) conducted an extensive literature review on acquirer M&A performance and documented that acquirer shareholders often experience a negative, zero or at best marginal positive return.

Martynova and Renneboog (2011) examined the performance of European acquisitions undertaken from 1993 to 2001. Their result shows the UK is the dominant market for corporate control in Europe. Their sample showed half of the domestic takeover transactions occurred in the UK and one fifth of all bidders in intra-European cross-border acquisitions were UK firms. The results show that UK acquirer gained negative CAR in cross-border M&As for a three-day event window, while the target firm gained a positive CAR. Their result also shows that acquirer relative size, financial leverage and total assets have a negative effect on acquirer stock price and a positive effect by Tobin's q.

Sudarsanam and Mahate (2003) measured UK glamour[13] acquirer takeover performance between 1983 and 1996. Their result shows acquirers gained a negative -1.4% announcement return, and -15% post announcement return over three years. Glamour acquirers are more likely to use equity options as the payment method. The result suggests that use of an equity option does not create value for the glamour acquirer. Acquirers experienced a negative 31% to 57% abnormal return for equity options and a 4% to 10% return for cash options over three years. Similarly,

[13] Glamour acquirers are highly valued firms because of their high stock market performance.

Andriosopoulos and Yang (2015) found UK acquirers gained a negative cross-border announcement return for a three-day event window.

Conn et al. (2005) examined announcement returns for UK acquirers over 4000 domestic and cross-border M&A deals. The result shows acquirers gained a zero cross-border announcement return for a three-day event window and negative post announcement returns over the three years period. The result is also consistent whether the payment method is full cash or noncash. Similarly, Gregory and McCorriston (2005) examined UK acquirer cross-border performance between 1985 and 1994. Their result shows UK acquirers gained a negative -0.00022% announcement returns, and -0.0390% five-year post announcement returns.

2.2.1.5. Information Asymmetry and Signalling Theory

Information asymmetry is a condition where one party in a relationship has more or better information than another (Bergh et al., 2019; Akerlof, 1970). Information asymmetry has been studied in many theories, including resource-based (Barney, 1991) and signalling theories (Spence, 1973). The concept of information asymmetry was introduced by Akerlof in his seminal paper called "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism." Spence (1973) and Stiglitz (1975) further developed Akerlof's work and received collectively a Nobel Prize in economics in 2011. According to Akerlof, the seller has better information regarding their products compared to the buyer. Akerlof used the word 'lemon' to mean bad quality goods and

justified his assumption by used car market as an example to demonstrate that information asymmetry could lead to the adverse selection of poor-quality products. Akerlof argues buyers use market statistics to value a product before making a purchase offer. The buyers take the average market price of the product while the sellers have more intimate information for that product. Therefore, the seller has the opportunity to sell the product for less than market average price. Asymmetric information impedes the market from functioning efficiently, and, as a result, the buyer ends up buying a lemon instead. Akerlof documented that trust is important to reduce the information asymmetry. Thus, the author argues that acquirer reputation signals would build positive trust between two parties to share information.

Information asymmetry causes uncertainty in decision making (Dixit and Pindyck, 2012; 1994) and is often modelled as information uncertainty (Zhan, 2006). Information uncertainty is prevalent in M&A with changes of conditions such as regulations (Reddy and Fabian, 2020; Bonaime et al., 2018; Nguyen and Phan, 2017; Kang and Kim, 2010) or events (Jansen, 2020; Boone and Usyal, 2020; Cao et al., 2019). For instance, Gulen and Ion (2016) examined the relationship between policy uncertainty and corporate investment. The result showed that policy uncertainty caused the delay of the investment completion process which is more severe for firms with a high degree of investment irreversibility. Nguyen and Phan (2017) and Bonaime et al. (2018) examined the relationship between policy uncertainty and M&A deal completion. The results

show that policy uncertainty is negatively related to deal completion, and positively related to completion time.

The extent of information asymmetry and uncertainty strongly affects M&A deal attributes, partner selection, decision making, as well as value creation (Bergh et al., 2019; Luypaert and Caneghem, 2017). The prior studies documented the effect of information asymmetry in decision making (Akerlof and Shiller, 2015; Bloom, 2009; Dierickx and Koza, 1991; Iselin, 1989; Myers and Majluf, 1984; Akerlof, 1970), deal attributes (Luypaert and Caneghem, 2017; Nguyen and Phan, 2017; Gencheva and Davidaviciene, 2016), deal completion and duration (Thomson and Kim, 2020; Hao et al., 2020; Arouri et al., 2019; Nguyen and Phan, 2017; Bhagwat et al., 2016; Caiazza and Pozzolo), and value creation (Luypaert and Caneghem, 2017; Officer et al., 2009; Moeller et al., 2007; Zhang, 2006; Jiang et al., 2005).

In contrast, the following attributes reduce information asymmetry: acquirer higher credit rating (Jory et al., 2016), derivative (Lin et al., 2009), CSR reputation (Arouri et al., 2019) environmental reputation (Boone and Usyal, 2020), media coverage (Hawn, 2020; Zhang, 2006), learning (Cuypers et al.2017; Iselin; 1989), cash payment (Jansen, 2020; Luypaert and Caneghem, 2017; Gencheva and Davidaviciene, 2016; Moeller et al., 2007; Officer et al., 2009), financial statement audits and contract structures (seller financing and earnouts) (Jansen, 2020), quality disclosures (McNichols and Stubben, 2015; Marquardt and Zur, 2014; Moerman, 2008; Brown and Hillegeist, 2007), similarity

in language and cultures (Kang and Kim, 2010), institutional quality (Reddy and Fabian, 2020) and firms' reputations (Reuber and Fischer, 2005; Rindova et al., 2005).

Spence (1973) examined the implication of information asymmetry by introducing signalling theory. He documented that employee pass signals in the job market for the employer by transmitting their relevant information. The managers do not know the capability of the productivity of the employee. The manager makes the decision based on the employees' signals[14]. However, information in the signal could be manipulated. Therefore, the probability of employees' productivity is further observed by the manager, and based on that, the manger decides the employees' salary. Manipulation of the signal while the manager finds out and actual level of productivity can be frustrating for the employer, and in some cases, signalling cost[15] is incurred; consequently, employees may be offered a lower salary.

In cross-border M&A, obtaining credible information is costly and ambiguity remains prevalent. Akerlof (1970) noted buyers use market statistics to value a product before making a purchase offer. The buyers take the average market price for a product while the sellers have more intimate information about the product. Therefore, seller has the opportunity to sell the product for less than market average price.

[15] Employers may have to pay for advertisement expenses and HR consultants to negotiate a better term with employees.

Spence (1973) divided markets into two classes: (1) markets with few players who can establish a reputation as signallers, and (2) market where the other players are numerous and change frequently. Spence concentrated on the latter market where the signals need to be interpreted without prior knowledge of the individual signaller. Stiglitz (1975) argues there are differences in quality of goods, individuals, brands, and other items therefore, he introduced a screening theory. According to screening theory a firm which has a low productivity capability will lower the productivity of a firm which has a high productivity capability. Similarly, a firm which has a high productivity capability will increase the productivity of a firm which has a lower productivity capability. Following Stiglitz, the author argues a high reputation acquirer will look out for a quality target, and that target will also look out for a quality acquirer.

Bhagat et al. (1985) revealed unsystematic risk is positively related to a drop in stock price. Bower and Hansen (1985) presented a direct test for information asymmetry for equity issues. They measured information asymmetry for firms traded by insiders. Their result showed information asymmetry significantly explains cross-sectional variations for dropping stock price.

The market immediately incorporates the release of any new information into the security prices by investors' rational response (Fama et al., 1969). Information may not be equally available to all parties at the same time and thus acquirer reputation signals may reduce information asymmetry (Reuber and Fischer, 2005; Rindova et al., 2005).

Reputation signals may help decision makers to interpret and respond to situations where information is incomplete and asymmetrically distributed among parties (Spence, 1973; 1974). Signalling theory includes three primary elements: signallers, receivers, and the signal itself. Signallers are insiders (acquirer firm's managers or executives) who obtain information about individuals (Spence, 1973), products (Kirmani and Rao, 2000) and organizations (Ross, 1977). This information may not be available to outsiders (target firm's management). Receivers (target firms' management) are outsiders and do not have access to information about the organization (acquirer) but would like to receive this information. Signalling theory is built on the premise that an internal party, such as an acquirer, possesses special information, while external parties, such as target firms, may not have access to such information, and may need to rely on other sources of information (Spence, 1973).

2.2.2. Acquirer Reputations

2.2.2.1. Definition

Definitions of reputation vary across the different schools of thought. Chun (2005) divided the definition of reputation into three schools: evaluative, impressional and relational. The evaluative school defined reputation as evaluation of organizational financial achievement where the key audience is a single stakeholder such as the investor or managers. The impressional school of thought defined reputation as the overall impression of an organization where key audience is a single stakeholder view and these include marketing, organizational behaviour and media coverage. Lastly, the

relational school of thought defined reputation as bridging the gap between internal and external stakeholders' views. In addition to the above Fombrun and Riel (1997) categorized reputation into six thoughts or perceptions (please see table 3).

Accountancy	Reputation seen as an intangible asset and one that can or should be given financial worth.
Economics	Reputation viewed as traits or signals. Perception of the organization held by the organization's external stakeholders.
Marketing	Reputation viewed from the customer or end-user's perspective and concentrating on the manner in which reputations are formed.
Organizational Behaviour	Reputation viewed as the sense-making experiences of employees, or the perception of the organization held by an organization's internal stakeholders.
Sociology	Reputation viewed as an aggregate assessment of a firm's performance relative to expectation and norms in an institutional context.
Strategy	Reputation viewed as assets and mobility barriers. Since reputations are based on perception, they are difficult to manage.

Table 3. Different Schools of Thought on Reputation. Source: Fombrun and Riel (1997)

Collectively, reputations are stakeholders' aggregate perceptions about a firm's past and present activities, and its ability to deliver value along key dimension of performance, and these include the firm's individual attributes such as quality of

management; financial soundness; quality of products and/or services; ability to attract, retain and develop talent; long-term value potential; capacity to innovate; quality of marketing, community and environmental responsibility; effective use of corporate assets; inspirational leadership; corporate governance; global competitiveness; and diversity and inclusion (Fombrun, 2018; Petkova et al., 2014; Pfarrer et al., 2010; Fombrun and Riel, 2007; Chun, 2005; Horner, 2002; Hannon and Malkovich, 1996; Fombrun and Shanley, 1990).

Good corporate reputation is critical because of its potential for value creation, but also because its intangible character makes replication by competing firms considerably more difficult (Robert and Dowling, 2002). Rindova et al. (2006) defined reputation as a firm's ability to creates value in the firm compared to its competitors, and it generates value for firms. Reputation is an invaluable intangible asset that enhances a firm's competitive advantage and organizational performance (Rindova et al., 2005). Petkova et al., (2014) advocate that reputation indicates the firm's capability of generating greater significant value than its competitors.

2.2.2.2. Reputation Measures and Justification

Different methodologies have been used to measure reputation. Past studies show academics often use the reputation score from Fortune magazine (Haleblian et al., 2017; Anderson and Smith, 2005; Roberts and Dowling, 2002). This study used reputation score from Management Today (MT) magazine which uses similar rating

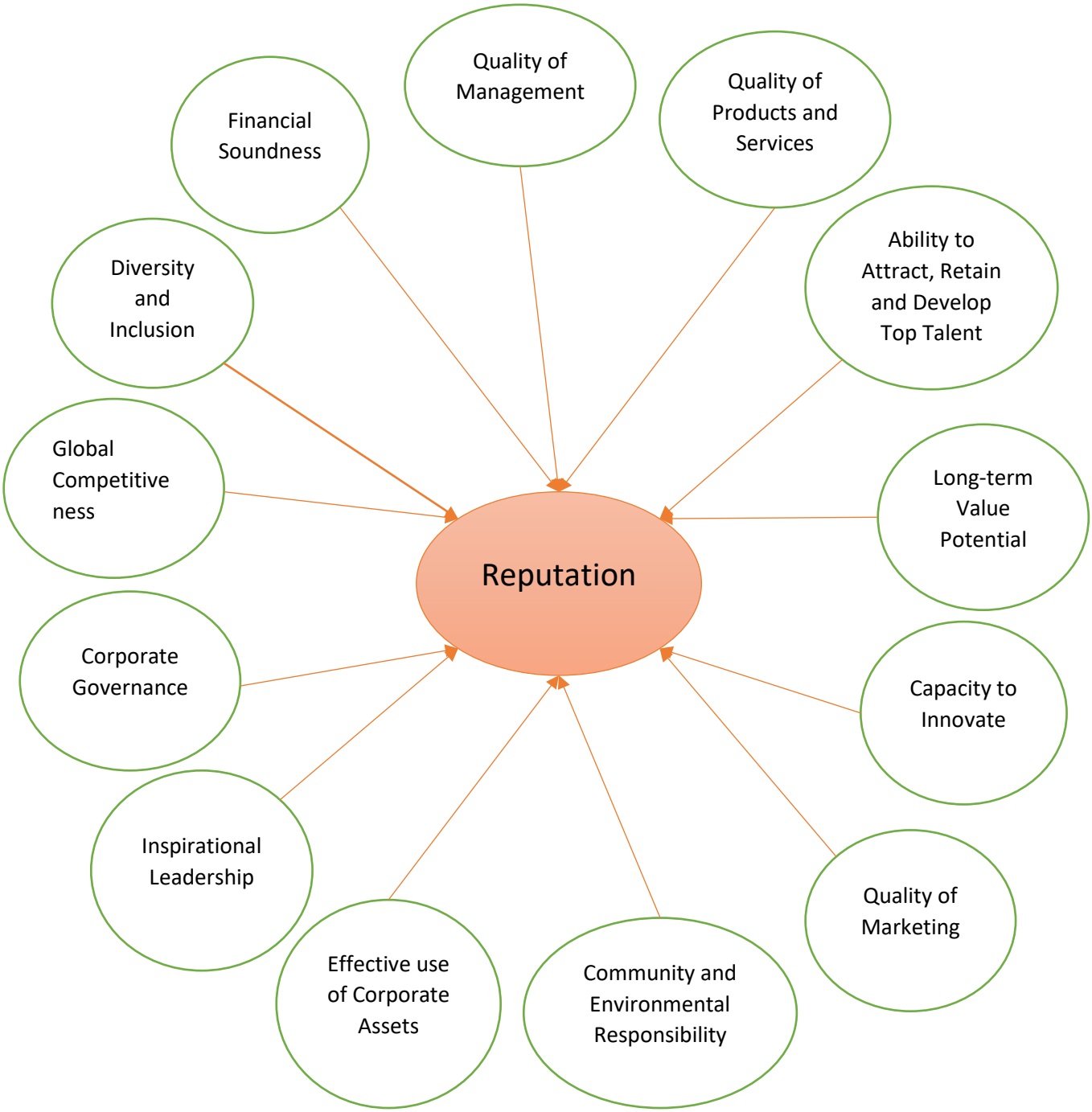
criteria of Fortune magazine (Ali et al., 2015; Brammer et al., 2009; Brammer and Pavelin, 2006).

MT interviews senior executives' directors and financial analysts to rate the company compared to their own industry excluding their own firms. Specifically, MT uses responses from board-level representatives, analysts, and city commentators. The survey of corporate reputations is peer-reviewed by a firm's closet critics, its competitors, and financial influencers. MT asks the UK's largest public firms and leading employers across 25 industry sectors to evaluate their peers. Each industry comprises a maximum of 10 firms, and using 13 criteria, participants rate their sector rivals on a scale of 0 to 10 (0=poor, 5=average, and 10=excellent).[16]

Since 1983, Fortune magazine started yearly rating of US's Most Admired Companies. Fortune's ratings are widely used, well regarded because of consistent effort to measure the firm's reputational assets. The well-known consultants, Hay Group partners collaborate with Fortune magazine to measure reputation for the most admired companies through a survey of nine dimensions of corporate reputation, namely: ability to attract and retain talented people; quality of management; social responsibility to the community and the environment; innovativeness; quality of products or services; wise use of corporate assets; financial soundness; long-term

[16] MT use Echo Research to measure firm's reputation. For details see here https://www.echoresearch.com/services/britains-most-admired-companies/

investment value, and, effectiveness in doing business globally (Hay Group, 2014). MT uses similar rating criteria to Fortune magazine (Ali et al., 2015; Brammer et al., 2009; Brammer and Pavelin, 2006). MT measures reputation by estimating thirteen individual attributes (please see below flowchart 1).



Flowchart 1. Attributes of Corporate Reputation; Source: Management Today (2022)

Fortune rates the US's Most Admired Companies. However, it does not rate the UK firms, thus, the UK based Management Today's (MT) was used to obtain UK acquirers reputation score. Nottingham University first conducted to measure the UK firm's reputation in 1985 by The Economist. Since 1992, MT has started rating the UK firms' reputations. A significant number of peer reviewed research paper used the MT's reputation score to measure the UK firm's corporate reputation (Brammer et al., 2009; Brammer and Pavelin, 2006). For instance, Brammer et al. (2009) used MT's reputation ranking to examine the relation between the UK firm's reputation and female directors on the board.

However, the methodology used by MT and Fortune to measure firms' reputation have been criticized. Brown and Perry (1994) argued that Fortune's annual ratings are shown to be heavily influenced by previous years financial performance, thus creating a halo. The assessment of corporate reputation by Fortune and MT are based on the data collected from a survey of the firm's top management and financial analyst. However, these participants do not fully represent all stakeholder groups (Fombrun, 1996; Fombrun et al., 2000). For instance, past studies show that customers' and employee perspectives on corporate reputation are also relevant, but these do not include in MT and Fortune rankings (Olmedo-Cifuentes et al., 2014; Walsh and Beatty, 2007). In addition, the survey of Fortune methodology is also biased towards large firms as it is based on the revenues earned and thus it may not represent the full range of firms

within a country (CNN Money, 2012). Thus, Fortune and MT ranking raise serious questions about the content validity of corporate reputation measurement.

However, to overcome these issues with Fortune methodology, Fombrun et al. (2000) developed a measure, is called Reputation Quotient (RQ). The RQ has been modified by Ponzi et al. (2011) and is called 'RepTrak Pulse'. RepTrak Pulse incorporates multiple dimensions of corporate reputation in order to avoid the halo effect of financial performance. Moreover, each dimension of corporate reputation is measured with multiple scale items in RQ, in contrast with single-item questions for each dimension of corporate reputation in Fortune's methodology. Similarly, the development of RepTrak Pulse rankings involves multiple stakeholder groups instead of relying upon the evaluation of only the top management and analysts. The RepTrak System measures a company's ability to deliver on stakeholder exceptions on the 7 key rational dimensions[17] of reputation. A company that delivers on expectations in the 7 domains will earn support from its stakeholders.

Despite this new reputation measure being promising but it still needs to justify the validity of its claims while Fortune and MT already established and academically recognised measures for corporate reputation. However, the RepTrak Pulse only started ranking for UK firms since 2010 while the sample period for this study between

[17] 7 key rational dimensions: product and services, innovation, workplace, governance citizenship, leadership, and performance.

2000 and 2018. Thus, the author used MT for the larger sample and its validity that it has been widely used by highly regarded scientific journals.

2.2.2.3. Reputations and Firm's Performance

Past studies documented how a firm's reputation influences the decisions of consumers (Jensen and Roy, 2008; Rindova et al., 2005), investors (Pfarrer et al., 2010), alliance partner selection (Stern et al., 2014; Saxton and Dollinger, 2004), employees' attraction (Hannon and Milkovich, 1996), and M&A outcomes (Haleblian et al., 2017; Chalençon et al., 2017; Saxton and Dollinger, 2004) to interact and provide resources or other support (Rindova et al., 2005).

Fombrun (1996) argued a firm's reputation has a bottom-line effect and a firm with a good reputation can enhance profitability. Similarly, Fombrun and Riel (2007) defined reputations as the magnet that helps firms to attract resources. Roberts and Dowling (2002) revealed a good reputation is better able to sustain a superior profit outcome over time. For instance, Rao (1994) examined the effects of social identity on the survival prospect of organizations. He then extended the idea that reputation is a socially constructed entity by portraying reputation as the outcome of the legitimation process. He also argues that reputation significantly contributes to differences in a firm's performance because it's rare, socially complex, and hard to trade and imitate. Specifically, Rao finds that victories in certification contests are credentials that enable firms to gain a reputation for competence. Thus, the reputation improves the survival

of firms and better the life chance of startup firms more than those lateral entries. Similarly, Susanti and Samudra (2022) found that role of brand association with corporate reputation is a competitive advantage for sustainability. In addition, Milgrom and Roberts (1982) studied the firm's predatory practices to maintain the monopoly. Their finding from game-theoretic and equilibrium suggests that if a firm is threatened by several potential entrants, then predation may be rational against early entrant because it yields a reputation that deters other entrants.

Reputation creates a favourable environment that facilitates a stronger ability to retain good employees and customers, create better margins, and attract a quality partner for M&A (Stern et al., 2014; Jensen and Roy, 2008; Saxton and Dollinger, 2004). Koch and Cebula (1994) stated that firms with a high reputation are less risky, produce greater profitability, and generate a higher investment return compared to the low reputation firms. Collins and Porras (1994) found a strong relationship between financial performance and the firm's reputation. Vergin and Qoronfleh (1998) conducted a study based on the Fortune magazine's rating top ten and bottom ten firms and used S&P 500 as a market benchmark. Their result showed a significant positive relation between firms' reputation and portfolio performance. Vergin and Qoronfleh (1998) also demonstrated that a firms' reputation is highly valued for the following reasons: it is easier for firms to attract and keep talented people, and customers are more willing to purchase the firm's existing products and services and accept a new offer from it. A firm's reputation influences its ability to raise capital and

borrow funds because investors and bankers perceived high reputation firms favourably (Rindova et al., 2005).

Woodroof et al. (2019) examined impact of the cause-related marketing announcement on shareholder value. They used Fortune's Most Admired All-Star listed firms between 2005 and 2017. The event study result shows that cause-related marketing announcements incurred the significant losses for the shareholders. The losses are worse for firms that make monetary contributions compared to firms that make an in-kind donation. However, the result also showed the negative effect was mitigated by a stronger reputation. Similarly, Swaen et al. (2021) found reputation mediates the impact of overall corporate social responsibility (CSR) and corporate social irresponsibility (CSIR) perception on customer trust and retailer brand quality. Likewise, Delgado-Verde et al. (2021) found internal R&D on product innovation performance diminishes as the exposure to external knowledge increases. However, this effect is complementary positive and complimentary for the reputed firm. Thus, reputation contributes to more effective management of knowledge assets.

Furthermore, Rodel et al. (2020) conducted a similar study to find the implication of customer involvement in the corporate community engagement initiatives. The result shows that such engagement foster a positive perception of corporate reputation, which appear to pay off for the firm in terms of consumer patronage and product sales. They also found that customers spread positive sentiments about such volunteering

to others in the community and the audience views the company as reputable. Past studies also documented that reputation influences customer behaviour, loyalty, favourable customer perception and success with a new product (Burlea-Schiopoiu, 2021; Islam et al. 2021; Hawn, 2020; Fombrun, 2018). Choi et al. (2022) find that customer-based corporate reputation influences customer engagement. In addition, Martinez-Leon and Olmedo-Cifuentes (2021) documented the impact of reputation is significantly positive on employee satisfaction, retainment, and service quality.

In addition, Anderson and Smith (2006) measured by firm's performance by forming the portfolio of Fortune listed companies, and another portfolio by S&P 500 companies. In contrast, Fortune listed firms outperformed the S&P 500 by 4.7% annually. Similarly, Wang and Smith (2008) conducted a similar study with a sample of 585 America's most admired firms (listed by Fortune magazine) and compared them with a sample of control firms matched by size and industry. Their result showed that high reputation firms earned an average market value premium of $1.3 billion and recorded superior financial performance and lowered the cost of capital.

Pfarrer et al. (2010) examined reputation's influence on earning surprise and investor's reactions. The sample comprised 291 of Fortune's Most Admired Companies between 1991 and 2005 and identified 80 firms who appeared in the top 25. The result shows that high reputation firms experienced greater market rewards for positive surprises and smaller market penalties for negative surprises than other firms. Similarly, Filbeck

et al. (2013) studied the cumulative and interactive effects for being listed in the popular annual survey. The result showed that a portfolio constructed of Most Admired Companies outperformed the other Fortune rating groups of 100 Best Companies to Work For and 100 Best Companies for Working Mothers in short and long-term returns. Raithel and Schwaiger (2015) examined the influence of reputation on a firm's long-term stock performance. The result showed superior reputation created more wealth for shareholders.

Cheng et al. (2017) evaluated stock performance and CEO's compensation during the announcement of Fortune ranking fluctuations (increase and decrease). Their result showed increases of Fortune ranking score following the previous year experience earned a negative CAR, and decrease in ranking earned a positive CAR. On the other hand, CEO's compensation increased as the ranking inclined and decreased as ranking declined.

2.2.2.4. Reputation Signals

Fombrun and Shanley (1990) defined reputation signals as an observable attribute, and multiple players from each firm attend to signals and judge their effectiveness by considering information asymmetry in the market. Firms compete for reputation status as they compete for customers, and the public constructs reputations from a firm's activities originating from themselves, the media, and other monitors. Fombrun and Shanley (1990) argued if a firm values its reputation, the desire to protect this can

prevent the firm and its managers engaging in activities that are unacceptable to stakeholders. Investment bankers, managers, and recruiters, among others, regularly rely on a firm's reputation to make a variety of investment decisions (Hammond and Slocum, 1996). A firms' reputation sends signals to buyers, sellers and stakeholders to inform them of its overall quality, ability and business strategies (Petkova et al., 2014; Jensen and Roy, 2008; Horner, 2002; Hammond and Slocum, 1996; Hannon and Malkovich, 1996; Fombrun and Shanley, 1990), and thus reduces information asymmetry (Reuber and Fischer, 2005; Rindova et al., 2005). For instance, Hannon and Malkovich (1996) showed that human resource (HR) reputation signals change the perception of capital market participants and influence firm performance. Their result showed that HR reputation signals have a positive effect on stock price. Thus, Hannon and Malkovich (1996) noted good reputations attract more talented employees, reduce employee turnover, and improve relations with customers, employees, lenders and stockholders.

Horner (2002) examined how competitiveness generated reputation building behaviours in a repeated interaction where a firm's product quality is observed by a buyer in a noisy environment. High reputation firms distinguish themselves from low reputation firms by signalling their comprehensive quality in the market. Roberts and Dowling (2002) argued that reputation is valued in its own right, and it serves as a signal to stakeholders to introduce product quality and service, and, thus, the buyer offers a premium to the high reputation firms. Similarly, Rose and Thomson (2004)

noted that reputations are leverage for a firm that enhance the demand for a higher price for its products and services, lower the price for purchases, attract more talented employees, increase loyalty from customers and provide stable incomes.

Jensen and Roy (2008) conducted a study on the US audit industry and the choice of new auditors by a former customer of Arthur Anderson following the firm's collapse in 2002. The result showed reputation of industry expertise is important in the choice of auditors. Specifically, Jensen and Roy (2008) found that the status of a firm helps decision makers to eliminate most alternatives from consideration, while a firm's reputation helps the decision makers to choose that firm among the reduced set of alternatives. Reputations send signals about the firm's quality of different attributes and firms are more likely to use an audit firm which has a high reputation (Jensen and Roy, 2008). It's vital for a firm to signal its overall quality during uncertainty when the buyer or seller are assessing each other's actual worth. Thus, Jensen and Roy (2008) noted reputations allow assessment of perceived quality of individual attributes of a firm and these help decision makers to identify partners that best match their individual resource needs.

In addition, Petkova et al. (2014) examined the role of a firm's reputation on decision making under ambiguity. They found reputations apply dual pressure on decision making under ambiguity. A firm's reputation increases its ambition for future performance and influences it to engage in approaches to achieve this. A firm with an

already established reputation is required to deliver a consistent performance over time, and this promotes greater risk reduction strategies.

Firms with high reputations get more media coverage and send signals to the interested internal and external stakeholders (Hawn, 2020; Fombrun, 2018; Deephouse, 2000). The stakeholders' view of the reputation acquirer is favourable and the firm's reputation helps to build trust among the stakeholders; thus the reputation acquirer gets the psychological advantage of attracting a quality target (Petkova et al., 2014; Lange et al., 2011; Vergin and Qoronfleh, 1998). High reputation firms are protective towards their already established reputations (Pfarrer et al., 2010) and reputations influence a firm's decision making by pressuring the firm to perform consistently over time (Petkova et al., 2014; Pfarrer et al., 2010).

2.2.2.5. Firms' Reputations in M&A

The literature on M&A documents little empirical evidence on the role of acquirer reputation in M&A (Haleblian et al., 2017; Chalençon et al., 2017; Saxton and Dollinger, 2004). Saxton and Dollinger (2004) examined the target's reputation in acquisition outcome using a two-stage international field survey as their research method. In the first stage the number of acquisitions in a specific industry were identified and surveys were used to measure pre-transaction variables, target reputation, and similarities between target and acquirer. In the second stage a survey was conducted to assess the acquisition outcomes, post-transaction integration and management retention.

Saxton and Dollinger (2004) found target reputation showed a robust relation with all outcome measures of acquisitions. The result showed financial and product quality attributes predict satisfaction, product quality enhances realization of market motives, and management reputation facilitates learning.

Chalençon et al. (2017) examined French acquirer's reputation and e-reputation in domestic and cross-border M&A deals. Their finding shows acquirers gained significant zero announcement returns. Their result advocates that reputation has a significant positive influence in M&A value creation, and this is consistent regardless of the target firm's location. However, the author disagrees with the strategy they employed to measure firms' reputation. Chalençon et al. (2017) used an online survey on 2000 participants, representative of French population, aged between 18 and 64. One can debate the validity of this online survey and the participants. While the author obtained acquirer reputation data from MT and it interviews of top executives, directors and financial analysts and asks executives to rate their own firms against industry peers on 9 to 13 firm's attributes. Haleblian et al., (2017) examined an acquirer firm's reputation and their differential behaviour in M&A. Their results show that high reputation acquirers gain a negative abnormal return for the three-day event window and make more deals and more unrelated deals.

2.2.3. Theory and Hypotheses Development

The purpose of this study is to investigate the role of acquirer reputation in cross-border M&A returns. The author argues acquirer reputation signals would reduce information asymmetry and thus a high reputation acquirer would attract a quality target. Consequently, the high reputation acquirer would have a positive M&A return.

This study embedded signalling theory to predict the investor's reaction to the M&A announcement of buying or selling shares in the stock market. The announcement of cross-border M&A serves as a signal sent by acquiring firms and influences the expectations of investors. If there is a strong confidence in the acquiring firm's management, and information about the M&A transaction is explicit, it should be reflected in the stock market reaction. If the announcement of M&A is interpreted by investors as an optimistic future belief, this should increase the stock price. However, it is also true that if the announcement of deal is perceived negatively by investors, it may result a decrease in stock prices.

The signalling theory is adopted because it may help to capture stock market reactions to cross-border M&A. This study integrated the signalling theory with the firm's reputation view to unpack stock market reactions. During assessment of the firm's valuation and prediction of its future returns, investors perceive the firm's overall information as an important signal, especially when they are unable to obtain adequate firm-specific information due to information asymmetry.

Reputation is defined as the stakeholder's overall perception about a firm's past and present activities and its ability to deliver future performance. The firm's reputation signals are defined as observable attributes which multiple players from each firm focus on to observe these signals. Firms' reputations send signals to buyer, sellers and stakeholders to inform them about its overall quality, ability and business strategies (Petkova et al., 2014; Rindova et al., 2005; Fombrun and Shanley, 1990). For instance, Hannon and Malkovich (1996) examined and documented how HR reputation signals change the perception of capital market participants and influence firm performance. The results showed HR reputation signals have a positive effect on share price.

A poor-quality target has a negative impact on acquirer returns because the acquirer provides a subsidy for the underperforming business unit. Consequently, the acquirer may experience a shortfall to its cash flow and this may lead the acquirer a negative financial return. Due to a shortfall in cash flow, the acquirer may not be able to invest in a project that has a positive net present value (NPV) (Jensen, 1986). However, the acquirer may experience the opposite result if the acquirer attracts a better-quality target. For instance, if the acquirer firm has a business unit which has a negative financial performance due to lack of skilled employees, lack of advanced machineries, higher production cost, or insufficient cash flow, a quality good target can mitigate these issues if the acquirer's and target's business units are combined.

Hannon and Malkovich (1996) documented that good reputations attract more talented employees, reduce employee turnover, and improve relations with customers, employees, lenders and stockholders. Fombrun (1996) argued a firm's reputation has a bottom-line effect, and a firm with a good reputation can enhance profitability. Reputations are defined as a magnet that help a firm to attract quality partners (Fombrun and Riel, 2007). Roberts and Dowling (2002) reported that a firm with good reputation is better able to sustain a superior profit outcome over time. Reputation creates a favourable environment that facilitates a stronger ability to retain good employees, customers and better margins, and attracts a quality partner for M&A (Stern et al., 2014; Jensen and Roy, 2008; Saxton and Dollinger, 2004).

Signalling theory advocates that an internal party, such as an acquirer, possesses special information while external parties, such as target firms, may not be able to access such information and may need to rely on other sources of information (Spence, 1973; Akerlof, 1970). When the acquirer reputation is publicly available, the author argues that acquirer reputation signals would attract a better-quality target, and thus the high reputation acquirer would have a positive return. Following signalling theory (Spence, 1973; Stiglitz, 1975), the author argues that a high reputation acquirer reputation signal would reduce information asymmetries (Reuber and Fischer, 2005; Rindova et al., 2005) and consequently, would attract a quality target (Stern et al., 2014; Fombrun and Riel, 2007; Saxton and Dollinger, 2004) and earns a positive return. Thus, the author proposes the following research hypothesis:

H1*. The reputation of the acquirer is positively related to the cross-border M&A returns.*

Prior studies used an event-time approach to estimate acquirer cross-order M&A returns (Haleblian et al., 2017; Chalençon et al., 2017). However, the event-time approach was criticised for their estimation error. In the event-time approach, event date for an individual firm remains unchanged and independent (Brown and Warner, 1985). The event-time approach is unable to detect cross-sectional dependency error in samples; therefore, Mitchel and Stafford (2000) and Fama (1998) strongly recommended using the calendar-time approach. Therefore, in addition to acquirer event-time returns, the author estimated acquirer calendar-time M&A returns.

To examine the above research hypothesis, the author reviewed the related literature and proposed the following theoretical research framework.

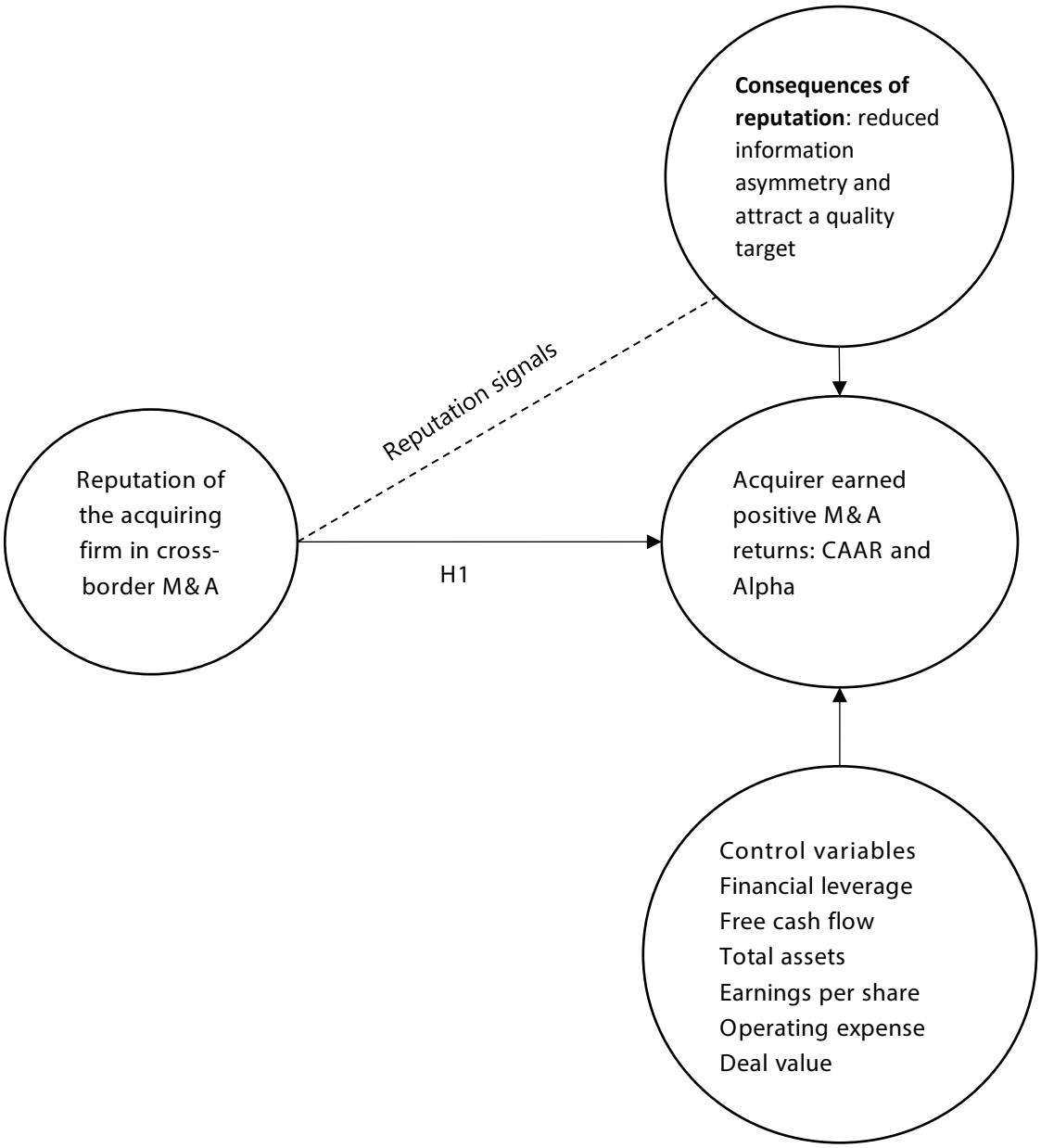


Diagram 1. Theoretical Framework for Acquirer Cross-border M&As Performance

Above diagram 1 show the research framework for this study to estimate relation between acquirer reputation and cross-border M&As return. In this research model, reputation is the independent variable. High reputation acquirer sends reputation signals to the wider stakeholders including target management and shareholders. Thus, reduce information asymmetry and attract a quality target (Petkova et al., 2014; Jenson and Roy, 2008; Fischer and Reuber, 2007; 2005; Rindova et al. 2005). Consequently, the high reputation acquirer would earn a positive M&A return (Roberts and Dowling, 2002). The CAAR and Alpha are the dependent variables, and they were estimated by Carhart four-factor asset pricing models by following event-time and calendar-time methods, respectively. Past studies documented that high reputation firms are favoured by local stakeholders, media, analysts, media, and regulators (Hawn, 2020; Fombrun, 2018). Therefore, the author argues that the market would perceive a high reputation acquirer M&A announcement positively. Hence, the author hypothesised that the acquirer's reputation is positively related to the acquirer's cross-border M&A return.

2.3. Data and Methodology

2.3.1. Data and Summary Statistics

2.3.1.1. Sample Selection

The sample consists of UK cross-border M&As between 2000 and 2016. M&A and financial data were obtained from Bloomberg. The daily stock price used for individual securities, and the FTSE all share benchmark. Data for Carhart four-factor asset model was collected from Exeter University website[18]. The final sample included completed M&A deals only which meet the following selection criteria: (1) acquirer firm listed in MT in the announcement year, (2) the deal value is at least £1 million (3) the deal value is disclosed in Bloomberg, (4) the acquirer holds less than 50% of the target's share before the announcement, (5) the acquirer is publicly traded on the London Stock Exchange (LSE) and financial data is available in Bloomberg, (6) the announcement date is between January 1, 2000 and December 31, 2016, (7) the acquirer is not in the financial industry, (8) there was no missing value for any observation. This restriction resulted in a final sample of 813 cross-border transactions made by 132 firms. This restriction was constructed following Moeller et al. (2004, 2005). The financial industry is excluded because financial firms have different reporting and regulatory policies (Arouri et al., 2019; Deng et al., 2013; Shen and Reuer, 2005; Jindra and Walkling, 2004). The minimum deal value was set at £1 million because previous studies found that the

[18] To use Carhart four factor asset pricing model, the factor data (daily smb, hml, umd factors, risk free rate and market returns, based on the largest 350 firms) for UK market collected from below website. http://business-school.exeter.ac.uk/about/departments/accounting-finance/famafrench/files/

firm's deal values have a significant influence on M&A performance. The larger deals seem to attract the stakeholder's attention and influence the firm's M&A performance (Moeller et al., 2004). The larger deals get more media coverage and more engagement by competitors, regulators, and government agents (Hawn, 2020; Deephouse, 2000). Finally, restricted target ownership to less than 50% since target ownership may influence market reaction and complexity of deal completion (Lim and Lee, 2017; Moeller, 2005).

2.3.1.2. Dependent Variables

The dependent variables for this study are acquirer cross-border M&A returns. Acquirer returns were measured by estimating acquirer cumulative average abnormal returns (CAAR) and alpha. The author followed Carhart (1997) and Brown and Warner (1985) to estimate CAAR, and Kothari and Warner (1997, 2007) and Jaffe (1974) and Mandelker (1974) to estimate alpha.

2.3.1.3. Independent Variables

Reputation and high reputation are the independent variables in this study. The high reputation acquirer is classified based on the median score of reputation taken from the whole sample. Acquirer firm's reputation scores were obtained from MT. The full sample consists of a total of 132 firms, and all are reputation acquirers with the top 50% of that sample called high reputation and the bottom 50% low reputation.

Following the median value of the reputation score and a dummy variable high reputation was created equal to 1 if the acquirer's reputation was equal to or above the median value of whole sample, otherwise 0.

2.3.1.4. Control Variables

This study included several control variables that have been established in literature to explain M&A performance. This study used acquirer total assets as firms' size. There is a substantial argument that firm size matters and it affects firms' M&A returns. The larger firm makes a more substantial acquisition and earns negative dollar gain. Besides, a larger firm's shareholders experience more significant losses than the gain realized by a small firm (Moeller et al., 2004, 2005; Roll, 1986).

This study included acquirer financial leverage which influences the M&A returns. Firms with a lower financial leverage seem to reduce the default risk and increase the debt capacity of acquirer firms. Usyal (2011) documented firms that are overleveraged compared to the target debt ratio are less likely to make an acquisition and less likely to use cash as a payment method. Lim and Lee (2017) documented that firm size and leverage ratio affect acquirer ability to finalize the deal. This study included acquirer free cash flow because the liquidity hypothesis advocated that firm with a higher liquidity ratio will have a higher chance to engage in the acquisition (Smith and Kim, 1994). An acquirer with high reserved cash will be keen on acquisition to improve their investment project (Duan and Jin, 2019).

Return on assets (ROA) indicates how a firm is earning or making profits against its assets. A firm with a higher ROA is more likely to seek investment growth opportunities through M&A (Sudarsanam, 2003). Tobin's q represents firm's growth. A growth-oriented firm is more likely to expand globally (Schweizer et al., 2019; Deng et al., 2013; Bae et al., 2013). Operating expense indicates how a firm is managing its operation in terms of revenue. A firms' higher operating expense means either the firm is lacking in management skills or it lacks advanced technology or products (Hitt, 2001). Often, the acquirer engages in acquisition to reduce the production cost. Therefore, if an acquirer has a higher operating cost, then it may want to go for an M&A to gain the economic scale and scope by lowering the production cost (please see chapter 2, section 2 for detailed discussion- Economies of Scale and Scope).

The choice of payment methods dependent on the firm's intention (Boone and Mulherin., 2007). An acquirer with a large cash holding will prefer the cash option as payment method. Prior studies revealed cash payment reduces M&A completion time (Dikova et al., 2010), increases likelihood of deal completion (Zhou et al., 2016; Dikova et al., 2010; Muhelfled et al., 2007, 2012) and increases M&A returns (Fuller and Stegemoller, 2002; Travlos, 1987).

2.3.1.5. Summary Statistics and Correlation Matrix

Tables 4, 5 and 6 present the sample distribution, summary statistics and correlation matrix, respectively. The sample included completed deals only. The CAAR is computed to measure acquirer event-time returns and alpha to measure calendar-time returns. Table 4 reports the yearly sample distribution for the industries. This study has nine industries in the sample and industry categorization followed by Bloomberg database. Table 4 shows approximately 32% of deals were announced by firms from the industrial sector and 24% from the consumer non-cyclical industry sector. The lowest deals (four deals) observed from the diversified industry sector.

Table 4. Acquirer Industry Distribution by Year

Year	Acquirer industry distribution following Bloomberg database.									
	BM	COM	CC	CNC	D	E	I	T	U	Total
2000	1	3	2	5	2	0	4	0	4	**21**
2001	7	11	8	7	2	3	13	6	0	**57**
2002	7	6	7	11	0	0	10	0	5	**46**
2003	5	4	1	3	0	1	18	0	0	**32**
2004	3	12	5	10	0	5	27	1	6	**69**
2005	3	5	3	11	0	2	28	0	2	**54**
2006	2	6	7	15	0	5	21	0	5	**61**
2007	8	13	0	22	0	2	32	11	4	**92**
2008	3	10	3	25	0	5	25	0	4	**75**
2009	3	1	2	14	0	5	13	1	1	**40**
2010	2	5	7	13	0	6	13	4	4	**54**
2011	9	6	6	9	0	9	12	3	7	**61**
2012	1	4	3	8	0	3	12	5	3	**39**
2013	2	6	2	13	0	1	7	0	2	**33**
2014	2	5	1	11	0	2	13	0	1	**35**
2015	1	5	1	14	0	1	11	4	0	**37**
2016	0	0	0	4	0	0	3	0	0	**7**
Total	**59**	**102**	**58**	**195**	**4**	**50**	**262**	**35**	**48**	**813**
	BM= basic materials, COM= communication, CC= consumer cyclical, CNC= consumer non-cyclical, D= diversified, E= Energy, I= industrial, T= technology, U= utilities									

Table 5 presents the summary statistics. This study observed the highest acquirer event-time return of 16% for a 3- and 5-day event window and the lowest return observed was negative -16% for a 3-day and -17% for a 5-day event window. Acquirer returns declined as the event window expand. Acquirer reputation is the independent variable, and the highest reputation score was observed 76.33 and the lowest 39.37, with an average of 58.37. The minimum deal value in the sample £1.06 million and the maximum £21142.38 million, with an average deal value of £238.844 million and total deal values for whole sample £194 billion.

Table 5. Summary Statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
CAAR (-1, 1)	813	0.002	0.035	-0.157	0.157
CAAR (-2, 2)	813	0.003	0.041	-0.173	0.163
Reputation	813	58.377	6.569	39.37	76.33
High Reputation (dummy)	813	0.517	0.5	0	1
Total Assets	813	20049.94	49911.66	49.847	306000
Operating Expense	813	3715.669	6234.903	6.623	38570
ROA	813	7.086	9.789	-144.784	45.551
FCF	813	969.166	2221.241	-4805	14440
Financial Leverage	813	3.893	9.039	1.109	234.529
Tobin's q	813	1.993	1.019	0.684	11.241
Deal Value	813	238.844	1147.755	1.06	21142.38
Cash Payment (dummy)	813	0.894	0.308	0	1

Table 6. Matrix of Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CAAR (-1, 1)	1.000											
CAAR (-2, 2)	0.796	1.000										
Reputation	**0.041**	**0.021**	**1.000**									
High Reputation	**0.052**	**0.043**	**0.815**	**1.000**								
Total Assets	-0.063	-0.062	0.229	0.206	1.000							
Operating Expense	-0.002	-0.011	0.176	0.137	0.854	1.000						
ROA	0.016	-0.006	0.090	0.050	-0.241	-0.193	1.000					
FCF	-0.015	-0.041	0.201	0.175	0.325	0.315	0.163	1.000				
Financial Leverage	-0.025	0.000	-0.134	-0.163	0.013	0.148	0.073	0.061	1.000			
Tobin's q	0.012	-0.016	0.206	0.145	-0.356	-0.260	0.444	0.029	0.040	1.000		
Deal Value	-0.011	-0.016	0.102	0.072	0.476	0.406	-0.079	0.207	0.033	-0.090	1.000	
Cash Payment	0.084	0.085	-0.053	0.003	-0.027	-0.000	0.037	-0.002	-0.042	0.035	-0.054	1.000

Table 6 presents results for the correlation estimation between the dependent, independent and control variables. The results show that reputation and high reputation are positively correlated with acquirer returns for 3- and 5-day event windows. Acquirer total assets, operating expense and deal values are negatively correlated with 3- and 5-day returns. This result implies that larger acquirers and firms that spend more in operation are more likely to have negative cross-border returns. Similarly, a larger deal seems to be harmful in value creation for acquirer shareholders. This study observed that acquirer return on asset (ROA), Tobin's q and cash payment have a positive correlation with acquirer returns. This result suggests that higher return on acquirer's assets, profitability and cash payment increase acquirer returns. Table 6 reports a positive relation between cash payment and acquirer returns and this advocates that acquirers earn a positive return for the cash payments. The deal value is negatively related with CAAR and this relation implies that acquirer is more likely to have a negative return for a larger deal.

The result from the correlation matrix indicates that a high reputation acquirer gains positive cross-border M&A returns. However, the correlation matrix does not control effect from other influential variables therefore OLS regression models were estimated and the result is discussed in the results section.

2.3.2. Method

The author employed event study methodology for this study. Event study was first introduced by Dolley in 1933, and since then it has become a dominant method in finance to measure impact of specific event on firms' performance. In addition, Fama et al. (1969) elaborated further and established the concept of event study. The whole purpose of an event study is to measure the specific effect of an event on security price. According to Fama (1970) the stock market is efficient enough to incorporate public and private information simultaneously into the stock's price. Every event carries certain different information and consequently, the firm's security price reacts differently to those events.

Advanced technologies and globalization stimulate stocks markets to absorb information and react immediately (Cox and Porters, 1998). According to Brown and Warner (1985) event study measures any economic effect of an event following the efficient market hypothesis. Event study is a statistical method and it begins with identifying the event period (event window) which is involved with a specific event (Ma et al., 2009; Brown and Warner, 1980, 1985). The past studies documented different lengths of event window to measure security price reaction. According to Hillmer and Yu (1979) event windows should end within an hour after the initial announcement of the event. Chang and Chen (1989) argued that the event window should carry on for longer after the initial announcement as the market keeps responding to the news. Krivin et al. (2003) suggested the length of the event window should be related to the

period of observation. In practice, event windows are constructed before and after the event day to measure the event effect on the security price and include a day, a few days, weeks or months (Ma et al., 2009; Moeller, et al., 2004; Mackinlay, 1997; Brown and Warner, 1980, 1985).

According to Hackbarth and Morellec (2008), event study allows computation of a firm's abnormal return in an M&A announcement. Chavaltanpipat et al. (1997) used an event window of 63 days, with 31 days before and 31 days after the announcement, and the event day defined as day 0. Brown and Warner (1985) conducted a study using event study methodology with daily stock data and used 250 events from 50 securities between 1962 and 1979. Day 0 was defined as event day and a maximum of 250 days return was observed for each security around the defined event day, starting at -244 and ending at +5 relative to the event. The estimation period was 239 days following the 11 day event window (-5 before, 0 event day, +5 after). Every security had to have a daily return for at least 30 days from 250 days and no missing return data for the final 20 days. The author followed Brown and Warner (1985) to measure CAAR and thus used an estimation window of 243 days before the announcement and a five-day event window such as two days before (-2) and two days after (+2), 0 as the M&A announcement day. Similarly, to measure calendar-time returns, this study followed Brown and Warner (1980) and used the length of the event window as – three years before and + three years after. Figure 2 shows the event window for this study.

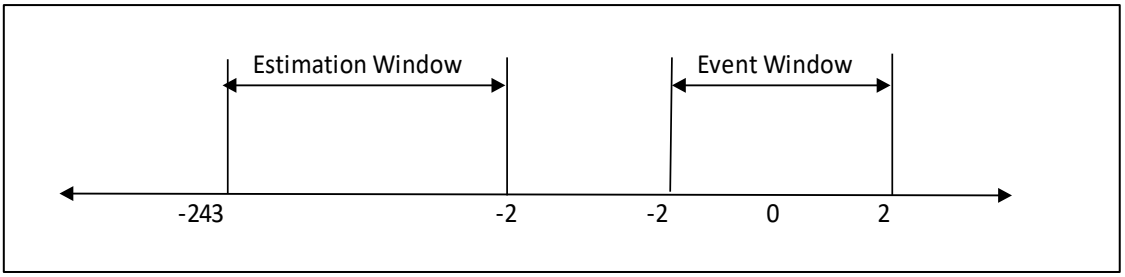


Figure 2. The Time Path of the Event Window

The abnormal returns were computed to estimate stock market reaction to the event. To measure acquirer performance, stock return was measured against a specific market benchmark (Brown and Warner, 1980). Before computing abnormal return, the normal return must be calculated by using the market index, thus, this study included the FTSE all shares.

2.3.2.1. Econometric Approach

Practitioners uses several approaches to measure the firms' security returns. The multifactor models have been introduced since researchers found that security returns can be affected by multiple variables. The multifactor model considers more than one factor while computing the security returns. Carhart (1997) introduced the four-factor model to resolve Jagadeesh and Titman's (1993) momentum returns problem. Carhart (1997) introduced the fourth factor asset pricing model which captures momentum effects in stocks returns. The below shows Carhart four-factor asset price model:

$$E(R_{i,t}) = R_{f,t} + \beta_{1,t}(R_{m,t} - R_{f,t}) + \beta_{2,t}SML_t + \beta_{3,t}HML_t + \beta_{4,t}UMD_t \ldots\ldots\ldots (1)$$

Where R_{it} = the expected return of stock i in time t

$R_{f,t}$ = the risk-free rate

$R_{m,t}$ = market return in time t and

β_i = volatility rate of stock i

SML = size factor which represents the difference between small size portfolios and large size portfolios

HML = the difference between the return of the portfolios with high book-to-market ratio and the portfolios with low book-to-market ratio

UMD_t = the difference between winner and loser

Two common approaches often use to estimate stock return around M&A announcements are event-time and calendar-time. The author used both event-time and calendar-time to estimate the high reputation acquirer cross-border M&A returns.

2.3.2.2. Event-Time Approach

Event-time is the traditional earliest approach in event study and more often use to estimate M&A returns. In the event-time approach, the event date for an individual firm remains independent throughout the test, and the initial event date for all firms exist and all event dates are set for the same starting point at 0. As event date for an individual firm remains independent, therefore estimation of abnormal returns

produces a biased result. This bias occurs due to cross-sectional dependency error in samples.

Several methods are used to compute a firm's abnormal returns, such as assets pricing models, reference and a control matched firm. Brown and Warner (1980) conducted a study using event study methodology. They used the event-time approach to measure stock returns during stock splits. Brown and Warner (1980) examined the following methodologies: mean adjusted returns, market adjusted returns, and market and risk-adjusted return. Brown and Warner (1980) documented that simple methodology with market models performs better.

Brown and Warner (1985) conducted another study to test the strength of different methods in event study. They examined the properties of the daily stock returns, the characteristics of this data and how they affect the event study methodology. They revealed that the market adjusted returns and OLS market model have higher power with daily data than monthly data. Kothari and Warner (2007) examined the econometric issues in event study methodologies. After reviewing the past 30 years of event studies, they documented no significant changes in event study's statistical format since it introduced by Fama et al. (1969).

CAAR and buy and hold abnormal return (BHAR) are common estimation measure to compute a firm's abnormal returns. To estimate these two measures researchers use conventional methods such factor models, reference portfolios and matching firms'

approach. To estimate CAAR or BHAR, the researcher uses an event-time or calendar-time approach. The event-time approach comes under criticism as individual firms' events remain dependent during the estimation period and it is not possible to detect cross-sectional sample dependency error. Therefore, Fama (1998) and Mitchell and Stafford (2000) advocated the use of the calendar-time approach.

Abnormal return is the difference between stock's normal returns and expected return, and CAR is the sum of abnormal returns. The expected return estimate from market benchmark returns; therefore, one can define abnormal return as the difference between the stock's normal returns from benchmark returns. Specifically, if stock A's normal return is £150, and the benchmark or expected return is £149 then abnormal return for stock A would be £1 (stock normal return minus benchmark normal return). The following formula shows how to compute abnormal returns:

$$AR_{i,t} = R_{i,t} - E(R_{i,t}) \dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$

Where $AR_{i,t}$ = abnormal return of stock *i* in time *t*

$R_{i,t}$ = normal return of stock *i* in time *t*

$E(R_{i,t})$ = expected return of stock *i* in time *t*

Finally, the following formula used to compute cumulative average abnormal returns (CAAR) by following the event-time approach.

$$CAAR_i(t_1, t_2) = \sum_{t=t_1}^{t_2} CAR_{i,t_n} \dots\dots\dots\dots\dots\dots\dots\dots\dots (3)$$

Where CAR_{i,t_n} = the cumulative abnormal returns firm *i*, event *t* and number of event *n*

CAAR = sum of cumulative abnormal returns over the event-time period and it is more effective because it obtains the aggregate effect of abnormal returns (Fama et al., 1969)

2.3.2.3. Calendar-Time Approach

The calendar-time approach was introduced to event study by Jaffe (1974) and Mandelker (1974). This approach amends the cross-sectional dependency problems of the event-time approach. In the calendar-time approach, the event date for individual firms is assumed to be dependent and sets all the event dates in monthly terms while the actual event date does not exist. In the calendar-time approach, all different event dates are set on a specific date in a month and the actual event date no longer exist. In portfolio management, this approach rebalances the portfolio monthly and considers the cross-sectional dependence for computing individual firm's abnormal returns.

The calendar-time approach uses two common estimation methods for abnormal return: alpha (CTAR) [19] and BHAR. To estimate these two measures, researchers use conventional methods such as factor models, reference portfolios and the matching firm techniques. The event-time approach is under criticism for being unable to detect the cross-sectional dependency error. Therefore, Fama (1998) strongly recommended the calendar-time approach which mitigates bad model problems.

The calendar-time approach often uses the CARs method to compute abnormal returns. Brown and Warner (1985) noted daily data produce fewer biases and was normally distributed; therefore this study employed daily stock data. CAR provides an equal weight for individual stock, sums up abnormal returns across sample firms at the estimation period and then takes the cumulative average. The following formula was employed to compute the CTCAAR[20] for N number of stocks:

$$CTCAAR_{it} = \frac{\sum_{i=1}^{N} CTCAR(t_f)}{N} \quad \text{..... (4)}$$

Where $CTCAAR_{it}$= sum of calendar-time cumulative average abnormal returns in time *t* for firm *i*

$CTCAR(t_f)$ = calendar-time cumulative abnormal return for firm *i* with time t_f fixed

[19] CTAR refers to the calendar-time abnormal return. The Carhart four-factor asset pricing models were used to estimate alpha, and thus, alpha represents CTAR.

[20] CTCAAR refer to calendar-time cumulative average abnormal return. The alpha was estimated to measure CTCAAR, thus alpha means CTCAAR.

Ang and Zhang (2004) noted that the calendar-time approach suffers from a heteroskedasticity problem. Therefore, they recommended applying the weighted least squares (WLS) technique instead of ordinary least squares (OLS). Following Ang and Zhang, WLS was used to estimate high reputation acquirer calendar-time returns.

2.3.2.4. Regression Analysis

Regression analysis is used to examine what explanatory variable is affecting the dependent variable. Therefore, a cross-sectional regression analysis is used when there is more than one predicted variable. Sometimes multiple factors can influence the dependent variable, and therefore this approach is widely used in social science to find the relation between the dependent and independent variable. Multiple regression analysis extends the relation between a dependent variable and several independent variables (Gujarati and Porter, 2008). The multiple regression model can be much more realistic than the unifactorial regression model (Wooldridge, 2015). The dependent variables, CAAR and alpha, are continuous and independent variables, reputation is continuous and high reputation is a dummy. Thus, the relation between the dependent and independent variables are linear. Therefore, the OLS regression model is appropriate for this study. OLS estimation is widely used for regression analysis and highly recommended when the following assumptions are met: linear parameter, random sampling, sample variation in explanatory variables, zero conditional mean and homoscedasticity (Wooldridge, 2015). Following Moeller et al. (2004), the author employed OLS regression models to estimate relations between dependent variable

(CAAR and alpha) and independent variables (reputation and high reputation). The prior studies found the linear model advantageous because of its simplicity (Wooldridge, 2015). Li et al., (2017) stated that dependent variables in linear models can be reported and the coefficient is easier to interpret compared to the non-linear models. This study used OLS regression because it allows clustering of the error term. In this study, reputation is the independent variable and firm reputation changes over time. Therefore, error term been clustered to control autocorrelation and heteroscedasticity biases (Gujarati and Porter, 2008). The following OLS regression models were estimated to find the relation between acquirer reputation and cross-border M&A returns.

$$CAAR_{it} = a_1 + b_2\ reputation_{it} + b_3\, total\ assets_{it} + b_4\, operating\ exp_{it} + b_5 return\ on\ assets_{it} + b_6 free\ cash\ flow_{it} + b_7\ leverage_{it} + b_8 tobin\_q_{it} + b_9 deal\ value_{it} + b_{10} payment\ method_{it} + b_{11} year_t + b_{12} industry_{it} + e_{it} \ldots\ldots\ldots (5)$$

$$CAAR_{it} = a_1 + b_2\, high\ reputation_{it} + b_3\, total\ assets_{it} + b_4\, operating\ exp_{it} + b_5 return\ on\ assets_{it} + b_6 free\ cash\ flow_{it} + b_7\ leverage_{it} + b_8 tobin\_q_{it} + b_9 deal\ value_{it} + b_{10} payment\ method_{it} + b_{11} year_t + b_{12} industry_{it} + e_{it} \ldots\ldots\ldots (6)$$

$$Alpha_{it} = a_1 + b_2\ reputation_{it} + b_3\, total\ assets_{it} + b_4\, operating\ exp_{it} + b_5 return\ on\ assets_{it} + b_6 free\ cash\ flow_{it} + b_7\ leverage_{it} + b_8 tobin\_q_{it} + b_9 deal\ value_{it} + b_{10} payment\ method_{it} + b_{11} year_t + b_{12} industry_{it} + e_{it} \ldots\ldots\ldots (7)$$

$$Alpha_{it} = a_1 + b_2\ high\ reputation_{it} + b_3\, total\ assets_{it} + b_4\, operating\ exp_{it} + b_5 return\ on\ assets_{it} + b_6 free\ cash\ flow_{it} + b_7\ leverage_{it} + b_8 tobin\_q_{it} + b_9 deal\ value_{it} + b_{10} payment\ method_{it} + b_{11} year_t + b_{12} industry_{it} + e_{it} \ldots\ldots\ldots (8)$$

Where *CAAR* = acquirer event-time return for firm *i* and time *t*

alpha = acquirer calendar-time return for firm *i* time *t*

a_1 = the regression intercepts

$b_2 \ldots\ldots\ldots b_8$ = the regression coefficient

e_i = the error term for the regression coefficient

2.3.2.5. Portfolio Weighting Methods

There are two common weighting methods in portfolio construction: equally weighted (EW) and value weighted (VW). Both methods have their own strengths and weakness. In equally weighted portfolios the amount of money or value is invested equally for every stock in the portfolio. The equally weighted approach does not overweight to any particular stock based on a firm's capital structure. Therefore, this approach eliminates large vs small cap bias. Moreover, forming an equally weighted portfolio is more straightforward than forming a value weighted portfolio. An EW portfolio avoids concentrating heavily on large-cap companies; in effect, it produces a diverse portfolio and has superior long-term performance. Prior studies documented that constructing a portfolio using the EW method outperforms the VW method (Korajczyk and Sadka, 2004; Fama and French, 1992). DeMiguel et al. (2009) reported that the EW portfolio has a higher beta than the VW portfolio.

In sum, first Carhart four-factor asset pricing models were used to estimate the firm's individual alpha. Then constructed two separate portfolios: event-time and calendar-time. The returns estimated from event-time approach is refer as CAAR and the return estimated by calendar-time approach refer as alpha.

2.4. Empirical Results

2.4.1. Acquirer Event-Time Returns on Cross-Border M&A

To investigate the relation between acquirer reputation and cross-border M&A returns, acquirer event-time and calenda-time returns were measured. Three equally weighted portfolios were constructed, one with a full sample consisting of high and low reputation firms. Also composed high and low reputation acquirer portfolios based on acquirer median score of reputation. Carhart four-factor model estimated to measure CAAR. Then used a 241 days historical return ending 7 days before the M&A announcement. The daily stock abnormal returns are cumulated to obtain the cumulative abnormal return (CAR) and then CAR is summed to estimate CAAR from day one (t1) before the M&A announcement date to day two (t2) after the M&A announcement date.

Table 7 reports acquirer cross-border event-time M&A returns for a 3- and 5-day event window. The result shows acquirers in all three portfolios earned positive returns. However, the portfolio of the full sample and high reputation are statistically significant. The portfolio of low reputation acquirers earned statistically insignificant marginal returns compared to the high reputation acquirers. In contrast, high reputation acquirer portfolios outperformed the two other portfolios and generated a higher CAAR.

However, past studies criticised the event-time approach for its estimation error. In the event-time approach, event date for an individual firm remains unchanged and independent (Brown and Warner, 1985). The event-time approach is unable to detect cross-sectional dependency errors in samples. Mitchel and Stafford (2000) and Fama (1998) strongly recommended using the calendar-time approach. Therefore, high reputation acquirer calendar-time returns were estimated, and results reported in Table 8.

Table 7. Acquirer Event-Time Returns on Cross-Border M&As

This table presents acquirer cross-border M&A returns estimated by event-time approach. Three equally weighted portfolio were constructed. The first portfolio includes of full sample (inclusion of high and low reputation acquirers) then constructed separately a high reputation and a low reputation acquirer portfolio based on the median score of reputation. The event-time approach was followed by Carhart four-factor asset pricing models to estimate acquirer returns for 3- and 5- day event windows. The Carhart four-factor asset pricing model's parameter was estimated by using 241 trading days stock returns ending 7 days before the M&A announcement. The daily stock abnormal returns were cumulated to obtain the average cumulative abnormal return (CAAR) from day t1 before the M&A announcement date to day t2 after the M&A announcement date.

CAAR	Full sample (N=813)	High reputation (N=411)	Low reputation (N=402)
Event Window	CAAR	CAAR	CAAR
(-1, +1)	0.001**	0.002**	0.001
(-2, +2)	0.002**	0.002**	0.001

All variables defined in Table 7 denote significance at the 10%, 5%, and 1% level p-values in parentheses * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$, respectively.

2.4.2. Acquirer Calendar-Time Returns on Cross-Border M&A

Following Ikenberry et al. (2000) author estimated acquirer calendar-time returns. The author formed three equally weighted portfolios for UK acquirers cross-border

completed deals only and held them in the portfolio for a pre-specified holding period (253, 506, and 759 days) relative to the announcement month. Portfolios were rebalanced monthly dropping acquirers that reach the end of their holding period and adding acquirers that had just announced an M&A.

Table 8, Panel A, reports the portfolio of the full sample, Panel B and C report acquirer low reputation and acquirer high reputation portfolios, respectively. Panel A shows the portfolio of the full sample generated a positive alpha over first and second year from announcement, and zero returns in the third year. The returns estimated annually[21] are 7.6% in the first year and 15.74% in the second year. However, none of these results are statistically significant.

Panel B reports the low reputation acquirer portfolio performance over three years from announcement. The low reputation acquirer portfolio has a similar performance to the portfolio of the full sample, except a lower return in the first year as it only generated 3.75%. However, the t-statistics suggest that none of the three portfolio's returns are statistically significant for the low reputation acquirer.

Finally, Panel C shows the high reputation acquirer portfolio returns over three years from announcement. In contrast, the result shows the high reputation acquirer produced a continuous positive alpha over the three years. The high reputation

[21] Daily alpha converted to yearly by using the following formula: annual return = [(Daily return+1) ^365-1] *100

acquirer portfolio returns are highly significant over the three years from the M& A deal completion. In sum, the calendar-time portfolio returns shows that the high reputation acquirer generated positive, significant and higher returns over three years compared to the low reputation acquirer portfolios.

Table 8. Acquirer Calendar-time Returns on Cross-Border M&A

This table presents acquirer calendar-time returns over three years from M&A completion. Panel A reports the result for the portfolio composed of all acquirers including high and low reputation. Panel B and C reports portfolio returns for low reputation and high reputation acquirers respectively. Firms are divided into high and low reputation based on the median score of reputation. The Carhart four-factor asset pricing models were used to estimate alphas over the years.

	After one year	**After two years**	**After three years**
Variable	coefficient	coefficient	coefficient
Panel A: High and Low reputation			
Alpha	0.0002*	0.0002*	0.0000
Beta	0.9163***	0.9332***	0.9354***
SMB	0.1335***	0.158***	0.1647***
HML	0.1005**	0.103***	0.1232***
MOM	-0.0143*	0.0025	0.0105
Adjusted R^2	0.711	0.734	0.714
Sample size	813	806	769
Panel B: Low reputation			
Alpha	0.0001	0.0002	0.0000
Beta	0.9553***	0.9705***	0.9723***
SMB	0.2621***	0.3162***	0.3273***
HML	0.104***	0.1261***	0.1475***
MOM	-0.0217	0.0042	0.011
Adjusted R^2	0.588	0.647	0.623
Sample size	407	401	379
Panel C: High reputation			
Alpha	0.0002**	0.0002***	0.0002***
Beta	0.9053***	0.9161***	0.9142***
SMB	0.0715***	0.0562***	0.0458***
HML	-0.0163	-0.0238	-0.0015
MOM	-0.0108	-0.007	0.0033
Adjusted R^2	0.766	0.795	0.805
Sample size	406	405	390

*t-statistics are denoted as *** p<0.01, ** p<0.05, * p<0.1*

2.4.3. Regression Analysis on Acquirer Cross-Border Event-Time M&A Returns

The author observed no multicollinearity in regression models. This is confirmed by the variance inflation factors (VIFs) in all models which are well below the accepted rule of thumb value of 10 (Neter et al., 1989). The result in the correlation matrix shows high reputation acquirer and event-time M&A returns are positively correlated. Table

8 reports that the high reputation acquirer portfolio outperformed the low reputation acquirer and the result is statistically significant. However, prior studies indicated that acquirer M&A returns are dependent on other influential variables (Martynova and Renneboog, 2011; Conn et al., 2005; Gregory and McCorriston, 2005; Sudarsanam and Mahate, 2003). Therefore, this study estimated OLS regression to control the established influential variables that may affect the result.

Table 9 reports the OLS regression estimation for acquirer cross-border event-time returns. Models 1 and 2 show reputation acquirers earned an insignificant zero CAAR for 3- and 5-day event windows when the firm, deal, year and industry effect are fixed. In contrast, models 3 and 4 show high reputation acquirers gained a significant positive return of 0.6% for a 3-day event window and 0.7% for a 5-day event window. The result implies that for a one unit increase in reputation, the acquirer earns 0.6% and 0.7% for the 3-day and 5-day event windows, respectively. The literature on cross-border M&As maintain that UK acquirer returns are ambiguous and are often negative or zero return, or at best a marginal positive (Martynova and Renneboog, 2011; Gregory and McCorriston, 2005; Conn et al., 2005; Sudarsanam and Mahate, 2006). The result is consistent with prior studies (Chalençon et al., 2017; Moeller, 2004; Bradley and Sundaram, 2004; Leeth and Borg, 2000; Asquith, 1983; Eckbo, 1983) and contradicts the findings of Gregory and McCorriston (2005), Conn et al. (2005) and Sudarsanam and Mahate (2003).

Table 9 shows that larger acquirers earn negative announcement returns. This is because larger firms face tougher regulatory challenges, political interventions, and local stakeholder oppositions. This is consistent with earlier studies (Bao and Edman, 2011; Moeller et al., 2004). Moeller et al. found larger acquirers had a negative return while smaller acquirers had positive returns of 2.3% for a 3-day event window. This study found acquirers gained a positive significant return when they had more cash flow in operation. However, prior studies documented mixed results for operating expense and acquisition performance (Bao and Edmans, 2011; Healy et al., 1992). Healy et al. examined post-acquisition returns for the 50 largest US mergers between 1979 and 1984. Their result indicated a strong relation between operating cash flow and abnormal returns.

This study found a negative relation with acquirer returns when a firm earned a higher return on assets and had higher debt against the shareholder equity value. Behavioural finance documented that high performing acquirer managers often become overconfident and make valuation errors and end up overpaying to the target firm (Kahneman and Tversky, 2013; Jensen, 1986). The market reacts negatively when a firm has higher liabilities against total equity. The target firm will get a better bargain when the acquirer is unable to pay outstanding debt and bears the risk of bankruptcy. This thesis found evidence that the acquirer earned a statistically insignificant positive return for larger deal values. Campa and Hernando (2006) found that the acquirer gains

a negative abnormal return for the 3-day event window for a larger deals and positive returns for a smaller deal.

This study found the acquirer earned a statistically insignificant return for cash payment and this is consistent with various studies (Faccio and Masulis, 2005; Goergen and Renneboog, 2004; Fuller et al., 2002; Andrade et al., 2001; Travlos, 1987). For instance, Goergen and Renneboog (2004) found a positive return for a 2-and 5-day event window when acquirers made full payment in cash. This study observed a mixed result for Tobin's q and free cash flow (FCF) as the acquirer had a positive cumulative average abnormal return (CAAR) for a 3-day event window and negative CAAR for a 5-day event window; however, Bao and Edmans (2011) documented a negative relation for acquirer cumulative abnormal return (CAR) with Tobin's q and FCF.

Table 9. Regression Analysis on Acquirer Cross-Border M&A Returns

This table presents OLS estimation of acquirer cross-border event-time returns. The dependent variables in models 1 and 2 are acquirer 3-day CAAR (-1, 1) and 5-day CAAR (-2, 2), respectively. Acquirer reputation is the independent variable in models 1 and 2. The dependent variables in models 3 and 4 remain the same as models 1 and 2 and high reputation is the independent variable in models 3 and 4. The numbers in parentheses show the p value for OLS based on the robust standard errors which are adjusted for heteroscedasticity and t-statistics, respectively. Acquirer firm's standard error was clustered to control autocorrelation and heteroscedasticity biases.

	(1)	(2)	(3)	(4)
Reputation	0.000*	0.000		
	(0.090)	(0.209)		
High Reputation			0.006**	0.007**
			(0.031)	(0.029)
Total Assets	-0.004**	-0.004*	-0.005**	-0.004**
	(0.015)	(0.061)	(0.010)	(0.038)
Operating Expense	0.003**	0.003*	0.003**	0.003*
	(0.028)	(0.095)	(0.022)	(0.071)
ROA	-0.000	-0.000	-0.000	-0.000
	(0.843)	(0.987)	(0.844)	(0.967)
FCF	0.000	-0.000	0.000	-0.000
	(0.723)	(0.769)	(0.749)	(0.705)
Leverage	-0.000	-0.000	-0.000	-0.000
	(0.840)	(0.395)	(0.914)	(0.475)
Tobin's q	0.000	-0.000	0.000	-0.000
	(0.982)	(0.920)	(0.996)	(0.875)
Deal Value	0.001	0.001	0.001	0.001
	(0.329)	(0.351)	(0.306)	(0.318)
Cash Only	0.008*	0.009	0.007	0.008
	(0.092)	(0.119)	(0.111)	(0.139)
Year Dummy	Yes	Yes	Yes	Yes
Industry Dummy	Yes	Yes	Yes	Yes
Constant	-0.040**	-0.039	-0.022	-0.022
	(0.035)	(0.123)	(0.178)	(0.313)
Observation	813	813	813	813
R^2	0.079	0.073	0.082	0.077

All variables are defined in Table 9 and denote significance at the 10%, 5%, and 1% level p-values in parentheses * p < 0.10, ** p < 0.05, *** p < 0.01, respectively.

In sum, the event-time and calendar-time portfolio returns show that a high reputation acquirer earns significantly positive returns compared to a reputation acquirer. These findings are also consistent with the OLS regression analysis and show that 1 unit increase in reputation, the acquirer earns 0.6% and 0.7% significant CAAR for the 3-day and 5-day event window, respectively. These findings support the author's

proposed hypothesis and proved that the acquirer's reputation is positively related to the acquirer's cross-border M&A returns.

2.5. Discussion and Conclusion

The study contributes to M&A literature by adopting reputation as key predictor for acquirer cross-border returns. The author examined the relationship between acquirer reputation and cross-border event-time and calendar-time returns. The CAAR is measured to estimate high reputation acquirer event-time returns and alpha to measure calendar-time returns. The result shows a statistically significant relation between acquirer reputation and M&A returns. The findings from equally weighted event-time portfolio and calendar-time portfolios show high reputation acquirers generated statistically significant positive CAAR and alpha, respectively. For the robustness checks, further estimated OLS regression on acquirer M&A returns and reputation. The regression analysis shows a statistically significant relation between high reputation and acquirer returns.

This study argues that acquirer reputation signal reduces information asymmetry and thus the acquirer gains positive cross-border M&A returns. The result from the high reputation acquirer equally weighted portfolio returns and OLS regression support the proposed hypothesis. Finding of this study supports the theoretical claim made by prior studies (Petkova et al., 2014; Reuber and Fischer, 2005; 2007; Rindova et al., 2005) that firm's reputation signals reduce information asymmetry and information

uncertainty. Findings of this thesis are consistent with past studies which found that firm reputation influences positive stock return (Stern et al., 2014; Wang and Smith, 2008; Anderson and Smith, 2006; Roberts and Dowling, 2002). Hannon and Malkovich (1996) documented that HR reputation signals[22] change the perception of capital market participants and influence firm performance. However, this study contradicts a number of studies that reported that UK acquirer earned negative cross-border returns (Martynova and Renneboog, 2011; Conn et al., 2005; Gregory and McCorriston, 2005; Sudarsanam and Mahate, 2003).

The result is consistent with Chalençon et al. (2017). They studied the reputation and e-reputation effect of French acquirers in domestic and cross-border M&A returns and their results showed that reputation acquirers gain positive returns. However, Chalençon et al. (2017) used an online survey among 2000 participants to collect perceptions about the French acquirer. One can dispute the validity of this online survey and the participants. Their survey did not include participant perception for a firm's individual attributes and the participants do not have firm or industry knowledge. In contrast, this study employed MT as reputation index. MT interviews top executive directors and city investment bankers and asks to rate their own firms against industry peers on the firm's 9 to 13 attributes. MT uses similar criteria to Fortune magazine, and

[22] This thesis used the firm's overall reputation which includes a firm's quality of management; financial soundness; quality of products and/or services; ability to attract, retain and develop talent; long-term value potential; capacity to innovate; quality of marketing; community and environmental responsibility; effective use of corporate assets; inspirational leadership; corporate governance; global competitiveness; and diversity and inclusion. HR reputation is another core aspect of reputation but does not represent the firm's overall reputation.

it has been widely used in reputation research (Ali et al., 2015; Brammer et al., 2009; Brammer and Pavelin, 2006). In addition, the sample period and sample size used by Chalençon et al. (2017) were short and too small. The total sample consists of 187 M&A deals (both domestic and cross-border) over three year and 147 cross-border deals. Prior studies indicated that larger samples generate more reliable results (Gungor and Luger, 2020; Hackshaw, 2008; Kelly and Maxwell, 2003; Cohen, 1990). The main results should have 95% confidence intervals and the width of these depend directly on the sample size: large sample studies produce narrow intervals and therefore, more precise results (Gungor and Luger, 2020; Hackshaw, 2008; Kelly and Maxwell, 2003; Cohen, 1990). For instance, Gungor and Luger (2020) examined a small sample to predict stock return. They found that stock return predictability encounters several problems that undermine the reliability of statistical interference in small sample. Due to the sample size effect and reputation measurement criteria, this study is more reliable, provides a more robust result and overcomes established shortcoming of the previous study conducted by Chalençon et al. (2017).

Haleblian et al. (2017) examined the acquirer firm's reputation and differential behaviour in M&A. Their results show that high reputation acquirers earned a negative abnormal return for a 3-day event window and made more deals and more unrelated deals. Haleblian et al. (2017) focused on the US market. M&A return varies with different acquirer geographical locations because of different cultural, political, and regulatory systems. Martynova and Renneboog (2011) examined cross-border M&A

returns between continental Europe and UK acquirers. Their results showed UK acquirers earned a positive return while those from continental Europe earned a negative return. Therefore, the impact of reputation on M&A returns depends on how the local stakeholders perceive a firm and how much attention they pay to reputation. This perception varies across the different cultures and therefore, the impact of reputation on acquirer M&A returns would differ. To the author's best knowledge, this is the first study that shows how the UK market reacts to a high reputation acquirer M&A announcement.

However, there is growing criticism of the event-time approach because of their estimation error. In the event-time approach, event date for an individual firm remains unchanged and independent (Brown and Warner, 1985). The event-time approach is unable to detect cross-sectional dependency errors in samples; therefore, Mitchel and Stafford (2000) and Fama (1998) strongly recommend using the calendar-time approach. Therefore, this thesis further estimated high reputation acquirer calendar-time returns. This study used the Carhart four-factor asset pricing model to compute individual alphas and then created three equally weighted calendar-time portfolios over three years. The first portfolio was constructed with a mix of high and low reputation acquirers, the second portfolio of low reputation acquirers, and the third portfolio was constructed with high reputation acquirers only. The result shows the portfolio of high reputation acquirers outperformed the two other portfolios over all three years. The low reputation acquirer earned 3.73% alpha in the first, 7.6% in the

second and 0.0% in the third year of M&A. None of these portfolio's returns are statistically significant. In contrast, the high reputation acquirer earned a statistically significant alpha[23] over three years as follows: 7.6% in the first, 15.75% in the second, and 24.48% in the third year. In sum, calendar-time portfolio returns suggest that UK acquirers earn a significant consistent cross-border M&A return. Thus, this study contradicts findings from prior studies that show UK acquirers earned negative cross-border returns (Conn et al. 2005; Gregory and McCorriston, 2005; Sudarsanam and Mahate, 2003).

This study explored the role of UK acquirer reputation in cross-border M&A returns. The implication is that high reputation acquirers have specific advantages because they are more likely to gain stronger event-time and calendar-time returns. Like all other studies, this study has limitations. The author only used acquirer firm and deal-related controls. The literature in M&A shows cross-border M&A activity is affected by cultural differences, political interference, macro-economic changes, and regulatory differences. Future research may consider the target's firm and country level control. High reputation acquirer calendar-time portfolio returns suggest that firms' reputation drives long-term returns. Firms' stock price used to estimate acquirer event-time and calendar-time returns. However, stock price is highly volatile to any new information, therefore, it may overvalue or undervalue a firm stock price and the market may need

[23] The daily alpha converted into a yearly figure by using following formula: annual return = [(Daily return+1) ^365-1] *100

some time to adjust credibility of information into stock price. Thus, future studies may consider using accounting returns of high reputation acquirer to estimate calendar-time portfolio returns.

CHAPTER 3. Acquirer Reputation and M&A Deal Completion Duration

3.1. Introduction

3.1.1. Research Motivation

This study is motivated by the time elapsed[24] between M&A announcement and deal completion (Amel-Zadeh and Meeks, 2019; Ahmad and Lambert, 2019; Li et al., 2017; Bhagwat et al., 2016; Dikova et al., 2010). Information asymmetries and information uncertainty jeopardize M&A negotiation (Jansen, 2020; Gulen and Ion, 2016; Iselin, 1989) and trigger distrust (Akerlof 1970; 1974), and cause lengthy deal term discussions (Bhagwat et al., 2016; Caiazza and Pozzolo, 2016). Abandoned and prolonged deal-making are costly for the acquirers as well as for the target firms (Chakrabarti and Mitchell, 2016) due to upfront financial costs and termination fees as well as losses in terms of firm reputation, credibility (Luo, 2005), time, and diversion of managerial attention (Dikova et al., 2010). Prior studies found that the length of deal completion is important because the firm's value that drives interest in the deal, and the need for the deal, may change significantly between the deal announcement and completion date (Thomson and Kim, 2020; Bhagwat et al., 2016; Dikova et al., 2010). A prolonged duration may lead to the need for renegotiation, deal abandonment or reduced overall deal activity. Moreover, a long duration may create deal completion

[24] Time elapse is the duration between deal announcement and deal completion. The duration was measured in days by subtracting announcement date from completion date (Dikova et al., 2010).

risk and consequently, the deal may not complete (Bhagwat et al., 2016; Caiazza and Pozzolo, 2016; Dikova et al., 2010; Luo, 2005).

Bhagwat et al. (2016) found that firm's values significantly change between the deal term negotiation, and the actual deal completion or termination. Bhagwat et al. focused on the effects of economic uncertainty, while Nguyen and Phan (2017) and Bonaime et al. (2018) examined policy uncertainty, Cao et al. (2019) studied political uncertainty, Nguyen et al. (2020) examined the impact of terrorism-induced uncertainty, and Hao et al. (2020) investigated geopolitical risk-related uncertainty. All identified a negative association with M&A activity. For instance, Bhagwat et al., (2016) found that increases in market volatility decreased subsequent deal activity. The effect is strongest when volatility is highest, and deals take longer to complete. However, past studies established that firm's reputation signals reduce information asymmetries and uncertainty (Reuber and Fischer, 2005; 2007; Rindova et al., 2005; Weigelt and Camerer, 1988).

Reputation is a firm's overall assessment by stakeholders. It is the collective perceptions by stakeholders about a firm's ability to fulfil their expectations, whether these stakeholders are interested in buying the firm's products, working for the firm, or investing in the firm (Riel and Fombrun, 2007). Making a complex decision like an M&A is difficult under information uncertainty. The literature shows that a firm's reputation influences decisions making and firm performance (please see chapter 2, section 2 - Reputation and Firm's Performance)

In addition to the decision making and firm performance, the past study documented firm reputation influence M&A activity (Haleblian et al., 2017; Chalençon et al., 2017; Saxton and Dollinger, 2004). For instance, Saxton and Dollinger (2004) found the target's reputation showed a robust relation with all outcome measures of acquisitions. Their result revealed that the target's financial quality predicted satisfaction, product quality enhanced realization of market motives, and management reputation facilitated learning. A firm's reputation is a comprehensive measure of its overall quality and has been shown to have a significant effect in M&A activities; however, the author has found no evidence that examined the relation between acquirer reputation and M&A deal completion time.

3.1.3. Aims and Objectives

The aim of this study is to investigate the role of acquirer reputation on the M&A deal completion time. Prior studies suggested that information asymmetry strongly affects the M&A negotiation process, prolongs the duration and reduces the likelihood of deal completion (Bonaime et al., 2018; Nguyen and Phan, 2017; Luypaert and Caneghem, 2017; Gulen and Ion, 2016; Bhagwat et al., 2016; Caiazza and Pozzolo, 2016). Since information asymmetries in M&As increase the deal completion time, the author argues that a firm's reputation would reduce information asymmetries through reputation signals during the identification, pre-screening and negotiation process. The signal from the acquirer reputation conveys the acquirer's overall quality of

assessment and perception of stakeholders; therefore, the high reputation acquirer deal completion time would be shorter.

The author followed past studies (Ali et al., 2015; Brammer et al., 2009; Brammer and Pavelin, 2006) to obtain the UK acquirer reputation score from Management Today (MT). MT uses similar methodology to Fortune magazine to estimate the firm's reputation (Ali et al., 2015; Brammer et al., 2009; Brammer and Pavelin, 2006). M&A and financial data were obtained from Thomson Reuters Eikon (Amel-Zadeh and Meek, 2019). To measure the influence of reputation in M&A deal completion time, the OLS regression models were used. Acquirer firm, industry, deal and year effect were controlled. In this study, deal completion duration is dependent and reputation and high reputation are the independent variables.[25]

3.1.4. Contribution of this Study

This study contributes to M&A literature by incorporating firm reputations in domestic and cross-border deal completion time. The M&A literature observed that longer negotiation incurs higher financial cost for the acquirer, increases market uncertainty and lowers the probability of deal completion. The delay of deal completion badly affects acquirer shareholders while benefits target shareholders.

[25] Any firm listed in MT between 2000 to 2018, are called reputation firms and high reputation is the top 50% of that sample based on the median score. A dummy variable was created for the high reputation equal to 1 when reputation score is equal to or above the median score, otherwise 0.

A prolonged negotiation increases uncertainty and decreases the stakeholder's positive perception. Consequently, the likelihood of deal abandonment increases, and thus raise the concern of reputational loss. Findings of this study may help acquirer and target management to understand the concept of reputation in M&A negotiation. Policy makers and investment bankers may find this study useful as a guide to time taken for deal completion by high reputation acquirers. Lengthy negotiations often benefit target shareholders while acquirer shareholders experience negative stock performance; thus, findings of this study maybe an indication for shareholders and investors whether to keep their investment or sell. In addition, the author found few studies conducted on firm's reputation and M&A activity. Thus, the findings of this study may motivate academicians to consider reputation to examine the M&A activities.

This paper is organized as follows. The author first reviewed M&A background and literature on deal completion time and then discussed the role of acquirer reputation on M&A activity. Next described the methods and data and then report the results and discussion. The final section included conclusions, discuss the implication of the result, and recommendations for future research.

3.2. Literature Review

3.2.1. M&A Background and Theoretical Motive

This section reviews the M&A background and theoretical motive. These include differences in domestic and cross-border deals, M&A negotiations, theoretical motives, determinants for deal completion time and acquirer reputation. In addition, this section discussed the initial M&A process, examined acquirer reputation and information asymmetric theory. This section also briefly review the theoretical motive and acquirer reputation.

3.2.1.1. Domestic Versus Cross-Border M&A

The primary difference in cross-border M&A is that buyers and sellers operate businesses in two separate countries, while in domestic M&A both firms are located and operate in the same country. Cross-border deals are complicated because of differences in corporate governance, institutions and culture. Hence, the cross-border deal is riskier; however, the reward also enormous when a firm seeks corporate and global expansion.

Cross-border M&A is riskier than domestic M&A because of several barriers. One of them is national borders, specifically geographical location. Precisely, every country has its own laws, culture, languages and religious faith which could be different from each other. Therefore, having such differences between two merging firms could incur

a higher transaction cost (Ahern and Sosyura, 2014). According to Rose (2000) physical distance between two parties can increase the cost of merger. Consequently, cultural, and physical differences decrease the probability of deal completion.

M&A returns vary between domestic and cross-border deals. Conn et al. (2005) examined the performance of UK acquirers' M&A over 4000 cross-border and domestic deals. The result show that the acquirer public acquisitions had negative short- and long-term announcement returns for domestic deals while in cross-border deals for public acquisitions, the acquirer had zero short-term returns and negative long-term returns. In contrast, acquisition of private targets in domestic and cross-border deals resulted in a positive announcement return and zero long-term returns. Conn et al. found that acquirers performed better when national cultural differences are low between the host and home countries.

According to Erel et al. (2012), different countries have different cultures, governance and international tax regulations, and these differences effect M&A integration. The complexity of cross-border deal completion is colossal because of differences in the countries institutional and regulatory environments (Dong et al., 2019; Muehlfeld et al., 2012). In cross-border deals, the acquirer faces economic, political and regulatory scrutiny, and information asymmetry (Li et al., 2017; Lim and Li, 2017; Li et al., 2016); thus, the acquirer pays high fees to hire an accountant, and financial and legal advisers to avoid any impediment that may appear during the negotiation.

The host country's institutional quality potentially complicates cross-border M&As (Rosenbaum and Pearl, 2013). The good practice of corporate governance provides a higher protection right for the minority shareholders. In addition to that, market development is another barrier that also potentially affects cross-border M&A. Specifically, a firm from a developed market is more likely to benefit while acquiring a firm from weaker market (Berk and DeMarzo, 2014). Firm valuation is another factor that also potentially affects cross-border M&A performance. The valuation becomes complicated due to information asymmetry, and thus, the credibility of information is ambiguous (Jansen, 2020; Bhagwat et al., 2016; Moeller et al., 2007; Dierickx and Koza, 1991).

Li and Sai (2020) found that religious distance influenced the likelihood of cross-border deal termination in the negotiation phase. Their result shows that religious distance is negatively related to the probability of acquisition completion. Li and Sai (2020) found a good institutional environment in the host country reduces the information asymmetry and transaction cost. The host country's institutional environment moderates the adverse effect of religious distance in cross-border deal completion.

Xie et al. (2017) and Zhang et al. (2011) found that the likelihood of overseas deal completion is lower when a host country has a poor institutional quality, national security issues, and acquirer state ownership. Their findings also showed that a host country's institutional quality moderates the acquirer learning experience, and target's

state ownership which affects the likelihood of deal completion. Prior studies documented that a weak institutional and regulatory system created a barrier, while a strong framework created incentives (Peng, 2003; Peng et al., 2008). Therefore, the author included host country's institutional quality as control variables.

3.2.1.2. M&A Negotiation

M&A negotiation generally happens in a friendly environment (Bruner, 2004). The negotiation process generally starts when the bidding firm's management contact the target firm's management (Gaughan, 2017). Firms often appoint investment bankers on their behalf to carry out the negotiation. To complete a deal, both firms require approval from the board, and therefore, both firms keep the board of directors up to date with negotiations. A good friendly negotiation and smooth work lead to a quick deal agreement.

However, sometimes a quick deal may not be the best. A quick deal may turn into bad deal. For instance, in a short time frame the bidding firm may not be able to get enough information to value the target's worth. As a result, the bidding firm may end up overpaying the targets for their actual worth (Nanda and Narayanan, 1999). Often, a quick deal which leads from a peaceful negotiation may break down, leading to deal termination, or a hostile takeover for various reasons. For example, the bidding firm

may discover the target's actual value, or it could be that the target firm has an adverse incident.[26]

There could be some other issues, such as financial and regulatory approvals which need to be completed to execute the transaction (Gaughan, 2017). Another issue that may affect the M&A process which is the confidentiality of the agreement. Leaking any information to a third party (other firms) may break the antitrust rules. Even after the merger agreement, leaking information may violate the original agreement (Rosenbaum and Pearl, 2020; Howson, 2006).

3.2.1.3. Theoretical Motive

Bergh et al. (2019) and Akerlof (1970) defined information asymmetry as a condition where one party in a relationship has more or better information than another. Prior studies noted that information asymmetry causes delay in the negotiation process (Nguyen and Phan, 2017; Caiazza and Pozzolo, 2016; Bhagwat et al., 2016) and conceals the actual quality of the product (Dierickx and Koza, 1991; Akerlof, 1970). Throughout this chapter, information asymmetries and information uncertainties were used interchangeably. Some academics have defined them differently (Lu et al., 2010) and others used them interchangeably (Bhagwat et al., 2016; Zhang, 2006).

[26] See Zhang (2006) for details of a negative incident which lead to a fall in stock price, thus reducing the firm's value.

Information uncertainty impedes efficient market function and causes delay in decision making. Akerlof (1970) stated that trust is important to reduce information asymmetry. Prior studies found that firms build trust among stakeholders through reputation signals (Petkova et al., 2014; Pfarrer et al., 2010; Rindova et al., 2005; Fombrun and Shanley, 1990). Information asymmetry causes uncertainty in decision making (Dixit and Pindyck, 1994, 2012; Reuber and Fischer, 2005; 2007) and is often modelled as information uncertainty (Zhang, 2006).

Information uncertainty is prevalent in M&As when there is a change of conditions such as regulations (Reddy and Fabian, 2020; Bonaime et al., 2018; Nguyen and Phan, 2017; Kang and Kim, 2010) or events[27] (Jansen, 2020; Boone and Usyal, 2020; Cao et al., 2019). The extent of information asymmetry and uncertainty strongly affects M&A activity which includes deal attributes, partner selection and decision making, as well as wealth generation[28] (Bergh et al., 2019).

Spence (1973) developed signalling theory and divided markets into two classes: (1) markets where there are few players, and they can establish a reputation by signalling, and (2) markets where the other players in the market are numerous and change

[27] There are many events such as M&A announcements, earning announcements, elections, wars, etc., which may lead market to experience a random and volatile information flows. However, the credibility of this information can be questionable. Thus, the investors/decision makers can use firm's reputation signal as credible source of firm's overall quality.

[28] See chapter 2, section 2 where information asymmetry was discussed including its influence in decision making and M&A outcomes. In addition, chapter 2 also discussed the mitigation of information asymmetry.

frequently. Spence concentrated on the latter market where the signals need to be interpreted without prior knowledge of the individual signaller. Firms' reputations send signals to buyers, sellers and stakeholders to inform them about product quality, ability and business strategies (Petkova et al., 2014; Jensen and Roy, 2008; Horner, 2002; Hammond and Slocum, 1996; Hannon and Malkovich, 1996; Fombrun and Shanley, 1990) and consequently a high reputation acquirer reduces information asymmetry.

Reputation is the stakeholders' aggregate perception about a firm's past and present activities and the firms' ability to deliver future performance (Fombrun, 2018; Petkova et al., 2014; Pfarrer et al., 2010; Fombrun and Riel, 2007; Chun, 2005; Horner, 2002; Hannon and Malkovich, 1996; Fombrun and Shanley, 1990) and it reduces information uncertainty (Reuber and Fischer, 2005; Rindova et al., 2005).

Spence (1973) documented the implication of information asymmetry. For example, he used signalling theory to justify information asymmetry during hiring an employee. Spence found that the employee passes signals in the job market for the employer by sharing information. The manager does not know the capability and productivity of the employee. The manager's decision is dependent on the employee's signals such as his/her curriculum vitae (CV). Similarly, this study argues that a target firm's management may consider the acquirer reputation signals in decision making.

However, information in the signal could be manipulated and, therefore, the probability of employee's productivity is further observed by the manager and the manger decides the employee's salary based on this current information. Manipulation of the signal can be frustrating for the employer when the manager finds out the actual level of productivity, and, in some cases, a signalling cost can be incurred. In effect the employer may offer a lower salary than the actual. Similarly, during the negotiation and due diligence process information shared by target firms might be manipulated and thus the acquirer may take a longer time to complete a deal. During negotiation, the investment banker works to negotiate a better deal on behalf of the firm that they represent. While the investment banker works for the target firm, they create a memorandum and then pass the signals to their desired buyers (acquirer). Prior studies documented that high reputation firms are favourable to financial analysts, regulators, media, and the wider stakeholder community (Hawn, 2020; Fombrun, 2018; Fombrun and Riel, 2007; Deephouse, 2000). Therefore, the author argues that a high reputation acquirer deal completion time would be shorter.

3.2.1.4. Determinants of Deal Completion Time

M&A activity can be measured in two phases: pre- and post-M&A activity. There has been extensive research conducted for post-M&A activity; however, recently focus has been shifted towards the period between the pre-M&A and post-M&A activities. Recent studies found that approximately 20 to 30 per cent of M&A deals are abandon during the negotiation phase or renegotiated (Chakrabarti and Mitchel, 2016; Bhagwat

et al., 2016). Long deal negotiations reduce the probability of deal completion (Bhagwat et al., 2016; Caiazza and Pozzolo, 2016). Literature shows several factors that affect the pre-M&A phase. Epstein (2005) documented the following determinant for M&A success: strategic vision and fit, deal structure, due diligence, pre-merger planning, post-merger integration, and external factors. Zhang and Ebbers (2010) noted the following characteristics as determinants for M&A success: deal level characteristics, country level characteristics, and firm level characteristics.

Dikova et al. (2010) found the host country's institutional quality and institutional distances influence the likelihood of cross-border deal completion, as well as the time taken for completion after the announcement. They included expropriation risk distance, procedural complexity distance, power distance differences, uncertainty avoidance difference and completion experience. Their findings showed that expropriation risk distance and completion experience explained the deal time completion. The expropriation risk distance lengthens the deal completion duration and shortens it when the completion experience interacts with the expropriation risk distance. Dikova et al. (2010) found differences in power distance and uncertainty avoidance have a significant negative effect in deal completion and an insignificant positive effect on deal completion duration. Specifically, a deal is less likely to be completed if the host country has a higher difference in power and uncertainty avoidance.

Reis et al. (2013) found institutional distance augments the likelihood of an M&A deal failure and increases the time it takes to complete the deal. Cai et al. (2015) studied the impact of formal institutions in domestic and cross-border M&As in emerging economies. Their result showed that the host country's institutional differences, institutional quality and the involvement of regulatory agencies prolong the deal duration. Therefore, this study controlled for the host country's institutional quality and differences in cultural quality.

3.2.1.5. Acquirer Reputations

Reputation[29] is an invaluable intangible asset for the firm, and the stakeholder's aggregate perception about a firm's past and present activities and its ability to deliver future value (Fombrun, 2018; Petkova et al., 2014; Pfarrer et al., 2010; Fombrun and Shanley, 1990). Past studies documented that reputation influences the decisions making (please see chapter 2, section 2 - Reputations and Firm's Performance).

There are very few studies that directly linked reputation and acquirer M&A activity (Saxton and Dollinger, 2004; Chalençon et al., 2017; Cheng et al., 2017; Haleblian et al., 2017). However, the findings from the limited research have documented strong evidence of a relation between reputations and M&A activity.[30] However, this study is

[29] Please see chapter 2, section 2 (Acquirer Reputation). For brevity and to avoid repetition, a short discussion is presented here.

[30] Please see chapter 2 section 2 (Reputation and Firm's Performance) where the following papers were discussed: Saxton and Dollinger, 2004; Chalençon, et al., 2017; Cheng, et al., 2017; Haleblian et al., 2017.

different from previous studies as the author examines the role of acquirer reputations on deal completion time.

Fombrun and Shanley (1990) defined reputation signals as an observable attribute of the firm, and multiple players from each firm attend to different information signals and judge their effectiveness. Firms compete for reputation status as they compete for customers, and construct reputations from their activities which originate from themselves, the media, and other monitors.

Prior studies found firm reputation signals reduce information asymmetry and uncertainty (Reuber and Fischer, 2005; Rindova et al., 2005). A firm's reputation sends signals to buyer, sellers and stakeholders to inform them about its product quality, ability and business strategies (Petkova et al., 2014; Jensen and Roy, 2008; Hannon and Malkovich, 1996; Fombrun and Shanley, 1990). Petkova et al. (2014) examined the role of the firm's reputation on decision making under ambiguity and proposed that reputation applies dual pressure on decision making under ambiguity. Firm's reputation increases its future performance and influences it to engage in different strategies to achieve future performance. A high reputation firm is prone to deliver a consistent performance over time, and this promotes greater risk reduction strategies. Petkova et al. (2014) noted that a firm's investment is directly influenced by the interaction with the firm reputation.

Firms with a high reputation get more media coverage, analyst recommendations and send the positive signal to the internal and external stakeholders (Hawn., 2020; Fombrun, 2018; Deephouse, 2000). The stakeholders' view of the reputation acquirer is favourable, the firm's reputation helps to build trust among the stakeholders, and, thus, the reputation acquirer attracts a quality target (Petkova et al., 2014; Lange et al., 2011; Vergin and Qoronfleh, 1998). High reputation firms are protective towards their already established reputations (Pfarrer et al., 2010) and reputations influence a firm's decision making by pressuring the firm to perform consistently over time (Petkova et al., 2014; Pfarrer et al., 2010).[31]

3.2.3. Theory and Hypothesis Development

The purpose of this study is to investigate the role of acquirer reputations in M& A deal completion time. This study argues that reputation is the firm's unique combined quality and firm's reputation signals mitigate the information uncertainty by reducing information asymmetry. And therefore, a high reputation acquirer deal completion time would be shorter.

Lengthy negotiation creates uncertainty and incurs cost for hiring financial adviser, legal adviser, accountant, and regulatory agencies. Prior studies found uncertainty in M& A impeded an announced deal and caused delay in deal completion (Thomson and

[31] Please see chapter 2, section 2 (Reputation Signals) for the detailed discussion on reputation signals for decision making.

Kim, 2020; Arouri et al., 2019; Hao et al., 2015; Bonaime et al., 2018; Nguyen and Phan, 2017; Luypaert and Caneghem, 2017 Bhagwat et al., 2016; Gulen and Ion, 2016)

M&A literature highlights that CSR reputation (Hawn, 2020; Arouri et al., 2019) and environmental reputation (Boone and Uysal, 2020) reduce information uncertainty and thus the acquirer takes less time to complete a deal. Similarly, Reuber and Fischer (2005) and Rindova et al. (2005) found the firm's reputation reduces information uncertainty. Hawn (2020) documented that a high CSR acquirer gets more media coverage and thus reduces information asymmetry. However, the author argues that reputation is a comprehensive measure for firm's overall quality, and it covers several more attributes of a firm's characteristics than CSR and environmental reputations.[32] CSR and environmental reputations do not cover a firm's overall quality and are significantly distant from the firm's reputations (Brammer and Pavelin, 2006).

A high reputation acquirer enjoys a better reputation among stakeholders, and this alleviates the risk of regulatory and political intervention and provides more positive media and analyst coverage (Hawn, 2020; Fombrun, 2018; Deephouse, 2000). Therefore, an acquisition by a high reputation acquirer should embed less uncertainty than M&A initiated by a low reputation acquirer because the acquirer reputation signal

[32] Please see chapter 2, section 2 (Reputation Measure and Justification) for the detailed discussion on reputations and the criteria's how reputations were measured. Chapter 2 also discussed the influence of reputations on firm performance, decision making and M&A outcome.

mitigates information uncertainty (Reuber and Fischer, 2005; Rindova et al., 2005). Therefore, the author proposes the following research hypothesis:

H1*. The reputation of the acquirer is negatively related to the deal completion time in domestic M&As.*

M&A performance differs between cross-border and domestic deals due to differences between host and home country's regulatory, cultural, institutional, political and economic relationships. However, the author argues that the role of the acquirer's reputation cannot be limited by its geographical location. The impact of an acquirer's reputation on an M&A would have a similar effect regardless of whether it is a cross-border or domestic deal. Therefore, to investigate this, the author proposes the following research hypothesis:

H2*. The reputation of the acquirer is negatively related to the deal completion time in cross-border M&As.*

The author reviewed the related literature and proposed the following theoretical research framework to examine the above research hypotheses.

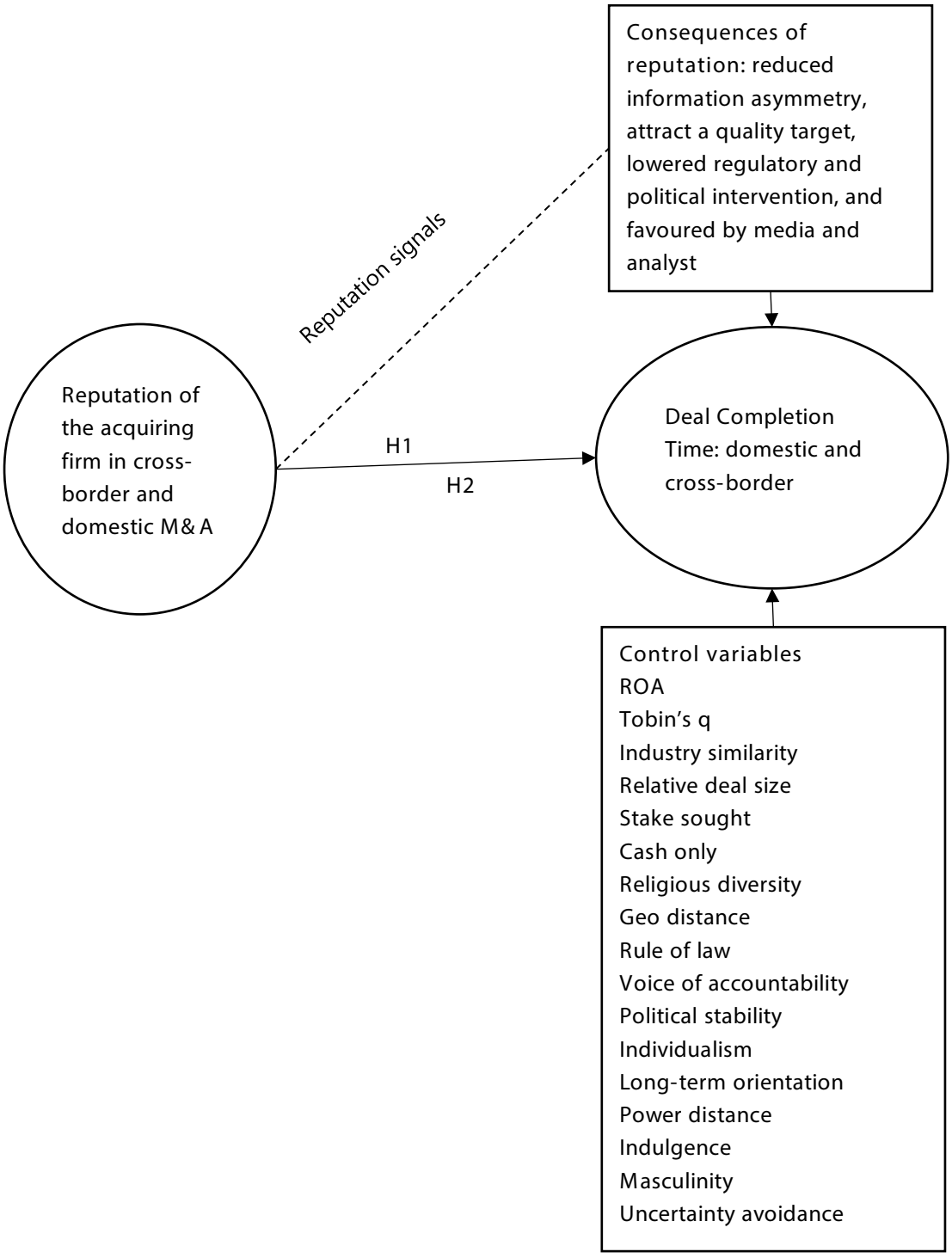


Diagram 2. Theoretical Framework for Acquirer M&As Deal Completion Duration

Above diagram 2 shows the research framework where acquirer reputation is the independent variable and deal completion time is dependent variable. Hypothesis H1 and H2 represent acquirer domestic and cross-border M&A deal completion time, respectively. Specifically, H1 and H2 advocate that a high reputation acquirer would take lesser time to complete a domestic and cross-border M&A deal, respectively. Past studies suggest that a lengthy negotiation creates market uncertainty and raises the concern of deal abandonment. In addition, lengthy negotiation incurs acquirer substantial financial costs. This happens as the acquirer would have to pay hiring fees to the financial advisor, accountant, legal advisor, and regulatory agency. However, the author argues that deal completion time can be shortened when the acquirer is reputed. Because acquirer reputation signals would reduce information uncertainty and attract a quality target. Consequently, the deal completion time for the reputation acquirer would be shorter because of fewer interventions by regulatory and political agents and getting favour from media and analysts.

3.3. Data and Methodology

This study aims to investigate the public phase of acquisition. The public phase of acquisition starts with the announcement date of the public offer and ends with the completion or abandonment date (Boone and Mulherin, 2007). In this phase, firm, industry, deal and country level characteristics have been studied and the literature shows these have significant relations with time elapsed between M&A announcement and completion date. Acquirer firm related attributes have been used to determine the public phase of the acquisition (Hawn, 2020; Ahamad and Lambert, 2019; Amel-Zadeh and Meek, 2019; Li et al., 2017; Bhagwat et al., 2016; Dikova et al., 2010). This study introduces firm's corporate reputation and argue that acquirer reputation signals reduce information uncertainty and, thus, lead to shorter deal completion time. The following section presents the sample selection criteria, data, and a discussion of the empirical methodology.

3.3.1. Sample Selection

The sample for this study consists of UK acquirer domestic and cross-border M&As deal between 2000 and 2018. M&A and financial data were obtained from Thomson Reuters Eikon[33] (Amel-Zadeh and Meek, 2019). The final sample comprise completed

[33] Thomson Reuters Eikon (formerly known as DataStream) is a financial database to monitor and analyse financial information. It includes data on financial markets, financial news, macro data etc. with analytics and trading tools. The data covers over 280,000 firms listed in stock exchanges around the world, from the 1970's onwards. Data is updated on a daily basis, allowing for an up-to-date offering for the purposes of academic research, as well as for real-time analysis of financial data. https://www.refinitiv.com/en/products/eikon-trading-software#overview

M&A deals only that meet the following selection criteria: (1) acquirer firms are listed in Management Today (MT) in the announcement year; (2) the deal value is at least £1 million; (3) the deal value is disclosed on Thomson Reuter Eikon; (4) the acquirer holds less than 50% of the target's shares before the announcement; (5) the acquirer is publicly traded on the London Stock Exchange and financial data is available in Thomson Reuters Eikon; (6) the announcement date is between January 1, 2000 and December 31, 2018; (7) the acquirer is not in the financial industry. These restrictions[34] resulted in a final sample of 967 domestic and cross-border M&As deals made by 114 firms. Acquirer reputation scores were obtained from MT (Ali et al., 2015; Brammer et al., 2009; Brammer and Pavelin, 2006). Acquirer and target country related institutional quality data were collected from the World Bank database (Zhou et al., 2016). The geographical distance between acquirer and target countries were collected from the CEPII database[35] (Schweizer et al., 2019). The data for the religious diversity of acquirer and target countries were collected from the Douglas Dow database[36] (Dow et al., 2016). The data for Hofstede's cultural six-dimension difference were collected from

[34] These restrictions were constructed following the previous studies (Ahmad and Lambert, 2019; Amel-Zadeh and Meek, 2019; Lim and Lee, 2017; Deng et al. 2013, Moeller et al. 2004, 2005). The financial firms were excluded because financial industry has different reporting polices and regulations (Jindra and Walkling, 2004). Please see chapter 2, section 3 for a detailed discussion on sample selection criteria.

[35] CEPII database is the leading French centre for research and expertise on the world economy and it was founded in 1978. It contributes to the policymaking process through its independent in-depth analyses on international trade, migrations, macroeconomics, and finance. The CEPII also produces databases and provides a platform for debate among academics, experts, practitioners, decision makers and other private and public stakeholders. http://www.cepii.fr/CEPII/en/cepii/cepii.asp

[36] Dow conducted a survey to measure the differences in religion amongst countries are measured using three scales: R1 is a 5-point scale which quantifies the difference between the dominant religions of any two countries, i and j; R2 is a 5-point scale based on the incidence of country i's dominant religion(s) in country j, and R3 is a 5 point scale based on the incidence of country j's dominant religion(s) in country i. http://dow.net.au/?page_id=35

Hofstede Insight[37]. The final sample for this study included a total of 967 completed M&A deals, 672 are cross-border, and 295 are domestics deals. After including all control variables, the final sample comprises 417 to 427 cross-border observations, and 202 to 215 domestic observations.

3.3.2. Dependent Variables

The dependent variable for this study is the deal completion duration. The duration was measured in days by subtracting the announcement date from the M&A completion date (Dikova et al., 2010).

3.3.3. Independent Variables

Acquirer reputation and high reputation are the independent variables. A firm as high reputation classified based on the median score of reputation taken from the whole sample. Reputation scores were obtained from Management Today (MT) and MT uses similar methodology to Fortune magazine to estimate a firm's reputation (Ali et al., 2015; Brammer et al., 2009; Brammer and Pavelin, 2006). Every year MT publishes a list of Britain's Most Admired Companies (BMAC) and their reputation is measured based on 9 to 13 firm level attributes.[38] MT measures reputation by interviewing the senior

[37] Hofstede developed a framework or cultural dimensions theory in 1980 to distinguish between different national cultures and cultural dimensions, and their impact on a business setting (Hofstede, 2001). Specifically, this theory is used to understand the differences in culture across countries and to discern the ways that business is done across different cultures. Hofstede conducts a survey almost every 20 years and asks participants a range of different questions to estimate the cultural differences. https://geerthofstede.com/research-and-vsm/dimension-data-matrix/

[38] Please see chapter 2, section 2 (Reputation Measure and Justification) for the detailed discussion on the estimation and justification of MT.

executives and the financial analyst, and then rate the firms compared to their own industry. It is worth mentioning the full sample consisted of a total of 114 firms and all these firms are reputation acquirers and amongst 50% of the full sample are called as high reputation acquirers. The median value of the reputation scores were taken from the full sample then created a dummy for the high reputation equal to 1 if the reputation score is equal to or more than the median value, otherwise 0.

3.3.4. Control Variables

This study included several control variables that have been established in the literature to explain M&A completion duration. Then acquirer firm, industry, deal and country level effects were controlled.

3.3.4.1. Firm and Industry Level Controls

This thesis controlled for the variables that are considered to be influential to determine deal completion time. Acquirer firm related effect was controlled as a proxy for the firm's financial growth (Tobin's q) (Deng et al., 2013; Schweizer et al., 2019), profitability (ROA) (Cumming et al., 2020; Ahamad and Lambert, 2019) and debt or borrowing capacity on investment (leverage) (Ahamad and Lambert, 2019; Jory et al., 2016). Li et al. (2017) noted that acquirer ROA is positively related with deal completion time, and this means a firm with a higher ROA takes more time complete the deal. Thus, acquirer profitability (ROA), growth (Tobin's q), and leverage (Schweizer et al.,

2019) were controlled. Lim and Lee (2017) found acquirers with larger borrowing capacity and higher return on equity reduced deal completion time.

The notion of industry similarity between firms was first developed by Rumelt (1982). The previous studies showed that the industry similarity influences M&A financial performance, M&A behaviours, deal duration and the likelihood of deal completion. Haleblian et al. (2017) documented that a high reputation acquirer makes more acquisitions and more unrelated acquisitions and experiences a negative M&A return. Fuad and Gaur (2019) reported a statistically insignificant negative relation between industry similarity and deal completion. Lim and Lee (2016; 2017) found a cross-border M&A deal is more likely to succeed when the degree of similarity between the acquirer and target's businesses is high. Li et al. (2018) argued that the information asymmetry is lower when both firms are in the same industry and promote the deal completion. Following prior studies (Li et al., 2018; Li et al., 2017; Lim and Lee, 2016), a dummy variable created equal to 1 if the acquirer and target are in the same industry, otherwise 0.

3.3.4.2. Deal Level Controls

For deal related characteristics, this study controlled relative deal size, payment methods and percentage sought. The deal size has a significant impact on market reaction and the wider community of stakeholders. A larger deal gets more media coverage, and more interference from regulatory and government agents (Hawn, 2020;

Deephouse, 2000). Thus, larger deals take more time for deal completion (Hu et al., 2020). Following past studies (Ahamad and Lambert, 2019; Atkas et al., 2016; Deng et al., 2013), the author excluded any deal less than £1 million. Relative deal size was measured as M&A deal value divided by the acquirer market value.

The choice of payment method depends on where the acquirer interest lies and intention (Boone and Mulherin., 2007). An acquirer with a large cash holding prefers cash as the payment method. Prior research found cash payment reduces M&A completion duration (Dikova et al., 2010) and increases the likelihood of deal completion (Zhou et al., 2016 Muhelfled et al., 2007, 2012; Dikova et al., 2010).

Following prior studies (Atkas et al., 2016; Muhelfled et al., 2012) a dummy variable created equal to 1 if transactions were all in cash, otherwise 0. Percentage sought is the ownership stake sought by the acquirer in the target firm (Dikova et al., 2010). Dikova et al. argued that a higher ownership stake sought by an acquirer may affect the approval process. Similarly, Li et al. (2018) argued that seeking a larger stake generates more resistance from target firms and its government and thus, target ownership stake was controlled.

3.3.4.3. Country Level Controls

Xie et al. (2017) conducted a literature review on country specific determinants in M&A and found the following characteristics: country's institutional laws and regulatory systems, accounting and tax regulations, economic performance, financial market

development, investor protection, and political factors determined M&A completion duration.

Prior studies documented that a host country's weaker institutional and regulatory environment impeded cross-border deal completion, while a strong institutional framework reduced the completion time and increased the probability of deal completion (Peng, 2003; Peng et al., 2008). Following prior studies (Li and Sai, 2020; Xie et al., 2017; Cuypers et al., 2015), the author controlled for the host country's following formal institutional quality[39]: (1) voice and accountability, (2) political stability and (3) rule of law. Dikova et al. (2010) found the host country's institutional cultural distances, power distance and uncertainty avoidance have a significant negative effect on deal completion and an insignificant positive effect on deal completion time. Their result revealed a deal was less likely to be completed if the host country had a higher power distance and uncertainty avoidance and a deal was more likely to take more time for completion. Thus, this study controlled for the effect of host country's institutional quality.

The prior studies examined geographical distance to determine the likelihood of cross-border deal completion (Li and Sai, 2020; Meyer et al., 2018; Chakrabarti and Mitchell, 2016; Zhou et al., 2016; Cuypers et al., 2015; Malhotra and Gaur, 2014). For instance,

[39] The definitions of voice of accountability, rules of law, political stability, power distance, individualism, indulgence, masculinity and long-term orientation and uncertainty avoidance are shown (page- xi) under Abbreviation and Variable Definition.

Chakrabarti and Mitchell (2016) noted geographical distance negatively affects the probability of deal completion. Specifically, a deal is less likely to be completed when the acquirer and target are geographically distant. Therefore, geographical distance was controlled because it may increase information asymmetry (Li and Sai, 2020; Chakrabarti and Mitchell, 2016) and a higher information exchange cost (Ragozzino, 2009). Following prior research (Li and Sai, 2020; Meyer et al., 2018; Chakrabarti and Mitchell., 2016) the log value for distance between host and home countries were used.

The differences in religious beliefs in countries have been found to be one of the main causes of international and domestic conflict (Ragozzino, 2009). Li and Sai (2020) argued religious distance leads to misunderstandings, deteriorates trust, and increases information asymmetry in M& As. Therefore, in line with prior studies (Li and Sai, 2020; Xie et al., 2017; Cuypers et al., 2015; Dikova and Sahib, 2013), the host and home countries' religious diversity were controlled.

3.3.4.4. Summary Statistics

Table 10 and 11 present summary statistics and the correlation matrix for the sample, respectively. The sample of this study consist of completed deals only. The deal completion time computed in days by subtracting the deal announcement date from the deal completion date. The average deal value for the sample £357.80 million, and the total deal values £346 billion.

Table 10 report the average deal completion time for the whole sample 61.65 days. The average deal completion time for a reputation acquirer is 59.26 days, and for a high reputation acquirer is 63.86 days. According to this result, a high reputation acquirer takes 4.6 more days to complete a deal. The prior studies found the average number of days for deal completion is about 62 days (Muehlfeld et al., 2012; Zhou et al., 2016) and 96 days (Dikova et al., 2010). While Bhagwat et al. (2016) stated an announced deal takes an average of 125 days to be completed. Ahmad and Lambert (2019) documented that deals take an average of 97 days to complete when acquiring a public target. The result from the summary statistics shows a high reputation acquirer takes longer to complete an announced deal.

Table 10. Summary Statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
Duration log	967	2.216	2.234	0	7.379
Reputation	967	60.297	9.166	28.25	99.25
High reputation dummy	967	0.52	0.5	0	1
Return on assets	800	0.084	.127	-0.901	0.649
Tobin's q	837	1.752	1.811	0.319	19.213
Leverage	877	0.9	1.127	0	13.583
Industry similarity dummy	967	0.263	0.44	0	1
Cash only dummy	967	0.469	0.499	0	1
Stake sought	945	86.023	27.962	0.82	100
Relative deal size	896	0.044	0.12	0	1.337
Rule of law	885	1.449	0.568	-1.11	2.027
Voice of accountability	885	1.187	0.389	-1.781	1.728
Political stability	885	0.477	0.527	-2.573	1.76
Religious diversity	958	0.294	0.11	0.013	.751
Geographical distance	941	13.524	2.366	6.068	16.653
Individualism	951	61.855	14.339	0	97.321
Long-term orientation	953	44.5	18.426	6.801	100
Power distance	947	43.014	14.079	11	104
Indulgence	947	77.723	19.652	6	91
Masculinity	947	58.913	13.753	5	95
Uncertainty avoidance	947	49.438	17.96	8	112

Table 11 reports the result for the correlation matrix between dependent, independent and control variables. The result shows that reputation and high reputation acquirers are positively correlated with deal completion time. This result indicates that a high reputation acquirer is more likely to take longer for deal completion.

Table 11 reports that acquirer firm and industry level variables are negatively correlated with deal completion time. This finding suggests that acquirer with a higher return on assets, greater profitability, borrowing capacity and industry similarity reduce the deal completion time. Cash payment is positively correlated with deal completion time and this result suggests that deal completion is more likely to be longer when the payment method is cash. When the acquirer sought a larger stake in the target, it reduced deal completion time. This study controlled for several country level variables that are influential in determining the deal completion time. The author controlled for host country's institutional quality, religious diversity and geographical distance. Table 11 reports the following country level variables are negatively correlated with deal completion time: rule of law, voice of accountability, political stability, religious diversity, individualism, long-term orientation, indulgence and masculinity. In contrast, geographical distance, power distance and uncertainty avoidance are positively correlated with deal completion time. This result implies that a negative correlation with deal completion time means the acquirer takes less time to complete an announced deal and a positive correlation means that the acquirer takes more time to complete an announced deal.

The result from correlation matrix indicates that a high reputation acquirer takes more time to complete an announced deal. However, the correlation matrix does not take in account effects from other influential variables. Therefore, the OLS regression analysis was estimated on the firms' reputation and deal completion time.

Table 11. Correlations Matrix

Var	(1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
(1)	1.000																				
(2)	**0.101**	1.000																			
(3)	**0.040**	0.528	1.000																		
(4)	-0.141	0.156	0.197	1.000																	
(5)	-0.103	0.223	0.225	0.514	1.000																
(6)	-0.030	-0.047	-0.050	-0.004	-0.009	1.000															
(7)	-0.071	-0.007	0.010	0.028	-0.009	0.149	1.000														
(8)	0.038	-0.103	0.052	-0.000	0.046	-0.010	-0.090	1.000													
(9)	-0.139	0.034	-0.017	0.095	0.073	0.041	0.085	-0.065	1.000												
(10)	0.302	0.027	-0.092	-0.114	-0.058	0.031	-0.091	-0.055	0.096	1.000											
(11)	-0.195	-0.007	0.005	-0.015	0.037	0.066	0.048	0.082	0.230	0.046	1.000										
(12)	-0.155	-0.059	0.031	-0.110	0.006	0.053	0.013	0.077	0.118	0.040	0.845	1.000									
(13)	-0.114	-0.006	0.028	-0.015	0.132	-0.001	0.045	0.040	0.081	-0.015	0.660	0.619	1.000								
(14)	-0.033	-0.028	-0.023	0.037	-0.082	0.001	-0.045	0.035	0.044	0.028	0.110	0.063	-0.057	1.000							
(15)	0.109	0.074	-0.022	0.109	0.028	-0.066	-0.050	0.045	0.057	0.021	-0.188	-0.322	-0.309	-0.168	1.000						
(16)	-0.118	-0.002	0.016	0.020	0.036	0.078	0.076	0.083	0.189	0.018	0.501	0.377	0.247	-0.150	0.050	1.000					
(17)	-0.015	-0.034	-0.007	-0.066	-0.091	0.050	-0.022	-0.075	-0.066	0.034	0.037	0.201	0.078	0.481	-0.451	-0.424	1.000				
(18)	0.166	-0.012	-0.000	0.033	-0.040	-0.079	-0.049	-0.054	-0.233	-0.020	-0.809	-0.756	-0.545	0.059	0.187	-0.564	-0.007	1.000			
(19)	-0.128	-0.011	-0.025	0.017	0.005	0.073	0.029	0.120	0.275	0.057	0.720	0.582	0.273	0.218	0.106	0.603	-0.241	-0.718	1.000		
(20)	-0.071	-0.053	-0.078	-0.021	-0.026	0.092	-0.067	-0.008	0.189	0.026	0.049	-0.048	-0.144	0.071	0.068	0.156	-0.043	-0.236	0.386	1.000	
(21)	0.100	0.001	-0.008	-0.006	-0.048	-0.078	-0.092	-0.055	-0.171	-0.015	-0.463	-0.297	-0.028	-0.261	0.021	-0.548	0.110	0.599	-0.680	-0.306	1.000

(1) Duration log (2) Reputation (3) High reputation dummy (4) Return on assets (5) Tobin's q (6) Leverage (7) Industry similarity dummy (8) Cash only dummy (9) Stake sought (10) Relative deal size (11) Rule of law (12) Voice of accountability (13) Political stability (14) Religious diversity (15) Geographical distance (16) Individualism (17) Long-term orientation (18) Power distance (19) Indulgence (20) Masculinity (21) Uncertainty avoidance

3.3.5. Econometric Methods

Following to Li et al. (2017) this study employed OLS regression to estimate the relation between acquirer reputation and M&A deal completion time. The deal completion duration was computed by subtracting the M&A announcement date from completion date (Dikova et al., 2010). Survival analysis is often recommend if the data suffers from censoring due to the data waiting time (Hawn, 2020; Li et al., 2017; Dikova et al., 2010). Thus, to compute the duration, the author included completed deals only. The prior studies advocated the linear model because of its simplicity (Wooldridge, 2015). The OLS estimation method is widely used for regression analysis and highly recommended when the following assumptions are met: linear parameter; random sampling, sample variation in explanatory variables; zero conditional mean; and homoscedasticity (Wooldridge, 2015). Li et al. (2017) stated that dependent variables in linear models can be reported, and the coefficient is easier to interpret compared with survival models, and this is easier to compare with earlier studies (Hawn, 2020; Kim et al., 2020; Ahamad and Lambert, 2019; Dikova et al., 2010). Following Moeller et al. (2004) and Dikova et al. (2010) this study used OLS regression models to estimate relations between the dependent variable (duration) and independent variables (reputation and high reputation). The OLS regression models were used because it allows clustering of the error term. In this study, reputation is the independent variable and firm reputation changes over time. Therefore, the author clustered the error term to account for autocorrelation and heteroscedasticity biases (Gujrati and Porter, 2008).

To test hypothesis H1 and H2, the following OLS regression models were used:

$$Duration = a_1 + b_1\ reputation_{it} + b_2\, ROA_{it} + b_3\, tobin's\ q_{it} + b_4 leverage_{it} + b_5 industry\ relatedness_{in} + 6 relative\ deal\ size_d + b_7\ cash\ only_d + b_8 stake\ sought_d + b_9 rule\ of\ law_{ct} + b_{10}\ voice\ of\ accountability_{ct} + b_{11} political\ stability_{ct} + b_{12} religious\ diversity_{ct} + b_{13}\ geographical\ distance_{ct} + b_{14}\ indulgence_{ct} + b_{15}\ long\ term\ orientation_{ct} + b_{16}\ power\ distance_{ct} + b_{17}\ individualism_{ct} + b_{18}\ masculinity_{ct} + b_{19}\ uncertainty\ avoidance_{ct} + b_{20} year_t + \varepsilon_{ict} \quad (9)$$

Where, *a1*= intercept

b= regression coefficient

ε = error term

ct is used to denote country level control and *it* denote firm, industry and deal related control variables.

$$Duration = a_1 + b_1\ high\ reputation_{it} + b_2\, ROA_{it} + b_3\, tobin's\ q_{it} + b_4 leverage_{it} + b_5 industry\ relatedness_{in} + b_6 relative\ deal\ size_d + b_7\ cash\ only_d + b_8 stake\ sought_d + b_9 rule\ of\ law_{ct} + b_{10}\ voice\ of\ accountability_{ct} + b_{11} political\ stability_{ct} + b_{12} religious\ diversity_{ct} + b_{13}\ geographical\ distance_{ct} + b_{14}\ indulgence_{ct} + b_{15}\ long\ term\ orientation_{ct} + b_{16}\ power\ distance_{ct} + b_{17}\ individualism_{ct} + b_{18}\ masculinity_{ct} + b_{19}\ uncertainty\ avoidance_{ct} + b_{20} year_t + \varepsilon_{ict} \quad (10)$$

The above OLS regression model is used to estimate acquirer cross-border deal completion duration. When target and acquirer are in the same domicile, the author removed country level control variables and estimated the following OLS regression model.

$$Duration = a_1 + b_1\ reputation_{it}\ + b_2\, ROA_{it} + b_3\, tobin's\ q_{it} + b_4 leverage_{it} + b_5 industry\ relatedness_{it} + b_6 relative\ deal\ size_{it} + b_8\ cash\ only_{it} + b_9 stake\ sought_d + b_{10} year_t + \varepsilon_{it} \quad (11)$$

$$Duration = a_1 + b_1\ high\ reputation_{it}\ + b_2\, ROA_{it} + b_3\, tobin's\ q_{it} + b_4 leverage_{it} + b_5 industry\ relatedness_{it} + b_6 relative\ deal\ size_{it} + b_7\ cash\ only_{it} + b_8 stake\ sought_{it} + b_9 year_t + \varepsilon_{it} \quad (12)$$

3.4. Empirical Results

The author observed no multicollinearity in the regression models.[40] In Table 8, a positive correlation was observed between acquirer reputation and the number of days it takes to complete an announced deal. This result implies reputation and high reputation acquirers take more time to complete an announced deal. However, the correlation matrix does not control the effect from other influential variables, and thus the OLS regression analysis was conducted.

3.4.1. Deal Completion Time Cross-Border M&A

Table 12 presents the results for the OLS regression analysis on high reputation acquirer cross-border deal completion time. Model 1 included reputation as an independent variable and high reputation in model 2. The result in models 1 and 2 are

[40] This is confirmed by the variance inflation factors (VIFs) in all models and these values are well below the accepted rule of thumb value of 10 (Dow et al., 2016; Neter et al., 1989).

statistically significant at 99% and 95% confidence levels, respectively. Model 1 shows that for 1 unit increase in reputation the deal completion duration increased by 1.15 days for a reputation acquirer. Similarly, model 2 shows that for 1 unit increase in reputation the deal completion duration increased by 3.34 days for a high reputation acquirer.[41] Models 1 and 2 present the results for reputation and high reputation acquirers, respectively and the result are similar in both models. However, the coefficient in model 2 is larger than in model 1. Thus, this difference implies that a high reputation acquirer takes longer to complete a cross-border deal. The result in the OLS regression is also consistent with the finding, from the summary statistics and correlation matrix, that a high reputation acquirer takes longer to complete an announced deal.

Table 12 reports a statistically significant negative relation on acquirer ROA and Tobin's q with cross-border deal completion time. This result suggests that an acquirer's higher ROA and Tobin's q ratio reduces the cross-border deals completion time and this finding is consistent with Lim and Lee (2017). However, a financially leveraged acquirer takes more time to complete an announced deal and this is opposite to Lim and Lee (2017) who found an acquirer with a higher leverage ratio reduced deal completion time.

[41] The duration was calculated in days and taken the logarithmic value for the normal distribution.

A negative association was observed for the industry similarity, cash payment (Deng, et al., 2013; Dikova et al., 2010) and stake sought (Dikova et al., 2010; Li et al., 2017), consequently, this reduced the cross-border deal completion time. Similarly, Lim and Lee (2017) documented that industry similarity and a larger stake sought by the acquirer reduces the deal completion time. The result shows relative deal size lengthens deal completion time. This result is consistent with earlier studies that found larger deals faced complicated processes because of the involvement of government and regulatory agents and local stakeholder (Ahmad and Lambert, 2019).

The result for host's country's formal institutional quality documented a mixed effect. The host country's rule of law and voice of accountability shortens cross-border deal completion time, while political stability in a host country increases the length of deal completion time. However, Cai et al. (2015) found that institutional distance and host country's institutional quality reduced the deal completion time. Informal institutional quality of Hofstede cultural attributes showed a mixed effect: individualism, power distance, long-term orientation and indulgence significantly increased deal completion time, and uncertainty avoidance and masculinity reduced it. However, Dikova et al. (2010) noted that differences in power distance and uncertainty avoidance increased the deal completion time. The results also show that host country's religious diversity shortens the length of deal completion time and this is statistically significant at a 90% confidence level. Table 12 reports geographical distance between acquirer and targets decreased the deal completion time; however, this result is not statistically significant.

Table 12. Regression Analysis on Acquirer Cross-Border M&A Completion Time

This table presents OLS regression analysis on cross-border M&A deal completion time. The dependent variable in models 1 and 2 is M&A completion duration and the independent variable is reputation in model 1 and high reputation in model 2. The numbers in parentheses show the p value for OLS based on the robust standard errors which are adjusted for heteroscedasticity and t-statistics, respectively. Acquirer firm's standard error was clustered to control autocorrelation and heteroscedasticity biases.

	(1)	(2)
Reputation	0.061***	
	(0.008)	
High reputation		0.523**
		(0.033)
Firm and industry level controls		
Return on assets	-3.651	-3.527
	(0.229)	(0.236)
Tobin's q	-0.155**	-0.138**
	(0.041)	(0.049)
Leverage	0.172	0.219
	(0.229)	(0.136)
Industry similarity	-0.260	-0.254
	(0.560)	(0.585)
Deal level controls		
Cash only	0.218	0.201
	(0.321)	(0.343)
Stake sought	-0.007	-0.007
	(0.217)	(0.225)
Relative deal size	8.634***	8.592***
	(0.000)	(0.000)
Country level controls		
Rule of law	-0.996**	-1.053**
	(0.023)	(0.020)
Voice of accountability	-0.610	-0.633
	(0.502)	(0.486)
Political stability	0.148	0.157
	(0.708)	(0.699)
Religious diversity	-2.743*	-2.935*
	(0.097)	(0.085)
Geographical distance	-0.020	-0.021
	(0.719)	(0.697)
Individualism	0.016	0.014
	(0.165)	(0.253)
Long-term orientation	0.037***	0.037***
	(0.002)	(0.001)
Power distance	0.017	0.016
	(0.391)	(0.419)
Indulgence	0.029*	0.031**
	(0.054)	(0.042)
Masculinity	-0.010	-0.010
	(0.296)	(0.293)
Uncertainty avoidance	-0.023**	-0.024**
	(0.033)	(0.028)
Year dummies	Yes	Yes
Firm clustered	Yes	Yes
Constant	-0.509	3.032
	(0.827)	(0.133)
Observation	427	427
R^2	0.240	0.229

All variables defined in Table 12 denote significance at the 10%, 5%, and 1% levels p-values in parentheses * p < 0.10, ** p < 0.05, *** p < 0.01, respectively

The high reputation acquirer has a larger coefficient compared to the reputation acquirer which justifies the influence of acquirer reputation on cross-border M&A deal completion time. These findings do not support the author's proposed hypothesis H2. A possible reason could be that the high reputation acquirer takes more time for due diligence. The longer it takes to complete the deal, the more it increases the uncertainty among stakeholders (Bonaime et al., 2018; Bhagwat et al., 2016; Gulen and Ion, 2016). The financial market reacts negatively toward the uncertainty and this causes the financial loss of shareholders wealth (Zhang, 2006; Jiang et al., 2005). However, Luo (2005) argued that deal abandonment causes acquirer reputational damage, so it would be interesting to investigate and compare the loss between M&A uncertainty and deal abandonment. Therefore, based on this empirical result and Luo (2005), the author argues that a high reputation acquirer takes more time to complete a deal because it spends more time in due diligence to avoid any information impediment that may cause the deal abandonment.

3.4.2. Deal Completion Time for Domestic M&A

Table 13 presents the result for OLS regression on hypothesis H1. Specifically, it refers to the effect of acquirer reputation on domestic M&As and predicts the deal completion time. Models 1 and 2 report the result for OLS regression analysis and show a positive relation with acquirer reputation and deal completion time. The high reputation acquirer's larger coefficient in model 2 implies that a high reputation

acquirer tends to take more time to complete a domestic M&A deal. The coefficient in model 1 shows a 1 unit increase in reputation, delays reputation acquirer deal completion by 1.09 days, while, model 2 shows a 1 unit increase in reputation delay high reputation acquirer deal completion by 2.42 days. This result implies that a high reputation acquirer takes more time to complete a domestic deal, and this result is also consistent with cross-border M&A deal completion time.

In domestic M&As, the country level controls were excluded for the host countries because of homogeneity and omitted variables bias. For firm and industry level control, the result shows when an acquirer has a higher return on assets, financial leverage and industry similarity are positively related to the deal completion time. This result suggests that deal completion time is more likely to be longer when an acquirer has a higher return on assets, has a higher borrowing capability and negotiates a deal in a similar industry. However, these results are not statistically significant. The coefficient for ROA in cross-border M&A is negative and statistically insignificant. In comparison, acquirer ROA shows a different result for domestic and cross-border deals. Precisely, an acquirer with a higher ROA takes less time to complete a cross-border deal but it takes more time in domestic M&A. While acquirer profitability ratio Tobin's q is statistically significant, the negative coefficient suggest that a growth and profitability-oriented firm takes less time to complete a cross-border and domestic deal.

Models 1 and 2 report cash payment and relative deal size have a statistically significant positive coefficient. These results suggest that cash payment increases the deal completion time. However, Dikova et al. (2010) found cash payments reduced deal completion time in cross-border deals. Firms prefer to use a cash option if there is concern about a target firm's valuation. Firms' valuation error seems to happen due to information asymmetry. Relative deal size indicates that a larger deal value and larger acquirer market value makes the lengthy deal completion. Industry similarity is shown to have a different effect for cross-border versus domestic deals. The results report an insignificant positive relation between industry similarity and deal completion time. However, industry similarity predicts the acquirer will take less time to complete a cross-border deal while longer in domestic deal.

Table 13. Regression Analysis on Acquirer Domestic M&As Completion Time

This table presents OLS regression analysis on UK acquirer domestic M&A deal completion time. The dependent variable in models 1 and 2 is M&A completion duration and the independent variable is reputation in model 1 and high reputation in model 2. The numbers in parentheses show the p value for OLS based on the robust standard errors which are adjusted for heteroscedasticity and t-statistics, respectively. Acquirer firm's standard error was clustered to control autocorrelation and heteroscedasticity biases.

	(1)	(2)
Reputation	0.041	
	(0.113)	
High reputation		0.384
		(0.180)
Firm and industry level controls		
Return on assets	0.938	0.739
	(0.708)	(0.762)
Tobin's q	-0.422**	-0.383*
	(0.040)	(0.050)
Leverage	0.012	-0.024
	(0.873)	(0.712)
Industry similarity	0.104	0.076
	(0.752)	(0.818)
Deal level controls		
Cash only	0.747**	0.748**
	(0.016)	(0.017)
Stake sought	-0.011	-0.011
	(0.141)	(0.130)
Relative deal size	6.598***	6.649***
	(0.001)	(0.001)
Year dummies	Yes	Yes
Firm clustered	Yes	Yes
Constant	1.319	3.549***
	(0.496)	(0.002)
Observation	215	215
R^2	0.326	0.320

All variables are defined in Table 13 denote significance at the 10%, 5%, and 1% level p-values in parentheses
* p < 0.10, ** p < 0.05, *** p < 0.01, respectively.

3.4.3. Robustness Checks

To identify the specific impact of reputation this study classified reputation and high reputation based on the yearly median value of the acquirer reputation score. Then compared the coefficient and significance level for reputation and high reputation acquirers. The size of coefficient and statistical significance level determined the impact of reputation in M&A deal completion time. The empirical findings show the

coefficient for a high reputation acquirer is larger (negative or positive) and statistically significant compared to the reputation acquirer. One could argue that endogeneity could be a concern in this study. Reputation is the independent variable, and it is a time variant and changes every year, and a single firm has multiple M&A transactions in a single year in the sample period. Thus, to rule out the autocorrelation and heteroscedasticity, firm's standard error was clustered and controlled for year effect.

In addition to OLS, the author further checked the robustness of the result with the Poisson Pseudo Maximum Likelihood (PPML) regression model. In the sample almost 47% of M&A transactions were completed in the same day and thus this sample has too many zeros in dependent variables. Therefore, the log transformed value was taken for duration to get a normal distribution. Prior studies suggest that the OLS model drops out zero observations in regression, and the log transformed values may return to their actual form. Therefore, Silva and Tenreyro (2011) highly recommend using PPML when there are too many zero and the log transformed dependent is viable. Table 14 and 15 report the result for the cross-border and domestic M&A deals, respectively. The findings show the result is consistent with OLS regression after controlling the year and firm's fixed effects and it confirms that high reputation acquirers take longer to complete cross-border and domestic M&A deals.

Table 14. Regression Analysis on Acquirer Cross-Border M& A Completion Time

This table presents PPML estimation of UK acquirers cross-border M&A completion time. The dependent variable in models 1 and 2 are deal completion duration and the independent variables are reputation in model 1 and high reputation in model 2. The numbers in parentheses show the p value for PPML based on the robust standard errors which is adjusted for heteroscedasticity and t-statistics, respectively.

	(1)	(2)
Reputation	0.026***	
	(0.000)	
High reputation		0.218**
		(0.010)
Firm and industry level controls		
Return on assets	-1.694	-1.688
	(0.144)	(0.134)
Tobin's q	-0.092	-0.078
	(0.178)	(0.197)
Leverage	0.069*	0.091**
	(0.089)	(0.022)
Industry similarity	-0.117	-0.116
	(0.276)	(0.287)
Deal level controls		
Cash only	0.095	0.089
	(0.255)	(0.285)
Stake sought	-0.002	-0.002
	(0.191)	(0.180)
Relative deal size	2.213***	2.187***
	(0.000)	(0.000)
Country level controls		
Rule of law	-0.378**	-0.408**
	(0.018)	(0.013)
Voice of accountability	-0.343	-0.359
	(0.265)	(0.239)
Political stability	0.070	0.074
	(0.627)	(0.617)
Religious diversity	-1.381**	-1.405**
	(0.045)	(0.047)
Geographical distance	-0.002	-0.003
	(0.932)	(0.893)
Individualism	0.005	0.004
	(0.234)	(0.325)
Long-term orientation	0.016***	0.016***
	(0.002)	(0.002)
Power distance	0.006	0.005
	(0.405)	(0.475)
Indulgence	0.014**	0.015**
	(0.039)	(0.034)
Masculinity	-0.004	-0.005
	(0.178)	(0.158)
Uncertainty avoidance	-0.009**	-0.009**
	(0.044)	(0.040)
Year fixed effect/dummies	Yes	Yes
Constant	-0.609	0.942
	(0.483)	(0.195)
Observation	427	427
Pseudolikelihood	-911.064	-916.056
Wald chi2	93.89	86.27
Pseudo R^2	0.089	0.085

All variables defined in Table 14 denote significance at the 10%, 5%, and 1% level p-values in parentheses * p < 0.10, ** p < 0.05, *** p < 0.01, respectively.

Table 15. Regression Analysis on Acquirer Domestic M&A Completion Time

This table presents PPML estimation of UK acquirers domestic M&A completion duration. The dependent variable in models 1 and 2 are deal completion duration and independent variables are reputation in model 1 and high reputation in model 2. The numbers in parentheses show the p value for PPML based on the robust standard errors which is adjusted for heteroskedasticity and t-statistics, respectively.

	(1)	(2)
Reputation	0.025*	
	(0.068)	
High reputation		0.243
		(0.157)
Firm and industry level controls		
Return on assets	0.322	0.164
	(0.793)	(0.889)
Tobin's q	-0.269*	-0.247*
	(0.053)	(0.078)
Leverage	-0.016	-0.027
	(0.763)	(0.610)
Industry similarity	0.065	0.047
	(0.753)	(0.823)
Deal level controls		
Cash only	0.485**	0.477**
	(0.010)	(0.012)
Stake sought	-0.005	-0.005*
	(0.105)	(0.097)
Relative deal size	2.187***	2.212***
	(0.000)	(0.000)
Year fixed effect/dummies	Yes	Yes
Constant	-0.517	0.857**
	(0.584)	(0.026)
Observation	212	212
Pseudolikelihood	-382.271	-383.982
Wald chi2	44.16	41.72
Pseudo R^2	0.186	0.182

All variables defined in Table 15 denote significance at the 10%, 5%, and 1% level p-values in parentheses * p < 0.10, ** p < 0.05, *** p < 0.01, respectively.

3.5. Discussion and Conclusion

This study provides several important contributions. The author explored the effect of acquirer reputation in cross-border and domestic M&As focusing on the time elapsed between announcement and completion. This study observed that UK firms make a high volume of M&A activity every year. IMAA reported the UK had over 3900 deals in 2017, with a total value of £326 billion. While the number of M&As have decreased in most parts of the world, this represents a growth in deals of 7.3% compared to 2016, and value has increased even more by 33%. In 2018 deal numbers increased by 9.16% and deal value by 6.35% (IMAA, 2021). Thus, this paper aims to contribute to M&A literature by predicting deal completion time for domestic and cross-border deals. This research contributes to the literature of corporate reputation by showing that management needs to consider a firm's reputation in both domestic and cross-border M&As. This thesis examined domestic and cross-border M&As separately and compared the influence of acquirer reputation. The author found a high reputation acquirer takes more time to complete a cross-border than domestic deal. This again suggests that a high reputation acquirer takes more time when there is a concern of information uncertainty because ambiguous information may create distrust between negotiating parties and delay the deal completion time.

This research is based on the notion that progress and settlement of M&A transactions can be substantially affected by acquirer reputation. This study found that reputation is one of the most valuable key firm assets that predict the length of deal completion.

The result shows that the influence of reputation does not fade away regardless of geographical distance. The effectiveness of reputation signal is equally consistent for domestic and cross-border M&A deals. The result shows that a high reputation acquirer takes more time to complete both cross-border and domestic deals. However, these findings do not support the proposed hypotheses that a high reputation acquirer would have a shorter deal completion time in cross-border and domestic M&A. The reason may be that a high reputation acquirer does not compromise on the due diligence checks. Acquirer reputation signal only conveys information about the acquirer and thus it helps the target firm with their due diligence and decision making. Bhagwat et al. (2016) documented that target firms were more likely to postpone expenditure for irreversible investment. The literature in M&A advocates that a target firm's shareholders gain positive abnormal returns during the negotiation period, and this means there is no urgency from the target's management. The acquirer reputation signal has already informed the target's management about the acquirer's overall quality and thus it brings stability and trust in target management. The author argues that acquirers reputation signal would attract a quality target. However, this does not provide any certainty that all targets are going be quality targets; hence, robust due diligence checks help the acquirer to choose the best of the best. A high reputation acquirer therefore does not compromise on due diligence due to the risk of ending up buying a lemon instead of a quality target. A high reputation acquirer is concerned about reputation loss, which can happen if an announced deal gets terminated or the acquirer ends up buying a lemon (Luo, 2005; Akerlof, 1970). Thus, the findings of this

study suggest that a high reputation acquirer does not make a rush deal and will take more time for due diligence checks. Without proper due diligence checks, an acquirer may receive adverse information about the target just before deal completion, and, consequently, the acquirer management may wish to terminate the deal. While targets may have a walkaway clause agreement, it would mean the acquirer would have to pay a fee if they wanted to leave the deal. If this is to happens the acquirer would have to face a huge reputational and financial loss (Luo, 2005). To build reputation, it takes time and effort, and, therefore, a highly reputed firm would not make an investment decision that may cause the acquirer reputational loss (Fombrun and Stanley, 1990; Weigelt and Camerer, 1988).

This study examined acquirer reputation in cross-border and domestic M&A deal completion time. In both cases, a high reputation acquirer takes more time to complete a deal. However, this study finds a strong relationship in cross-border, and this is because cross-border deal faces regulatory, government and most importantly information exchange challenge. Target firms do not like to disclose conclusive information to win the bargain of negotiation (Akerlof, 1970). This research found a high reputation acquirer takes an average of 71 days to complete a cross-border deal and 44 days for a domestic M&A deal. This finding strongly suggests that a high reputation acquirer spends more time for deal completion when there is complexity of information exchange and uncertainty of quality information. After controlling for the firm, industry, deal and country level effect the author found that a high reputation

acquirer takes approximately three and a half days more for one unit increase of reputation for a cross-border deal. Similarly, it takes two and a half days more for a one unit increase of reputation for a domestic deal. In addition, this study compared deal completion time for high reputation versus low reputation firms, and found a high reputation acquirer takes two days more to complete a cross-border deal compared to the domestic deal.

The results are robust to alternative specification and methodologies. This study controlled for acquirer firm level, country level, deal level, year fixed, and acquirer firm fixed effects. For endogeneity, the author clustered acquirer firm and robust standard error to control the autocorrelation and heteroscedasticity. However, like any study, this study has its limitations. Firstly, the sample size for domestic deals is marginally small and thus a bigger sample would demonstrate better robustness of the result of this study. Secondly, this study only controlled for acquirer's firm level characteristics, country level and deal level but the target firm[42] level effect. Finally, this study only considered UK acquirers and therefore to justify the impact of reputation a further study should be conducted in emerging economies and from a global perspective.

This study will benefit practitioners, academics and the wider stakeholder community. The findings of this research will help low reputation and other firms' management

[42] M&A and financial data were obtained from Thomson Reuters Eikon. The author could not find enough data for target firms. Some of the target's firms do not exist anymore and others are privately held.

and M&A strategists to think about why a high reputation firm takes longer for deal completion. Firms tend to follow learning from others. The results from this study suggest that firms need to pay more attention to due diligence to avoid picking a lemon, and future research may wish to embed a due diligence hypothesis to investigate the relation between reputation and M&A deal completion time. Since this study does not show empirically why a high reputation firm spends more time to complete a deal; therefore, this study opens another avenue for further investigation as to why a high reputation firm takes more time for deal completion.

The findings from this study clearly show that acquirer reputation plays an important role in cross-border and domestic M&A and suggests that its impact on M&A deserves further investigation. This study hopes to have shown that acquire reputation determines M&A completion time in both cross-border and domestic deals.

CHAPTER 4. The Role of Acquirer Reputation on Target Ownership Selection

4.1. Introduction

4.1.1. Research Motivation

Mergers and acquisitions (M&A) are among the most critical decisions[43] that a firm can make for its market growth and asset diversification (Dang et al., 2018; Arikan and Stulz, 2016; Luo, 2005; Berkovitch and Narayanan, 1993; Bradley et al., 1988). Prior studies document that the nature of target ownership affects acquirer financial performance (Tao et al., 2017; Arikan and Stulz, 2016; John et al., 2010; Draper and Paudyal, 2006), deal duration[44] and deal completion (Hawn, 2020; Amel-Zadeh and Meeks, 2019; Ahamad and Lambert, 2019; Dikova et al., 2010). While Conn et al. (2005) found UK acquirers choose privately held target for 94% of their foreign acquisitions, Capron and Shen (2007) found that between 60% and 75% of firms acquired by public firms are privately held targets.

Moreover, past studies reveal that acquirers earn a significant positive abnormal return when the target is private, and negative returns for public targets (Chang and Tsai, 2013; John et al., 2010; Capron and Shen, 2007; Draper and Paudyal, 2006; Moeller et

[43] This is because the stake (incentive and disincentive) is high whether the M&A is successful or not. Deal failure causes acquirer financial and reputational damage (Luo, 2005). For instance, during negotiations between the announcement and completion phases, acquirer shareholders often experience negative stock returns (Gregory and McCorriston, 2005; Sudarsanam and Mahate, 2003). In contrast, the target experiences positive returns (Martynova and Renneboog, 2011, 2008).

[44] Duration is the time elapse between M&A announcement and completion date.

al., 2004; Fuller et al., 2002; Chang, 1998; Hansen and Lott, 1996) and subsidiaries (Jaffe et al., 2015; Chang et al., 2013). This happens due to high information asymmetry because it makes valuation difficult for the acquirer, and thus, the acquirer ends up overpaying to the private target (Arikan and Stulz, 2016; Zhang, 2006; Jiang et al., 2005; Akerlof, 1970). However, prior studies documented that firm reputation reduces information uncertainty[45] through reputation signals (Petkova et al., 2014; Reuber and Fischer, 2005; Rindova et al., 2005).

Reputation[46] is among the key invaluable intangible assets that are predominantly noticeable and it creates value to firms compared to the other intangible assets (Fombrun, 2018; Barney, 1998; Hall, 1992). Reputation is a source of sustainable competitive advantage that influence firms to generate above normal returns (Pfarrer et al., 2010; Roberts and Dowling, 2002; Fombrun and Shanley, 1990). Bergh et al. (2010) note that reputation helps to build a long-term association with stakeholders. Prior studies found firm's reputation generates higher portfolio returns (Stern et al. 2014; Wang and Smith, 2008; Anderson and Smith, 2006 Roberts and Dowling, 2002), reduces information uncertainty (Rindova et al., 2005; Fischer et al., 2005) and influences M&A activity (Haleblian et al., 2017; Chalençon et al., 2017; Saxton and

[45] Bergh et al. (2019) and Akerlof (1970) defined Information asymmetry as a condition where one party in a relationship has more or better information than another. Information uncertainty is defined as ambiguity in information (Zhang, 2006). Information asymmetry causes uncertainty in decision making (Dixit and Pindyck, 1994) and is often modelled as information uncertainty (Bhagwat et al., 2016; Zhang, 2006). Thus, throughout this thesis, information asymmetries and information uncertainties were used interchangeably.

[46] The word 'reputation' is used throughout this thesis to mean 'corporate reputation'.

Dollinger, 2004). For instance, Saxton and Dollinger (2004) found that the target's reputation shows robust relations with all outcome measures of acquisitions. Their result shows that the target's financial quality predicted satisfaction, product quality enhanced realization of market motives, and management reputation facilitated learning. The firm's reputation is a comprehensive measure of its overall quality and has been shown to have a significant effect on firm performance and M&A activities; however, we did not find any evidence that examined the relations between acquirer reputation and the target's ownership nature in M&A.

4.1.2. Aims and Objectives

This study aims to investigate the role of the acquirer reputation on the selection of target ownership natures in M&A. Past studies found that private targets are highly opaque compared to public and subsidiary companies (Wu and Reuer, 2021; Officer et al., 2009). This is because private firms are subject to different regulatory policies on reporting financial information (Jansen, 2020; Jindra and Walkling, 2004). Welch et al. (2020) documented that public and private acquisition is significantly different due to stock exchange regulations, confidentiality of tender offers and restrictions on sharing insider information. Substantial research on target ownership selection has adopted the acquirer perspective (Claussen et al., 2018; Kaul and Wu, 2016; Capron and Shen, 2007 Shen and Reuer, 2005); however, M&A is also often initiated by target firms

(Welch et al., 2020; Boone and Mulherin, 2007).[47] The author argues that an acquirer would reduce information asymmetry during the identification and pre-screening process through reputation signals[48] (Petkova et al., 2014; Reuber and Fischer, 2005; Rindova et al., 2005), and thus the acquirer would attract a less opaque target (Stern et al., 2014; Saxton and Dollinger, 2004). Information asymmetry complicates negotiation (Nguyen and Phan, 2017; Iselin, 1989), creates distrust (Akerlof, 1970) and triggers market uncertainty (Gulen and Ion, 2016; Moeller et al., 2007). In effect, it causes negotiation to get lengthier, and increases the probability of deal abandonment (Bhagwat et al., 2016; Caiazza and Pozzolo, 2016). Luo (2005) argues that deal failure not only causes acquirer financial loss but significantly damages reputation; therefore, we argue that a high reputation acquirer less likely to acquire an opaque target[49] due to reputational concern.

Wu and Reuer (2021) and Capron and Shen (2007) found information asymmetry in target firms influenced the acquirer's choice of target ownership nature and M&A performance. Lack of information on private firms limits the breadth of the acquirer's

[47] Target selection for M&As initiated by the acquirer encompass the identification and pre-screening of the target; however, an M&A initiated by a target firm will also conduct a similar process of identification and pre-screening for an appropriate acquirer. Thus, the signals from a high reputation acquirer would attract a less opaque target due to reduced information asymmetry. Acquirer reputation is a comprehensive measure of its overall quality (Riel and Fombrun, 2007).

[48] Signals convey the acquirer's overall quality which includes 9 to 13 firm level attributes (please see chapter 2, section 2 – Acquirer Reputation and Justification).

[49] One may ask why a high reputation acquirer would not buy an opaque target when it reduces information asymmetry through reputation signals. The reason is that acquirer reputation signal only conveys acquirer information, and it helps the target firm in identification, pre-screening and the negotiation process, and thus it reduces overall information asymmetry for the target and acquirer.

search and increases the risk of valuation error (Reuer and Ragozzino, 2007). Similarly, Shen and Reuer (2005) argue that managers prefer to acquire a public firm as it reduces information asymmetry. Therefore, drawing from past studies (Petkova et al., 2014; Reuer and Ragozzino, 2014; Reuber and Fischer, 2005; 2007; Rindova et al., 2005; Luo, 2005; Saxton and Dollinger, 2004), the author argues that a high reputation acquirer is more likely to choose a less opaqued target (public and subsidiary) due to reduced information asymmetry[50] and for acquirer reputational concern.[51]

Followed the past studies (Ali et al., 2015; Brammer et al., 2009; Brammer and Pavelin, 2006), the author obtained the UK acquirers reputation data from Management Today (MT). MT uses similar methodology to Fortune magazine to estimate a firm's reputation. Target ownership nature, financial and M&A related data were extracted from Thomson Reuters Eikon (Amel-Zadeh and Meek, 2019). To measure the relations between acquirer reputation and target ownership nature, the author estimates a probit regression models. This study also controls for acquirer firm, industry, deal, year, and country level variables. Since the dependent variables (public, private and subsidiary) are categorical, the author used binary numbers equal to 1 if target is public or private or subsidiary, otherwise 0.

[50] Information asymmetry is likely to be higher when the acquirer has a low reputation and the target is private. This is because a private target is highly opaque and a low reputation acquirer's signal does not covey similar information compared to the high reputation acquirer.

[51] Past studies showed information asymmetry and uncertainty prolongs negotiation, sets barriers to deal completion, and increases the deal completion risk (Bhagwat et al., 2016), while Luo (2005) argued deal abandonment incurs acquirer a significant financial and reputational damage.

4.1.3. Contribution of this Study

This study contributes to M&A literature by incorporating acquirer reputation as an important determinant of target ownership nature in domestic and cross-border M&As. The literature on M&As shows that target ownership nature significantly effects M&A activity, including the duration, completion and financial performance.

The findings of this study make theoretical contributions in M&A and reputation literature. The result of this thesis supports the signalling theory which explains the relation between acquirer reputation and target ownership nature selection. The assumption of signalling theory is consistent with the author's argument that reputation reduces information asymmetry and uncertainty. From a stakeholder perspective, these findings will be beneficial for shareholders in value creation and decision making for managers and policy makers. For instance, target ownership determines acquirer M&A outcomes. Thus, this study can help firms' management and policy makers to consider adopting reputation building policies. Finally, these findings may help academicians to embed signalling theory in reputation to examine M&A outcomes.

This paper is organized as follows. First reviewed literature on the role of acquirer reputation in M&A and target ownership nature and then developed the hypotheses. Next described the methods and measures and then presented the results and

discussion. The final section included summary, implication of result and recommendation for managers and future research direction.

4.2. Literature Review

This section review literature on M&As and target ownership nature. This section also provides a brief discussion on reputation and theories (information asymmetry, signalling and organizational learning theory), then develop research hypotheses. The detailed literature review on M&A background, reputation and theories were provided in chapter 2 and 3.

4.2.1. Impact of Target Ownership

The role of target ownership status in M&A performance is prevalent, however it has received little attention from academics (Capron and Shen, 2007). Prior studies note acquirer returns in M&A are mostly negative or zero while target gains positive returns (Martynova and Renneboog, 2011; McCorriston, 2005; Conn et al. 2005; Sudarsanam and Mahate, 2003; Eckbo and Langohr, 1989; Firth, 1980; Dodd, 1980). However, acquirer returns depend on the ownership of the target chosen. Acquirers often gain positive returns for private targets and negative returns for public and subsidiary targets. For instance, Chang (1998) examined public acquirer M&A performance when the target was public or private. His results revealed that acquirers gained positive abnormal returns when the target was privately held and negative when the target was publicly

held. Chang (1998) observed that acquirer positive wealth gain is related to monitoring activities by target shareholders and reduced information asymmetry. Fuller et al. (2002) examined US acquirer performance in cross-border and domestic M&As when the target was public, private or subsidiary. Their result showed that acquirers gained positive abnormal returns when the target was private or subsidiary, and suffered negative abnormal returns when the target was public. Fuller et al.'s result is consistent with liquidity discount, tax and control effects market hypothesis.

Conn et al. (2005) found the volume and value of cross-border acquisitions by UK acquirers increased dramatically in the mid-1980s and 1990s, and by 2000, the UK was the largest acquiring country worldwide, accounting for 31% of the total value of all cross-border acquisitions. Similarly, ONS reported the volume of cross-border acquisition by UK acquirers reached their highest in 2017 since 2000 (Hamroush, 2018). Conn et al. (2005) documented that 94% foreign acquisitions by UK acquirers were held by private targets. Conn et al. examine the performance of more than 4000 domestic and cross-border M&A transactions made by UK public acquirers. Their result showed that acquirers had negative short-term and long-term returns for domestic M&As, and zero and negative returns in cross-border transactions. However, acquirer gains were positive in the short-term and zero in the long-term in domestic and cross-border M&As for private targets. They also found that glamour[52] acquirers underperformed for public acquisitions but outperform other acquirers in private

[52] Glamour acquirers are those firms that are highly valued their high stock performance.

acquisitions. Additionally, they found the acquirer gained significant short- and long-term returns by acquiring a private high-tech firm. Acquirer post announcement return is lower when there is a greater cultural difference between UK and the target countries. However, Conn et al. did not find any significant relation with acquirer M&A returns for legal systems, accounting standards, economic freedom, taxes, or exchanges rates.

Draper and Paudyal (2006) documented that acquisitions of privately held targets represented 80% of all takeovers. They argued that despite the importance of target ownership and its impact on acquirer shareholders' value creation, limited studies have so far been conducted. Draper and Paudyal examined domestic M&A performance for UK public acquirers when acquiring public versus private targets. Their result showed that acquirer performance is dependent on the target's ownership status, payment methods, and the firm's relative size. Acquirers had positive announcement returns for private targets and zero returns for public targets. Thus, Draper and Paudyal argued that private acquisition is an attractive and wealth maximization option for a public acquirer.

Faccio et al. (2006) examined acquirer performance over public versus private targets between 1996 and 2001 in 17 European countries. Their result showed that acquirers have a negative abnormal return for public acquisitions and significant positive returns for private acquisitions. Their result was persistent through time and across all

countries, and remained the same after controlling for payment methods, acquirer size, acquirer Tobin's q, transaction information leakage, cross-border transactions, and acquirer ownership structure.

Chang et al. (2013) examined performance for foreign subsidiaries versus local firms. Specifically, they studied the performance of local firms with foreign parents and purely local firms. Their result shows that foreign acquired local firms outperformed the local firms. This result is more prominent when foreign acquired firms have higher absorptive capacity or modernized ownership capacity. Chang et al. argued that it is vital for the local target firms to have capability to recognise, assimilate, and apply the knowledge they harness from the foreign parent firms. They asserted that if a local target firm was either a state-owned enterprise (SOE) or a collective, it may not be willing to learn from a foreign parent after acquisition. Acquirers gain superior returns when the target is a local subsidiary and its foreign parent has higher intangible assets, such as advanced technologies, brands and managerial expertise. Chang et al.'s results show that larger local firms are more likely to be acquired as foreign parent prefer local firms for economies of scale. Older local firms are less likely to be acquired as the foreign parent prefers a local firm with fewer legacies and one that they can be restructured and integrated more easily. Intangible assets ratio is negatively associated with the likelihood of acquisition. Collective, private, and incorporated local firms are

more likely to be acquired than SOEs. Chang et al. also found that foreign acquired local firms earn a higher ROA than the local firms.

The valuation of a private target is complicated due to its opaque nature compared to the public target, and therefore a private target experiences fewer competing bids than a public target (Office, 2007). Office stated that private targets, and subsidiaries of private targets, are sold at 15 to 30% discount relative to competing bids of public targets. Officer noted that this result is strongly consistent with the notion that sale prices of private targets is affected by both the need for, and the availability of, the liquidity provides by the acquirer. Officer et al. (2009) argued that acquirers face information asymmetry and valuation difficulty when the target is private. Office et al. (2009) found that stock swap as a payment method mitigated the information asymmetry and difficulty of valuation for over payment.

John et al. (2010) examined US acquirer cross-border acquisition announcement returns for public and private targets. Their result showed acquirers faced significantly negative returns for public targets, and positive returns for private targets when the acquirer country had higher protection for minority shareholders. In contrast, acquirers realized significantly positive returns for private targets and insignificant zero returns for private targets when target country had lower protection for minority shareholders.

However, Maksimovic et al. (2013) found that public firms participated more in M&A waves than private firms, and public firms' acquisitions realized a higher return in productivity and particularly in that wave's acquisitions when the acquirer stock was liquid and highly valued. Arikan and Stulz (2016) found that during the M&A and IPO wave between 1995 and 2000, young acquirers made dramatically more acquisitions than mature firms. Young acquirers' higher acquisitions rate is driven by their higher propensity to acquire private targets (Arikan and Stulz, 2016). Arikan and Stulz did not find any evidence that young public acquirers paid higher premium than mature firms for private targets, and firms generally acquire other firms that are smaller than they are. Arikan and Stulz noted the propensity of young firms to acquire a private firm is because young firms are smaller than mature firms.

Sestu and Majocchi (2020) examined the influence of family control impact on target ownership choice by integrating transaction costs economics (TCE). Their result shows that if both the acquirer and the local firm are family owned then they prefer forming a joint venture, while if only the acquirer is a family-owned firm, then a wholly owned subsidiary is preferred. According to TCE theory, the acquirer chooses target ownership status to minimize the transaction costs, which may incur during negotiation, monitoring, and enforcing transactions, to maximize acquirer net benefits. Specifically, firms prefer entry modes with a higher level of control when transaction costs are high (Sestu and Majocchi, 2020).

Target ownership not only affects acquirer M&A performance but also affects the likelihood of deal completion and the completion time. Prior studies found that a deal is less likely to be completed if the target firm is public (Hu et al., 2020; Li and Sai, 2020; Lim and Lee, 2016; Popli et al., 2016; Zhou et al., 2016; Dikova et al., 2010; Muehlfeld et al., 2012) or a subsidiary (Hu et al., 2020; Li and Sai, 2020; Dikova et al., 2007, 2010; Muehlfeld et al., 2007, 2012), and is more likely to be completed if the target is private (Zhou et al., 2016; Zhan et al., 2011). Dikova et al. (2010) also found completion time for a public target is more likely to be longer. Similarly, Li et al. (2017) reveals that cross-border public acquisition by a state-owned acquirer is less likely to be completed. However, acquisition of a subsidiary is more likely to be completed but the result is statistically insignificant. The length of deal completion is longer when the target is public (Li et al., 2017; Nguyen and Phan, 2017) and for a subsidiary (Li et al., 2017).

4.2.2. Determinants of Target Ownership

The literature in M&As shows that target ownership nature is a strong determinant of acquirer performance, the likelihood of deal completion and completion time. Despite that little attention has been paid to finding the determinant of target ownership nature in M&As.

Shen and Reuer (2005) studied the acquisitions of small manufacturing firms and compared the target's ownership status: private versus public. Shen and Reuer (2005)

argued that target ownership incurred differential transaction cost and documented that private target incurred higher transaction costs because of adverse selection problems. Shen and Reuer (2005) found that acquirer selection of target ownership was determined by the target's maturity and industry similarity. Their results show that an acquirer chooses a public target when acquiring a young target and engaging in inter-industry M&A and the acquirer tends to avoid acquiring a target that has significant intangible assets and that has not been signalled prior to the M&A agreement. Prior studies document that the implication of M&A deal structures varies across private and public targets (Shen and Reuer, 2005; Chang, 1998). For instance, Chang (1998) found that payment method had a completely different effect on the bidding firm's stock price. A bidder acquiring a private target experienced a positive return in stock offer but experienced a negative return for a public target. Shen and Reuer (2005) noted that strategic alliances may be an alternative vehicle to mitigate information asymmetry through the target's intangible assets. They argued that assessing a target's value can pose significant difficulty for buyers when a target is small and private. Shen and Reuer noted that when such valuation difficulties arise, bidders are more likely to acquire a public target. Prior studies note that small business finds it difficult to signal their business prospects to investors (Becchetti and Trovato, 2002; McConnell and Pettit, 1984). However, Shen and Reuer argue that these problems are less significant for public rather than private targets. Acquiring a public target can also mitigate information asymmetry that is associated with young firms.

Going public can be viewed as a signalling mechanism that distinguishes high from low quality firms (Spence, 1974).

Capron and Shen (2007) argue that lack of information about private targets limits the breadth of the acquirer's search and increases valuation risk. However, having less information on private targets produces more value-creating opportunities for the acquirer if they exploit private information. Capron and Shen found that acquirers favoured private targets in similar industries to the acquirer, and acquired a public target when it had high intangible assets, or to enter into new business domains or industries. Capron and Shen documented that target firms' intangible assets are a mechanism that enhance their visibility and represent the value of their assets. Accordingly, we argue that reputation is a comprehensive measure for a firm's overall quality, and the acquirer sends that information through signals to the prospective sellers. Thus, the high reputation acquirer reduces overall information asymmetry on target selection.

An acquirer is more likely to buy a private target when the acquirer has acquisitions experience of the target's industry, and assets are geographically concentrated on a specific location rather dispersed across several countries. Capron and Shen (2007) found that acquirers are less likely to acquire a private target when there is a high uncertainty on asset value and the private target is from a high-tech industry. Similarly, this study argues that a reputation acquirer is more likely to avoid a private target if

there is an information asymmetry. Capron and Shen (2007) argue that a young private target is associated with higher information asymmetry and older firms are more likely to be listed than younger firms. Thus, the acquirer is more likely to acquire an older public target due to public popularity (Capron and Shen, 2007).

The prior studies revealed that private firms suffer from poor liquidity and high information asymmetry (Bae et al., 2013; Reuer and Ragozzino, 2008; Capron and Shen, 2007; Shen and Reuer, 2005; Makadok and Barney, 2001). Bae et al. (2013) studied country transparency and market liquidity hypothesis to investigate the role of information asymmetry in determining target ownership nature in cross-border M&As. Their result shows that acquirers are more likely to acquire a private target in low-transparency countries, however the level of market liquidity has a little effect on determining the target's ownership. Bae et al. also note that differences in availability and reliability of information determine the acquirer choice between private versus public and affect acquirer performance. Target countries with an opaque environment influence the acquirer to select a private target due to the significance of private information which is expected to be greater source of value creation (Bae et al. 2013). An acquirer is more likely to buy a private target when the target is from a high-tech, high growth industry, and is less likely to acquire a private target for a cash payment, stock only offer, hostile approach or tender offer (Bae et al. 2013).

Feito-Ruiz et al. (2014) studied the influence of different legal and institutional environments to analyze the determinant of target ownership in M&As. Their result shows that managerial opportunism is a determinant of public acquisition where target countries have poor shareholder and minority shareholder protection. Feito-Ruiz et al. also found that target countries with information asymmetry and a less developed capital market prompted a private target. A private acquisition is less likely if the acquirer's relative deal size and target's stake sought are greater.

Hoang et al. (2020) investigated cross-border characteristics for an acquirers' target ownership selection in M&As across emerging markets. They documented that host countries with a lower quality government may have weaker, unclear, law and regulatory environments and information transparency, as well as higher uncertainty and political risk. In such an opaque environment a target's public information may not be reliable, and, thus, the acquirer may rely on private information and acquire a private target. Hoang et al. also showed that likelihood of public acquisition is greater if the target firms are located in countries with a stronger government, weaker economic freedoms, better financial market development and a lower cultural distance.

Chen and Hennart (2002) examined the influence of market barriers and firm capabilities on determining investors' choice between joint ventures and wholly owned subsidiaries. They found marketing variables are more influential than technological

factors. They also argued that industry reputation should encourage Japanese investors to choose joint ventures over wholly owned subsidiaries in the US. Firms that face higher market barriers tend to choose joint ventures and those that possess stronger competitive capabilities tend to establish wholly owned subsidiaries. Chen and Hennart focused on the firm's brand reputation and revealed that differences in acquirer and target reputation created barriers for foreign acquisitions. They proposed that brand names serve two purposes in the market. First when an acquirer cannot verify the target's product quality before takeover, the target can brand its product and invest in a brand-specific reputation to guarantee quality (Chen and Hennart, 2002; Nelson, 1978). Chen and Hennart (2002) argue that the target can then rely on brand reputation as a guide to quality, thus saving search cost. Consequently, acquirers will pay a premium for a reputable brand. Second, brand name carries symbolic meanings that firms can use to define and signal their self-image. Chen and Hennart argued that a foreign acquirer must overcome the reputation barrier to reduce the product quality uncertainty and create symbolic product utility in the host market.

Chen (2008) studied cross-border acquisition motives and noted that motives are specific whether the entries are made through full or partial ownership. Chen found full acquisitions were driven mostly by procurement capability, whereas partial acquisitions were motivated by other strategic considerations. They divided Japanese investment in the US market between wholly owned subsidiaries and joint ventures. Their result shows that wholly owned subsidiary and joint ventures determined the

investment choice between greenfield and acquisitive entries. Chen argued that acquirers expanding abroad must make two entry mode choices: greenfield entry and taking over existing firms; or establishing a wholly owned subsidiary or joint venture. In cross-border M&As, acquirers can obtain competitive assets, such as advanced technology and reputable brands, from a local firm (Chen, 2008; Chen and Zeng, 2004; Anand and Delios, 2002). Similarly, a subsidiary target or its parent firms may seek similar benefits from a reputable foreign acquirer. A high reputation acquirer may join with a foreign local firm to replicate its production efficiency, brands, and distribution network abroad (Chen, 2008; Chen and Hennart, 2002). For an acquirer to survive and expand in global markets, it is important for it to have local assets such as advanced technology (Kogut and Chang, 1991), natural resources (Hennart, 1991), managerial expertise of specific host cultures (Kogut and Singh, 1988) and networks with the local government (Gomes-Casseres, 1990).

By starting up a wholly owned subsidiary, the acquirer can hire a new cost-effective labour force and independent managerial team without intervention from joint venture partners, which allows them to keep tighter control over the foreign operations (Anderson and Gatingnon, 1986). Acquiring a wholly owned subsidiary can give the foreign acquirer cost-effective access to the local subsidiary's parent firm (Chen, 2008).

Acquiring a local firm may not be easy because of cross-border country related barriers; however, acquiring a subsidiary of a local firm may be an easier option for the foreign acquirer. To access the capabilities of a local firm by acquiring its subsidiary may be a difficult and lengthy process if there are substantial intangible assets (Chen, 2008; Chi, 1994). Chen (2008) noted that the foreign acquirer engages in acquisition of wholly owned subsidiaries to procure the capabilities of local firms. The local firms that are available for sale could be lemons and those types of firms can be valued at a higher price than its true value (Akerlof, 1970). Chen (2008) found that acquirers with stronger R&D capabilities are less likely to purchase a foreign local firm; however, those entering R&D industries are more inclined to procure advanced technologies through acquisition (Anand and Delios, 2002).

4.2.3. Acquirer Reputation

Pollock and Hayward (2006) defined reputation as the firm's ability that creates values in the firm compared to its competitors and generates values in the firms' key performance dimensions[53]. Reputation is an invaluable intangible asset that enhances the firm's competitive advantage and organizational performance (Rindova et al., 2005).

[53] Please see chapter 2, section 2 (Acquirer Reputation) for the detailed discussion on reputation. This section only presents the brief discussion and most relevant argument for this empirical chapter.

Fombrun (1996) argues a firm's reputation has a bottom-line effect and a firm with a good reputation can enhance profitability. Roberts and Dowling (2002) found a firm with good reputation is better able to sustain a superior profit outcome over time. Koch and Cebula (1994) documented that high reputation firms are less risky, have higher profitability, and generate a higher investment return. Similarly, Collins and Porras (1994) found a strong relation between a firm's financial performance and reputation. Anderson and Smith (2006) constructed a portfolio of Fortune listed reputation firms for five years, and another portfolio of S&P 500 firms. The Fortune listed firms outperformed the S&P 500 by 4.7% annually. Wang and Smith (2008) carried out a similar study with a sample of 585 of America's most admired firms as listed in Fortune and compared them with a sample of control firms matched by size and industry. They found that high reputation firms have superior financial performance and lower the cost of capital.

Vergin and Qoronfleh (1998) examined Fortune's top ten and bottom ten firms, and S&P 500 as the market benchmark. Their result shows a significant relation between a firm's reputation and portfolio return. Vergin and Qoronfleh also documented that a firm's reputation is highly valued for following reasons. It is easier for firms to attract and keep talented people. Customers are more willing to purchase a firm's existing products and services, and accept their new offerings. A firm's reputation influences its ability to raise capital and borrow funds because investors and bankers perceived the reputation of the firms favourably (Fombrun, 2018). Reputation creates an

environment that facilitates a stronger ability to retain good employees and customers, achieve better margins, and find more attractive partners for M&As (Stern et al., 2014; Jensen and Roy, 2008; Saxton and Dollinger, 2004). For instance, Jensen and Roy (2008) documented that firm first use status to screen and then use reputation to choose a specific firm within the chosen status bracket.

A firm's reputation is measured by estimating 9 to 13 firm level attributes of firm's performance.[54] M&A literature shows very few studies conducted on the role of acquirer reputation in M&A activity[55] (Haleblian et al., 2017; Chalençon et al., 2017; Saxton and Dollinger, 2004).

A high reputation firm gets more media coverage, and, thus, high reputation firms send more signals to the host country and local stakeholders (Hawn, 2020; Deephouse, 2000). Stakeholders view a high reputation firm favourably and a firm's reputation helps to build trust among the stakeholders. Thus, the high reputation acquirer has the psychological advantage to attract a quality target (Fombrun and Shanley, 1990) due to reduced information asymmetry. Prior studies have shown a firm's reputation reduces information asymmetry (Reuber and Fischer, 2005; Rindova et al., 2005; Benjamin and Podolny, 1999; Weigelt and Camerer, 1988) and thus the author argues

[54] For details, please see chapter 2, section 2 (Reputation Measures and Justification).

[55] Please see chapter 2, section 2 (Firms' Reputations in M&A) where the following papers were discussed: Haleblian et al., 2017; Chalençon et al., 2017; Saxton and Dollinger, 2004

that high reputation acquirers would attract a quality and less opaque target (Stern et al., 2014; Jensen and Roy, 2008; Saxton and Dollinger, 2004).

4.2.4. Theory and Hypothesis Development

After reviewing the related literature, this study found that signalling theory[56] and organizational learning theory interpret the author's argument. Akerlof (1970) argues that buyers use market statistics to value a product before making a purchase offer. The buyers take the average market price for the product while the sellers have more intimate information about that product. Therefore, the seller has the opportunity to sell the product for less than the market average price.

Spence (1973) developed Akerlof's idea by introducing signalling theory and divided markets into two classes (detailed discussed in chapter 2, section 2 - Information Asymmetry and Signalling Theory). Spence concentrated on the latter market where the signals need to be interpreted without prior knowledge of the individual signaller. While acquirer reputation is readily available to signal the market and thus acquirer does not need to interpret it. Therefore, this study argues that target's management would consider acquirer reputation as signal that builds trust among the target's stakeholders (Akerlof, 1970).

[56] Please see chapter 2, section 2 for the detailed literature review on information asymmetry and signalling theory.

Capron and Shen (2007) found that a target firms' intangible assets are a mechanism that enhance their visibility and convey the value of their assets. Based on Capron and Shen, this thesis argues that acquirer reputation conveys its value and signals this to related target firms. Thus, a high reputation acquirer is more likely to choose a target from a similar reputation background (Arouri et al., 2019). Prior studies found that public firms are informationally less opaque than private firms and are cost-effective for due diligence and negotiation processes (Cuypers et al., 2016; Capron and Shen, 2007; Howson, 2003).

The extent of information asymmetry and uncertainty strongly affects M&A activity (Bonaime et al., 2018; Luypaert and Caneghem, 2017; Nguyen and Phan, 2017; Gulen and Ion, 2016). Prior studies looked at how financial derivatives (Lin et al., 2009), credit ratings (Jory et al., 2016) and CSR reputation (Hawn, 2020; Arouri et al., 2019) reduce market uncertainty and information asymmetry. Moreover, past studies found that a firm's reputation reduces information asymmetry (Reuber and Fischer, 2005; Rindova et al., 2005; Benjamin and Podolny, 1999; Weigelt and Camerer, 1988) and thus the high reputation acquirer would acquire a less opaque and better-quality target (Stern et al., 2014; Jensen and Roy, 2008; Saxton and Dollinger, 2004). Therefore, this study proposes the following research hypothesis:

H1a*. A high reputation acquirer is more likely to acquire a public target in a cross-border M&A.*

In addition to information asymmetry and signalling theories, organizational learning theory refers to processes by which an organization encodes inferences from experience into knowledge or routines (Muehlfeld et al., 2012). Organizational learning maintains acquirer experimental learning depends on the availability of acquirer resources (Muehlfeld et al., 2012; Dikova et al., 2010). According to organizational learning, prior acquirer cross-border M&A experience empowers the acquirer to manage a deal with the integration and cross-border impediments more successfully and efficiently (Dikova and Sahib, 2013). He et al. (2018) shows that an acquirer can leverage its unique capabilities, strategies and global value chain (GVC) to create a firm position and shape the upgrading process by acquiring a technologically advanced subsidiary in a developed country. He at al. documented that GVC development deteriorates from lack of understanding of firm-level learning process. Thus, the learning and upgrading process would benefit both acquirer and target with knowledge transfer for technological know-how. He et al. found that parent-subsidiary relations provide vital access to new markets, customer knowledge and product quality. M&A creates a learning environment; thus, parent and subsidiary learn from each other by sharing information. In cross-border acquisitions, the acquirer can obtain competitive assets, such as advanced technology and reputable brands, from a local firm or subsidiary (Chen, 2008; Chen and Zeng, 2004; Anand and Delios, 2002). A high reputation acquirer may acquire a foreign local firm to replicate its production efficiency, brands, and distribution network abroad (Chen., 2008; Chen and Hennart, 2002). By acquiring a local firm or subsidiary, the high reputation acquirer may gain

cost-effective access to their parent firms' resources (Chen, 2008).[57] Acquiring a local firm may not be easy because of cross-border country related barriers; however acquiring a subsidiary of a local firm may be an easier option for a foreign acquirer. Chen (2008) argues that a foreign acquirer engages in acquisition of a wholly owned subsidiary to procure the capabilities of local firms. Park (2012) examined the primary mechanism of subsidiary learning by dividing the wholly owned subsidiary (WOS) based on investment mode and investment direction. His finding show that subsidiary learning depends on the absorptive capacity in learning organizations, relational capital, and the parent firm's behaviour. The learning perspective suggests that the subsidiary's success will hinge on their ability to acquire new knowledge and invaluable technology from their parent firm (Park, 2010). Based on the organizational learning theory, the author proposes the following research hypothesis:

H1b. *A high reputation acquirer is more likely to acquire a subsidiary target in a cross-border M&A.*

According to information asymmetry and signalling theories, information in the signal could be manipulated (please see chapter 2, section 2 for the detailed discussion - Information Asymmetry and Signalling Theory). Such incidents can be frustrating for the acquirer's management when finds out the target's actual worth because it incurs acquirer signalling cost. If this happens, target may be offered a lower price than

[57] For instance, if a high reputation acquirer buys a quality subsidiary it may benefit from the subsidiary's learning from its parent, and country specific knowledge.

previously negotiated. Specifically, during negotiation and due diligence processes, information shared by target firms might be manipulated and thus the high reputation acquirer may not prefer the private target. Capron and Shen (2007) found that the acquirer is less likely to acquire a private target when there is a high uncertainty about the target's asset valuation. Capron and Shen (2007) found that a lack of information on private targets limits the breadth of the acquirer's search and increases risk for the target's valuation. Following Capron and Shen (2007) this study argues that a high reputation acquirer is more likely to avoid a private target due to high information asymmetry. Therefore, the author proposes the following hypothesis:

H1c*. A high reputation acquirer is less likely to acquire a private target in a cross-border M&A.*

M&A behaviour changes according to the target's geographical location and this happens due to country level factors. However, regardless of the country level barriers, acquirer reputation will continue to be the determinant of target ownership in domestic M&As. However, despite a limited study conducted to determine the target ownership nature in cross-border M&As, the author also did not find any empirical studies that examined the nature of target ownership for domestic deals. This study embed information asymmetry, signalling and organizational learning theories to link reputation and M&A activity. However, these motives may vary when the acquirer geographical location changes. In cross-border acquisitions, the acquirer faces several country related barriers and therefore firms may use different M&A strategies.

Organizational learning may be a higher priority in cross-border M&As than in domestic M&As. In cross-border M&As the acquirer faces several country level barriers, which include language, culture, government and regulatory. Therefore, acquiring a local subsidiary is a cost-effective approach for overcoming those barriers. In comparison, in domestic M&As, the acquirer faces lower information asymmetry and lower information exchange cost which reduces the demand for co-learning. Therefore, the author argues that due to reduced information asymmetry and lower country related barriers, a high reputation acquirer is more likely to acquire a private target than a public and subsidiary in domestic M&As.

H2a. *A high reputation acquirer is less likely to acquire a public target in a domestic M&A.*

H2b. *A high reputation acquirer is less likely to acquire a subsidiary target in a domestic M&A.*

H2c. *A high reputation acquirer is more likely to acquire a private target in a domestic M&A.*

To examine the above research hypotheses, the author reviewed the related literature and proposed the following theoretical research framework.

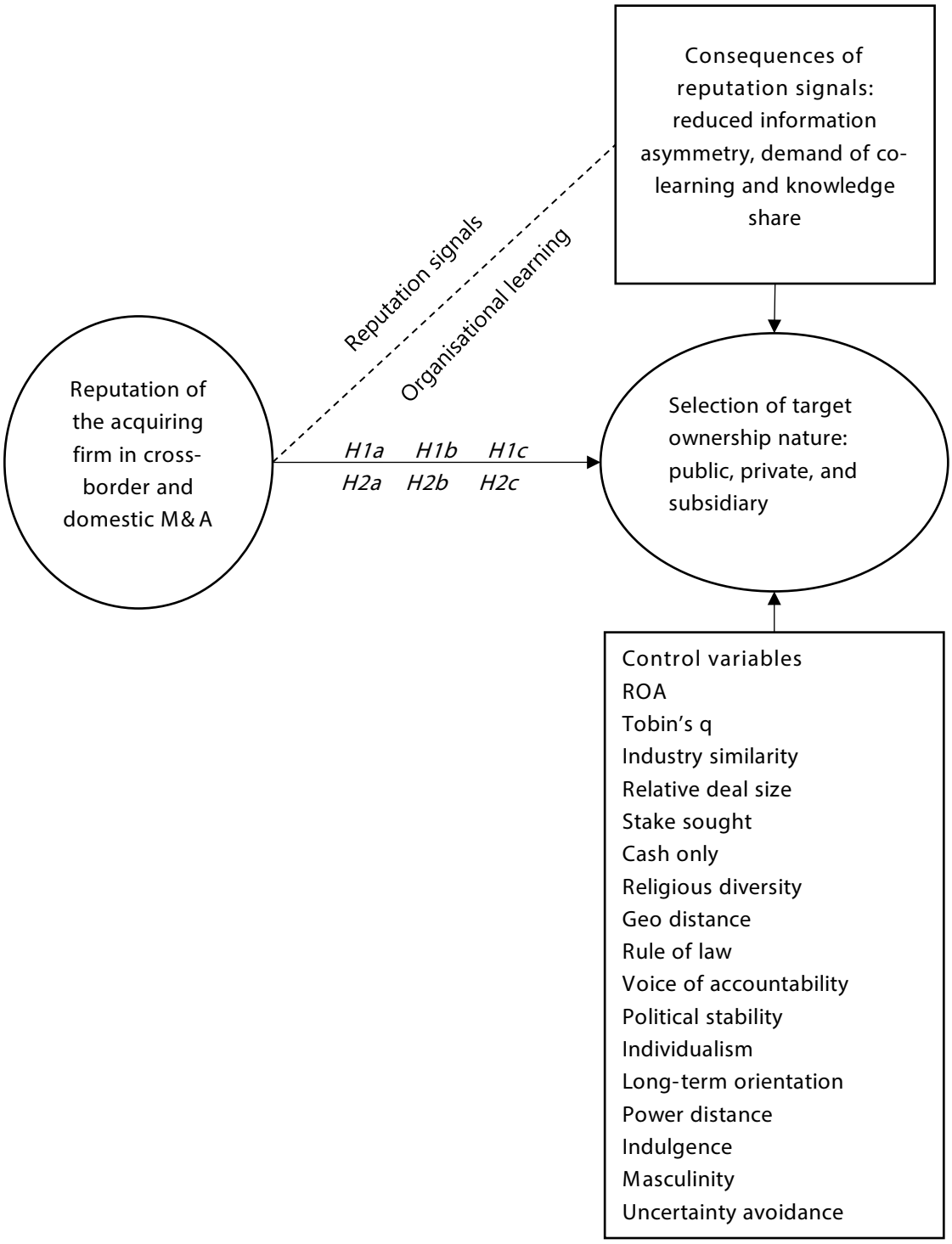


Diagram 3. Theoretical Framework for Acquirer Target Ownership Selection in M&As

Above diagram 3 shows the theoretical framework for this empirical chapter where acquirer reputation and target ownership natures are the independent and dependent variables, respectively. This study examined the target's ownership natures; public, private, and subsidiary, and hypothesised as H1a, H1b and H1c then tested in cross-border M&A. Similarly, hypothesis H2a, H2b and H2c are tested in domestic M&A deals. Past studies documented that public firm and subsidiary are less opaque compared to a private firm. While the literature shows a firm's reputation signals reduces information asymmetries and attracts a quality partner. Thus, the overall information asymmetries between a public target and reputation acquirer would be lower compared to a private target and reputation acquirer. Hence, a high reputation acquirer would choose a public target over a private in a cross-border than a domestic M&A deal. According to organizational learning theory, this study believes that a reputation acquirer and subsidiary or its parents will have a higher mutual interest in learning and therefore acquirer is more likely to acquire a subsidiary in a cross-border than domestic M&A deal. Information asymmetries and organisational learning may be weakened in domestic M&A because of similarity in culture, communication, and lowered regulatory scrutinises. Thus, the author hypothesised that a high reputation acquirer would acquire a private target over a public and subsidiary target in domestic M&A.

4.3. Data and Methodology

4.3.1. Sample Selection

The sample comprises the UK acquirer's cross-border and domestic M&As between 2000 and 2018. The initial M&A and financial data were extracted from Thomson Reuters Eikon[58] (Amel-Zadeh and Meek, 2019). The final sample included completed deals only and met the specific sample selection criterion.[59] This restriction resulted the final sample of 967 M&A deals made by 114 firms. The sample includes 5 types of targets: public (13.34%), private (44.26%), subsidiary (37.44%), joint venture (4.34%) and government owned (0.62%). The final sample include a total of 967 completed M&A deals, of which 672 were cross-border and 295 domestics deals. After including all control variables, this study measured 417 to 427 cross-border observations, and 202 to 215 domestic observations.

4.3.2. Dependent Variables

The dependent variables for this study are the target's ownership natures. The sample comprised the five types of target ownerships as follows: public, private, subsidiary, joint venture, and government owned firms. This study only focused on public, private

[58] Please see chapter 3, section 3 for sample selection criterion and sample description (Sample Selection) and footnote which explained the databases including Thomson Reuter Eikon, CEPII, Douglas Dow and Hofstede Insight.

[59] These restrictions were constructed following past studies (Ahmad and Lambert, 2019; Amel-Zadeh and Meek, 2019; Lim and Lee, 2017; Moeller et al. 2004, 2005). The financial firms were excluded because financial industry is subject to different reporting policies and regulation (Jindra and Walkling, 2004; Shen and Reuer, 2005).

and subsidiary targets. Since the dependent variables are categorical, the author uses a dichotomous variable of 1 if the target's ownership status is public, private or subsidiary, otherwise 0 (Capron and Shen, 2007).

4.3.3. Independent Variables

The reputation and high reputation are the independent variables. A firm is classified as high reputation based on the median score of reputation taken from the whole sample. The UK acquirer's reputation scores were collected from MT, which uses a similar methodology to Fortune (Ali et al., 2015; Agarwal et al., 2011; Brammer et al., 2009; Brammer and Pavelin, 2006; Brammer and Millington, 2005).

This chapter include similar independent variables used in chapter 2 and 3, but the different dependent variables. Please see chapter 2, section 3 and chapter 3 section 3 for independent variables.

4.3.4. Control Variables

This thesis included several control variables which are established in literature to explain target's ownership nature in M&A. The author controlled for firm, industry, deal, and country level effects. This chapter included similar controls and independent variables used in chapter 3 but different dependent variables. Please see chapter 3, section 3 for the variable's description.

4.3.5. Summary Statistics

Tables 16 and 17 present summary statistics and a correlation matrix, respectively. The minimum deal value is £1 million, the average deal value is £357.80 million, and the total transaction values are £346 billion. The dependent variables are target firm's ownership nature. The sample of this study consisted of: public (13.34%), private (44.26%), subsidiary (37.44%), joint venture (4.34%) and government (0.62%) owned targets. In this study, reputation is the independent variable and the minimum reputation score is 28.25, with an average of 60.29 and a maximum of 99.25. The author took the median value for reputation from the whole sample and then created a dummy variable for high reputation equal to 1 if the reputation score was equal to or above the median score, otherwise 0. This study used a dummy variable for industry similarity, using 1 if the target and acquirer were in the same industry, otherwise 0. Similarly, for payment method, if the full transaction was made in cash only then used a dummy 1, otherwise 0.

Table 17 shows the result for the correlation matrix between the dependent, independent and control variables. It shows reputation and high reputation firm are positively correlated with public targets and negatively correlated with private targets. The reputation acquirer is positively correlated with target's subsidiary ownership while high reputation is negatively correlated. The result from the correlation matrix

supports the proposed hypothesis that a high reputation firm is more likely to acquire a public target and less likely to acquire a private target. However, high reputation acquirer has a negative correlation with target subsidiary which does not support the proposed hypothesis for cross-border M&As. In contrast, the reputation acquirer shows a positive correlation with subsidiary targets. A possible interpretation for this could be that the high reputation acquirer may not be interested in learning from a subsidiary in domestic M&As. The summary statistics and correlation matrix included data for cross-border and domestic M&As. Table 18 and 19 show the regression estimations to provide a better understanding of the relation between acquirer reputation and target ownership nature. Table 18 reports the probit regression analysis on cross-border M&As, and Table 19 on domestic M&As.

Table 16. Summary Statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
Public dummy	967	0.133	0.34	0	1
Private dummy	967	0.443	0.497	0	1
Subsidiary dummy	967	0.374	0.484	0	1
Reputation	967	60.297	9.166	28.25	99.25
High reputation dummy	967	0.52	0.5	0	1
ROA	800	0.084	0.127	-.901	.649
Tobin's q	837	1.752	1.811	.319	19.213
Leverage	877	0.9	1.127	0	13.583
Industry similarity	967	.263	0.44	0	1
Cash only	967	.469	0.499	0	1
Stake sought	945	86.023	27.962	.82	100
Relative deal size	896	0.044	0.12	0	1.337
Rule of law	885	1.449	0.567	-1.109	2.027
Voice and accountability	885	1.187	0.389	-1.781	1.728
Political stability	885	0.477	0.527	-2.573	1.76
Religious diversity	958	0.294	0.11	.013	0.751
Geographical distance	941	13.524	2.366	6.068	16.653
Indulgence	951	61.855	14.339	0	97.321
Long-/short-term orientation	953	44.5	18.426	6.801	100
Power distance	947	43.014	14.079	11	104
Individualism	947	77.723	19.652	6	91
Masculinity	947	58.913	13.753	5	95
Uncertainty avoidance	947	49.438	17.96	8	112

Table 17. Matrix of Correlation

Var	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
(1)	1.000																						
(2)	-0.369	1.000																					
(3)	-0.295	-0.697	1.000																				
(4)	**0.040**	**-0.051**	**0.043**	1.000																			
(5)	**0.092**	**-0.061**	**-0.012**	0.528	1.000																		
(6)	0.004	0.097	-0.065	0.156	0.197	1.000																	
(7)	0.039	0.082	-0.079	0.223	0.225	0.514	1.000																
(8)	-0.023	0.008	0.009	-0.047	-0.050	-0.004	-0.009	1.000															
(9)	-0.155	0.072	0.029	-0.007	0.010	0.028	-0.009	0.149	1.000														
(10)	0.160	-0.100	-0.003	-0.103	0.052	-0.000	0.046	-0.010	-0.090	1.000													
(11)	-0.247	0.242	0.013	0.034	-0.017	0.095	0.073	0.041	0.085	-0.065	1.000												
(12)	0.205	-0.179	0.052	0.027	-0.092	-0.114	-0.058	0.031	-0.091	-0.055	0.096	1.000											
(13)	-0.022	0.183	-0.100	-0.007	0.005	-0.015	0.037	0.066	0.048	0.082	0.230	0.046	1.000										
(14)	-0.011	0.141	-0.094	-0.059	0.031	-0.110	0.006	0.053	0.013	0.077	0.118	0.040	0.845	1.000									
(15)	-0.028	0.140	-0.072	-0.006	0.028	-0.015	0.132	-0.001	0.045	0.040	0.081	-0.015	0.660	0.619	1.000								
(16)	0.001	-0.048	0.077	-0.028	-0.023	0.037	-0.082	0.001	-0.045	0.035	0.044	0.028	0.110	0.063	-0.057	1.000							
(17)	0.077	-0.010	-0.040	0.074	-0.022	0.109	0.028	-0.066	-0.050	0.045	0.057	0.021	-0.188	-0.322	-0.309	-0.168	1.000						
(18)	0.030	0.057	-0.085	-0.002	0.016	0.020	0.036	0.078	0.076	0.083	0.189	0.018	0.501	0.377	0.247	-0.150	0.050	1.000					
(19)	-0.086	-0.057	0.113	-0.034	-0.007	-0.066	-0.091	0.050	-0.022	-0.075	-0.066	0.034	0.037	0.201	0.078	0.481	-0.451	-0.424	1.000				
(20)	0.015	-0.132	0.070	-0.012	-0.000	0.033	-0.040	-0.079	-0.049	-0.054	-0.233	-0.020	-0.809	-0.756	-0.545	0.059	0.187	-0.564	-0.007	1.000			
(21)	0.038	0.123	-0.093	-0.011	-0.025	0.017	0.005	0.073	0.029	0.120	0.275	0.057	0.720	0.582	0.273	0.218	0.106	0.603	-0.241	-0.718	1.000		
(22)	0.029	0.012	-0.023	-0.053	-0.078	-0.021	-0.026	0.092	-0.067	-0.008	0.189	0.026	0.049	-0.048	-0.144	0.071	0.068	0.156	-0.043	-0.236	0.386	1.000	
(23)	-0.033	-0.014	0.001	0.001	-0.008	-0.006	-0.048	-0.078	-0.092	-0.055	-0.171	-0.015	-0.463	-0.297	-0.028	-0.261	0.021	-0.548	0.110	0.599	-0.680	-0.306	1.000

(1) Public (2) Private (3) Subsidiary (4) Reputation (5) High reputation (6) ROA (7) Tobin's q (8) Leverage (9) Industry similarity (10) Cash dummy (11) Stake sought (12) Relative deal size (13) Rule of law (14) Voice of accountability (15) Political stability (16) Religious diversity (17) Geo distance (18) Individualism (19) Long-term orientation (20) Power distance (21) Indulgence (22) Masculinity (23) Uncertainty avoidance

4.3.6. Econometric Model

Following prior studies, the author employed probit regression models to estimate the relation of acquirer reputation and target ownership nature in domestic and cross-border M&As (Capron and Shen, 2007; Chen, 2008). The probability of target ownership selection is a probit function of exploratory variables such as firm, industry, deal, country, and other control variables (Zhou et al., 2016). The dependent variables are target's ownership nature, and these are binary variables. Thus, the relation between the dependent and independent variables are non-linear. In a linear model each term is constant, and a linear equation construct by adding the result for each term. A regression equation is linear when it is linear in parameter. However, when the dependent variable is binary (0 or 1), the regression parameter is non-linear, and thus, the author finds a non-linear regression model is appropriate for this study (Wooldridge, 2015). The following regression models are often used for probability estimation: linear probability model (LPM), the logit model and the probit model. This study used the probit regression model because it has the normal distribution for error terms, allow clustering error terms and estimates marginal effect (Gujrati and Porter, 2008).

To test the proposed hypotheses, the author estimated the following probit regression models as follows:

$$\Pr(Public_i) = \phi(x_i\,\beta) \qquad (13)$$

$$\Pr(Private_i) = \phi(x_i\,\beta) \qquad (14)$$

$$\Pr(Subsidiary_i) = \phi(x_i\,\beta) \qquad (15)$$

The empirical specification for function $x_i\beta$ is given by:

$$Xi\beta = \beta_0 + \beta_1\ reputation_{it}\ + \beta_2\, ROA_{it} + \beta_3\, tobin's\ q_{it} + \beta_4 leverage_{it} + \beta_5 industry\ relatedness_{it} + \beta_6 relative\ deal\ size_{it} + \beta_7\ cash\ only_{it} + \beta_8 stake\ sought_{it} + \beta_9 rule\ of\ law_{ct} + \beta_{10}\ voice\ of\ accountability_{ct} + \beta_{11} political\ stability_{ct} + \beta_{12} religious\ diversity_{ct} + \beta_{13}\ geographical\ distance_{ct} + \beta_{14}\ indulgence_{ct} + \beta_{15}\ long\ term\ orientation_{ct} + \beta_{16}\ power\ distance_{ct} + \beta_{17}\ individualism_{ct} + \beta_{18}\ masculinity_{ct} + \beta_{19}\ uncertainty\ avoidance_{ct} + \beta_{20} year_t + \varepsilon_{ict} \quad (16)$$

$$Xi\beta = \beta_0 + \beta_1\ high\ reputation_{it}\ + \beta_2\, ROA_{it} + \beta_3\, tobin's\ q_{it} + \beta_4 leverage_{it} + \beta_5 industry\ relatedness_{it} + \beta_6 relative\ deal\ size_{it} + \beta_7\ cash\ only_{it} + \beta_8 stake\ sought_{it} + \beta_9 rule\ of\ law_{ct} + \beta_{10}\ voice\ of\ accountability_{ct} + \beta_{11} political\ stability_{ct} + \beta_{12} religious\ diversity_{ct} + \beta_{13}\ geographical\ distance_{ct} + \beta_{14}\ indulgence_{ct} + \beta_{15}\ long\ term\ orientation_{ct} + \beta_{16}\ power\ distance_{ct} + \beta_{17}\ individualism_{ct} + \beta_{18}\ masculinity_{ct} + \beta_{19}\ uncertainty\ avoidance_{ct} + \beta_{20} year_t + \varepsilon_{ict} \quad (17)$$

Where ***it*** represents firm, industry and deal related variables, and ***ct*** represent country related variables. $\boldsymbol{x_i}$ is a vector of explanatory variables with coefficient β being a vector of parameter estimates, and *i* is an indicator of M& A deals. ***Pr*** denotes the probability of target ownership selection and $\boldsymbol{\phi}$ is the cumulative distribution function of a standard normal distribution. Here the dependent variable is the target's ownership nature: public, target and subsidiary. Independent variables are reputation and high reputation. In the probit regression model (14) the author estimated the acquirer

selection of the target's ownership status in cross-border M&A. When the target and acquirer were in the same county, the author removed the country level control variables and estimated the following probit regression model:

$$Xi\beta = \beta_0 + \beta_1\ reputation_{it}\ + \beta_2\, ROA_{it} + \beta_3\, tobin's\ q_{it} + \beta_4 leverage_{it} + \beta_5 industry\ relatedness_{it} + \beta_6 relative\ deal\ size_{it} + \beta_7\ cash\ only_{it} + \beta_8 stake\ sought_d + \beta_9 year_t + \varepsilon_{it} \quad (18)$$

$$Xi\beta = \beta_0 + \beta_1\ high\ reputation_{it}\ + \beta_2\, ROA_{it} + \beta_3\, tobin's\ q_{it} + \beta_4 leverage_{it} + \beta_5 industry\ relatedness_{it} + \beta_6 relative\ deal\ size_{it} + \beta_7\ cash\ only_{it} + \beta_8 stake\ sought_{it} + \beta_9 year_t + \varepsilon_{it} \quad (19)$$

4.4. Empirical Findings

The summary statistics and correlation matrix are reported in Table 16 and 17, respectively. The following section discusses the probit regression analysis of target ownership selection on cross-border and domestic M&As. The probit regression model estimates non-linear relations between dependent and independent variables. Thus, the coefficients are typically not directly interpretable even when all control variables are included (Leeper, 2021). This is because the coefficient expresses the influence of each separate variable on the latent, linear scale of the outcome, not the probability scale of the observed outcome (Long, 1997). Therefore, the average marginal effect (AME) regression model is highly recommended because AME computes the marginal effect at every observed value of independent and control

variables and average across the resulting effect estimates (Leeper, 2021). In addition, AMEs have the potential to convey more information about the influence of each covariant on the outcome by averaging variability in the fitted outcomes. Furthermore, AMEs provide a natural summary measure that complies with the distribution of the original data and does not rely on summarizing substantively unobserved independent and control variables (Leeper, 2021). Therefore, in addition to the probit regression model, this study would estimate AME to interpret the coefficient estimation for acquirer reputation and target ownership nature. First, author discusses the result for the probit regression model and then AME to interpret the coefficient estimation.

4.4.1. Regression Analysis on Target Ownership Selection in Cross-Border M&A

Table 18 presents the probit regression analysis of the acquirer likelihood of target ownership selection in cross-border M&A. The dependent variable for this study is target firms' ownership nature of public, private or subsidiary, and the independent variables are reputation and high reputation. The dependent variables and independent variable (high reputation) are dichotomous. The dependent variables in models 1, 3 and 5 are public, private and subsidiary, respectively, and the independent variable is reputation. Model 1 shows a positive coefficient and is statistically significant. This result implies that a reputation acquirer is more likely to acquire a public target. However, model 3 shows the opposite result, that a reputation acquirer is less likely to acquire a private target, and this result is statistically significant after

controlling for firm, industry, deal and country level effects. The positive coefficient in model 5 suggests that a reputation acquirer is more likely to acquire a subsidiary; however, the coefficient is not statistically significant.

Models 2, 4 and 6 show the probability of a high reputation acquirer's choice of target ownership nature in cross-border M&As. Model 2 shows a positive coefficient and is statistically significant after controlling for firm, industry, deal and country level effects. However, model 4 shows a statistically significant negative coefficient and thus this result indicates that a high reputation acquirer is less likely to acquire a private target. Model 6 shows that a high reputation acquirer is more likely to acquire a subsidiary and the coefficient is statistically significant. In comparison, a high reputation acquirer shows a larger significant coefficient across all 3 models and that determines the impact of acquirer reputation on target ownership selection in cross-border deal.

This study uses a range of different control variables. At the firm level, an acquirer with a high ROA and leverage ratio is more likely to choose public target and less likely to choose private target, and this result is statistically significant. This may be because the high performing acquirer wants to avoid information asymmetry. In cross-border M&A, the acquirer faces several country related barriers and higher information exchange costs. An acquirer with a high ROA is less likely to choose a subsidiary. However, an acquirer with high leverage is more likely to choose subsidiary although none of these coefficients are statistically significant.

An acquirer with a higher Tobin's q ratio indicates that the acquirer is more likely to choose a private target and less likely to choose public and subsidiary targets. Tobin's q represents a firm's growth and private firms generate higher shareholder value and enhance the R&D, thus a growth-oriented acquirer may prefer a private target over a public or subsidiary target. Industry similarity shows that an acquirer is less likely to choose a public target, and more likely to choose private or subsidiary targets. Private targets are generally opaque due to different financial regulatory and reporting policies. Thus, a private firm in same industry reduces information asymmetry because of acquirer industry knowledge.

At the deal level, control, cash payment and a larger relative deal size, means an acquirer is more likely to choose a public or subsidiary target, and is less likely to choose a private target. This may be because of country related information asymmetry, otherwise the acquirer generally uses a cash payment method if there is concern about the target valuation. However, where a larger stake is sought, the acquirer is less likely to acquire a public target and more likely to acquire a private or subsidiary target. Public firms are generally larger, and to acquire a larger stake of a public firm will draw more attention by the media, and regulatory and government bodies. Consequently, the deal negotiation may become complicated. Thus, the acquirer may prefer private firm when acquiring a larger stake.

For country level control, the author included target country's informal and formal institutional quality based on The Worldwide Governance Indicators (Kaufmann et al., 2010) and Hofstede's cultural six dimensions (Hofstede, 2001). Models 3 and 4 show that an acquirer is more likely to acquire a private target if the host country has a high-quality rule of law and this result is statistically significant. The reason could be that the host country's quality rule of law provides more certainty and accountability. Private firms are subject to different reporting and regulatory policies, and they are not bound to disclose all information. This may influence insider hierarchy and fraud, and therefore, an acquirer may prefer a private target in a country that has a better use of rule of law.

Models 3 and 4 show that an acquirer is less likely to acquire a private target when the host country experiences higher individualism. This may be because of managerial incentives. Managers are more likely to gain more fame and social status when they work for public firms because they are larger, better known to society and get more media coverage. In an individualist society, people are self-interested and more likely to look after themselves and their close family. Similarly, models 1 and 2 show that an acquirer is less likely to acquire a public target if the host country has a long-term orientation (LTR). LTR defines how a society maintain the links with its own past while dealing with the challenges of the present and future. Thus, a private firm may have a future prospect when a country has a better LTR. Therefore, acquiring a private target in such a country may benefit the acquirer in the long term. Other than this, the author

did not find any significant influence of formal and informal institutional quality to determine the nature of target ownership. However, the author did not interpret the coefficient for independent and control variables because past studies documented that the coefficient estimation of a probit regression model may produce a biased result. Therefore, this study estimated the average marginal effect (AME) to interpret the coefficient in table 19 and result from AME shows the consistency for the above result.

Table 18. Regression Analysis on Target Ownership Selection in Cross-Border M&A

This table report the probit estimation on acquirer selection of target ownership natures in cross-border M&A. Models 1 and 2 show the dependent variable public dummy, models 3 and 4 show the private dummy, and models 5 and 6 show the subsidiary dummy. Reputation is the independent variable in models 1, 3 and 5, and high reputation in models 2, 4 and 6. The numbers in parentheses show the p value for the probit regression based on robust standard errors which adjusted for heteroscedasticity and t-statistics, respectively. The standard error was clustered to control the autocorrelation and heteroscedasticity biases.

	(1)	(2)	(3)	(4)	(5)	(6)
Reputation	0.033*		-0.027*		0.019	
	(0.088)		(0.078)		(0.140)	
High reputation		0.418**		-0.389**		0.239*
		(0.048)		(0.020)		(0.077)
Firms and industry level controls						
ROA	6.938***	6.796***	-1.396	-1.164	-0.510	-0.654
	(0.001)	(0.001)	(0.395)	(0.461)	(0.693)	(0.609)
Tobin's q	-0.041	-0.038	0.103**	0.101**	-0.167**	-0.161**
	(0.508)	(0.524)	(0.020)	(0.023)	(0.039)	(0.040)
Leverage	0.278**	0.310***	-0.141	-0.166	0.051	0.067
	(0.015)	(0.008)	(0.228)	(0.165)	(0.591)	(0.476)
Industry Similarity	-0.654**	-0.675**	0.140	0.142	0.027	0.030
	(0.011)	(0.012)	(0.453)	(0.454)	(0.859)	(0.848)
Deal level controls						
Cash only	0.679***	0.672***	-0.363***	-0.343***	0.092	0.081
	(0.004)	(0.004)	(0.005)	(0.007)	(0.562)	(0.604)
Stake sought	-0.023***	-0.023***	0.014***	0.014***	0.004	0.004
	(0.000)	(0.000)	(0.000)	(0.000)	(0.130)	(0.116)
Relative deal size	5.024***	5.105***	-4.324***	-4.313***	0.740	0.761
	(0.000)	(0.000)	(0.000)	(0.000)	(0.339)	(0.330)
Country level controls						
Rule of law	-0.151	-0.182	0.849**	0.863**	-0.421	-0.438
	(0.792)	(0.748)	(0.015)	(0.013)	(0.134)	(0.127)
Voice of accountably	0.488	0.402	-0.228	-0.235	0.046	0.032
	(0.690)	(0.736)	(0.615)	(0.605)	(0.919)	(0.943)
Political stability	0.223	0.236	0.227	0.234	-0.145	-0.141
	(0.485)	(0.460)	(0.223)	(0.223)	(0.520)	(0.538)
Religious diversity	1.299	1.254	-1.298	-1.245	0.692	0.660
	(0.530)	(0.542)	(0.335)	(0.360)	(0.524)	(0.545)
Geo distance	0.059	0.058	0.027	0.024	-0.039	-0.038
	(0.264)	(0.252)	(0.387)	(0.438)	(0.330)	(0.339)
Individualism	0.001	-0.001	-0.017*	-0.016*	0.001	0.001
	(0.922)	(0.945)	(0.060)	(0.083)	(0.872)	(0.947)
Long-term orientation	-0.025*	-0.025*	-0.008	-0.008	0.010	0.010
	(0.062)	(0.060)	(0.329)	(0.311)	(0.161)	(0.155)
Power distance	0.005	0.004	0.007	0.007	-0.007	-0.007
	(0.799)	(0.852)	(0.609)	(0.618)	(0.515)	(0.506)
Individualism	-0.000	0.001	0.004	0.003	-0.003	-0.002
	(1.000)	(0.959)	(0.694)	(0.759)	(0.751)	(0.814)
Masculinity	0.020	0.019	-0.001	-0.001	-0.004	-0.004
	(0.173)	(0.211)	(0.877)	(0.877)	(0.474)	(0.458)
Uncertainty avoidance	-0.006	-0.007	0.012*	0.012*	-0.008	-0.008
	(0.662)	(0.611)	(0.078)	(0.074)	(0.240)	(0.238)
Year dummies	-1.546**	-0.823*	0.721	0.130	-0.089	0.309
	(0.017)	(0.068)	(0.203)	(0.819)	(0.875)	(0.588)
Firm clustered	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-4.281	-2.110	-0.967	-2.358*	0.279	1.286
	(0.160)	(0.463)	(0.565)	(0.060)	(0.844)	(0.311)
Observation	417	417	427	427	427	427
Wald chi2	831.34	727.69	370.14	425.11	131.94	129.04
Pseudolikelihood	-104.617	-104.43	-238.766	-237.629	-251.933	-251.758
Pseudo R^2	0.377	0.379	0.191	0.195	0.091	0.092

All variables defined in Table 18 denote significance at the 10%, 5%, and 1% level, p-values in parentheses * p < 0.10, ** p < 0.05, *** p < 0.01, respectively.

Since the probit regression model is a non-linear model and the effect differs among individual observations of each variable, therefore average marginal effect computes the effect for individual observations of each variable and then computes their average. Therefore, the author estimates the average marginal effect to interpret the coefficient. Table 19 presents the result for the average marginal effect on acquirer selection of target ownership nature in cross-border M&As. Table 19, model 2 shows for a 1 unit change in reputation, a high reputation acquirer's probability of acquiring a public target increases by 5.8%. In contrast, model 1 shows a 1 unit change in reputation increases the probability of reputation acquirer to acquire a public target by 0.5%. In comparison, based on the coefficient, a high reputation acquirer has a 5.30% higher probability of acquiring a public target than a reputation acquirer. In addition, the coefficient for the high reputation acquirer is statistically significant at 0.95% confidence level. However, models 3 and 4 show the opposite result. Model 3 shows a 1 unit change in reputation, the reputation acquirer is 0.9% less likely to acquire a private target. In comparison, model 4 shows a 1 unit change in reputation means the high reputation acquirer is 12.2% less likely to acquire a private target. The result is statistically significant at 0.95% confidence level. In addition to public and private targets, models 5 and 6 show the relations between reputation and subsidiary owned targets. The positive coefficient in models 5 and 6 imply that reputation and high reputation acquirers are more likely to acquire a subsidiary in a cross-border

M&A. Model 5 shows that for a 1 unit change in reputation, a reputation acquirer is 0.6% more likely to acquire a subsidiary, however the coefficient is statistically insignificant. In comparison, model 6 shows that for a 1 unit change in reputation, the high reputation acquirer is 8% more likely to acquire a subsidiary in a cross-border M&A and the coefficient is significant at 0.90% confidence level. In sum, the above result clearly shows a strong relation between reputation and target ownership nature. Probit and AME regression results support the proposed hypotheses that a high reputation acquirer more likely to acquire a public and subsidiary target, and less likely to acquire a private target in cross-border M&As. AME in Table 19 shows several control variables that have a statistically significant coefficient for target ownership nature, and this is consistent with the probit regression analysis in Table 18.[60]

[60] For brevity, the discussion of marginal effect for control variables were excluded. The coefficient displayed in table 18 is consistent with the coefficient provided by AME in table 19.

Table 19. Average Marginal Effect on Target Ownership Selection for Cross-Border M&As

This table presents the estimation for Average Marginal Effects from probit regression analysis on the acquirer likelihood of target ownership selection in cross-border M&As. The dependent variables in models 1 and 2, public dummy; models 3 and 4, private dummy; and models 5 and 6, subsidiary dummy. The numbers in parentheses show the p value for probit regression based on the robust standard errors which are adjusted for heteroscedasticity and t-statistics, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Reputation	0.005*		-0.009*		0.006	
	(0.075)		(0.080)		(0.139)	
High reputation		0.058**		-0.122**		0.080*
		(0.044)		(0.022)		(0.077)
ROA	0.960***	0.936***	-0.442	-0.367	-0.171	-0.219
	(0.001)	(0.001)	(0.399)	(0.463)	(0.692)	(0.608)
Tobin's q	-0.006	-0.005	0.033**	0.032**	-0.056**	-0.054**
	(0.512)	(0.527)	(0.019)	(0.022)	(0.039)	(0.041)
Leverage	0.038***	0.043***	-0.045	-0.052	0.017	0.023
	(0.008)	(0.003)	(0.232)	(0.169)	(0.591)	(0.476)
Industry similarity	-0.091**	-0.093**	0.044	0.045	0.009	0.010
	(0.013)	(0.013)	(0.455)	(0.457)	(0.859)	(0.848)
Cash only	0.094***	0.093***	-0.115***	-0.108***	0.031	0.027
	(0.005)	(0.005)	(0.005)	(0.007)	(0.561)	(0.603)
Stake sought	-0.003***	-0.003***	0.004***	0.004***	0.001	0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.127)	(0.114)
Relative deal size	0.695***	0.703***	-1.369***	-1.359***	0.248	0.255
	(0.000)	(0.000)	(0.000)	(0.000)	(0.338)	(0.329)
Rule of law	-0.021	-0.025	0.269**	0.272***	-0.141	-0.147
	(0.791)	(0.747)	(0.011)	(0.010)	(0.126)	(0.120)
Voice of account	0.067	0.055	-0.072	-0.074	0.015	0.011
	(0.689)	(0.736)	(0.612)	(0.603)	(0.919)	(0.943)
Political stability	0.031	0.032	0.072	0.074	-0.048	-0.047
	(0.487)	(0.462)	(0.220)	(0.220)	(0.521)	(0.538)
Religious diversity	0.180	0.173	-0.411	-0.392	0.232	0.221
	(0.528)	(0.541)	(0.331)	(0.357)	(0.523)	(0.545)
Geo distance	0.008	0.008	0.009	0.008	-0.013	-0.013
	(0.276)	(0.267)	(0.388)	(0.438)	(0.328)	(0.337)
Individualism	0.000	-0.000	-0.005*	-0.005*	0.000	0.000
	(0.922)	(0.945)	(0.053)	(0.075)	(0.872)	(0.947)
Long-term orientation	-0.003*	-0.003*	-0.003	-0.003	0.003	0.003
	(0.067)	(0.065)	(0.327)	(0.308)	(0.158)	(0.152)
Power distance	0.001	0.001	0.002	0.002	-0.002	-0.002
	(0.799)	(0.851)	(0.607)	(0.617)	(0.514)	(0.505)
Indulgence	-0.000	0.000	0.001	0.001	-0.001	-0.001
	(1.000)	(0.959)	(0.693)	(0.759)	(0.752)	(0.814)
Masculinity	0.003	0.003	-0.000	-0.000	-0.001	-0.001
	(0.169)	(0.208)	(0.877)	(0.877)	(0.472)	(0.457)
Uncertainty avoidance	-0.001	-0.001	0.004*	0.004*	-0.003	-0.003
	(0.661)	(0.609)	(0.082)	(0.078)	(0.239)	(0.236)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Firms clustered	Yes	Yes	Yes	Yes	Yes	Yes
Constant						
Observation	417	417	427	427	427	427
Wald chi2						
Pseudolikelihood						
Pseudo R2						

All variables defined in Table 19 denote significance at the 10%, 5%, and 1% level p-values in parentheses * p < 0.10, ** p < 0.05, *** p < 0.01, respectively.

4.4.2. Regression Analysis on Target Ownership Selection in Domestic M&As

Table 20 shows results for probit regression analysis on acquirer likelihood of target ownership selection in domestic M&As. Models 1, 3 and 5 show the probit regression estimation on reputation and dependent variables; public, private and subsidiary, respectively. Models 2, 4 and 6 show the probit regression estimation on high reputation and dependent variables; public, private and subsidiary, respectively. The coefficients in models 1 and 3 are statistically significant and this result suggests that a reputation acquirer is more likely to choose a public target. The coefficient in model 5 suggests that a reputation acquirer is less likely to choose a subsidiary, however the coefficient is not statistically significant. Model 2 shows a statistically significant positive coefficient for a high reputation acquirer. Thus, the high reputation acquirer more likely to acquire a public target. This is consistent with the proposed hypothesis that public firms are less opaque than private firms. Models 4 and 6 report an insignificant negative coefficient for private and subsidiary targets. This result suggests that an acquirer less likely to acquire a private or subsidiary target in a domestic M&A. However, the author argues that the acquirer is more likely to acquire a subsidiary in domestic M&As. This result does not support the proposed hypothesis and this may indicate that co-learning is not as essential as in cross-border M&As. In comparison, the high reputation acquirer shows a larger coefficient across all 3 models compared to the reputation acquirer. Thus, these findings identify the impact of high reputation

on target ownership selection and demonstrates that firm reputation determines target ownership nature in domestic M&A.

In domestic M&As, the country level control variables were excluded because this may cause omitted variables bias. But included the firm and industry level control. This study find a significant positive coefficient for the acquirer's Tobin's q ratio and private ownership nature, and an insignificant negative coefficient for public and subsidiary ownership. This result demonstrates that a growth-oriented firm prefers a private firm in domestic M&A. The reason may be because the acquirer wants to develop R&D and market growth. For industry similarity, the author find a significant negative coefficient for acquirer public ownership, an insignificant negative coefficient for private target, and a positive coefficient for subsidiary ownership. Thus, these results suggests that the acquirer is less likely to acquire a public or private target in a similar industry. This may be the easier way for an acquirer to avoid challenges during negotiation. A subsidiary tends be smaller compared to public and private firms, and smaller firms get fewer stakeholder attention. Attention includes media attention, and regulatory and government intervention etc.

For deal level control, this study finds cash payment and relative deal size have a significant positive coefficient for public targets, a negative coefficient for private targets, and an insignificant positive coefficient for subsidiary targets. These results implies that the acquirer is more likely to select a public target and a subsidiary for the

cash payment and larger deals, and is less likely to acquire a private target. The reason for this depends on the motivation. If the M& A is motivated by managerial incentives, the acquirer often tends to buy a public target. This is because public firms are bigger, and it provides more financial incentives and more personal exposure. The stake sought is the amount of ownership of the target firm that the acquirer seeks. This thesis finds stake sought has a significant negative coefficient for public targets, a significant positive coefficient for private targets and an insignificant positive coefficient for subsidiaries. Acquirers often seek a larger stake to have full control and synergy gains. If a deal is motived by synergy gains, the acquirer is more likely to acquire a private target because the acquirer's stock price reacts positively toward private targets.

Table 20. Regression Analysis on Target Ownership Selection in Domestic M&As

This table reports probit estimation on acquirer reputation and target ownership selection in domestic M&A. Models 1 and 2 show dependent variable; public dummy, models 3 and 4 show; private dummy, and models 5 and 6 show; subsidiary dummy. Reputation is the independent variable in models 1, 3 and 5, high reputation in models 2, 4 and 6. The numbers in parentheses show the p value for probit regression based on the robust standard errors which are adjusted for heteroscedasticity and t-statistics, respectively. The standard error was clustered to control autocorrelation and heteroscedasticity biases.

	(1)	(2)	(3)	(4)	(5)	(6)
Reputation	0.064**		-0.043**		-0.007	
	(0.019)		(0.019)		(0.701)	
High reputation		0.631**		-0.309		-0.175
		(0.026)		(0.192)		(0.458)
Firms and industry level controls						
ROA	-0.966	-1.331	-0.751	-0.488	0.200	0.289
	(0.627)	(0.491)	(0.746)	(0.828)	(0.907)	(0.864)
Tobin's q	-0.336	-0.249	0.320**	0.263**	-0.060	-0.055
	(0.169)	(0.270)	(0.018)	(0.042)	(0.693)	(0.720)
Leverage	-0.387**	-0.378**	-0.007	0.037	-0.024	-0.021
	(0.024)	(0.048)	(0.924)	(0.592)	(0.746)	(0.768)
Industry similarity	-0.645*	-0.609**	-0.119	-0.070	0.150	0.150
	(0.060)	(0.047)	(0.498)	(0.683)	(0.375)	(0.379)
Deal level controls						
Cash only	0.802**	0.734**	-0.564**	-0.572**	0.230	0.234
	(0.021)	(0.025)	(0.033)	(0.032)	(0.309)	(0.296)
Stake sought	-0.012**	-0.012***	0.014***	0.015***	0.002	0.003
	(0.011)	(0.006)	(0.005)	(0.006)	(0.610)	(0.576)
Relative deal size	5.536***	5.485***	-7.869**	-7.290**	0.547	0.522
	(0.000)	(0.000)	(0.021)	(0.024)	(0.549)	(0.559)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Firm clustered	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-3.442**	-0.052	0.761	-1.615**	0.208	-0.191
	(0.049)	(0.947)	(0.541)	(0.017)	(0.857)	(0.700)
Observation	202	202	215	215	212	212
Wald chi2	264.01	297.53	162.34	151.77	84.74	96.19
Pseudolikelihood	-54.558	-56.292	-112.639	-114.667	-127.24	-126.957
Pseudo R^2	0.357	0.336	0.237	0.224	0.091	0.093

All variables defined in Table 20 denote significance at the 10%, 5% and 1% level p-values in parentheses * p < 0.10, ** p < 0.05, *** p < 0.01, respectively.

Table 21 reports the average marginal effect (AME) of reputation on acquirers' selection of target ownership nature in domestic M&A. Model 1 shows a significant positive coefficient for reputation and a public target. This result suggests that for a 1 unit change in reputation, the reputation acquirer is 0.9% more likely to acquire a public target. Models 3 and 5 show a significant negative coefficient for private targets and an insignificant coefficient for subsidiary targets. These results demonstrate that

for a 1 unit change in reputation, a reputation acquirer is 1.3% and 0.3% less likely to acquire a private or subsidiary target, respectively.

Model 2 shows a significant positive coefficient for high reputation acquirers and public targets. This result implies that for a 1 unit change in reputation, a high reputation acquirer is 9.6% more likely to acquire a public target. Models 4 and 6 show an insignificant negative coefficient for private and subsidiary targets. These results demonstrate that for a 1 unit change in reputation, a high reputation acquirer is 9.4% and 6% less likely to acquire a private or subsidiary target, respectively.

In contrast, looking at reputation versus high reputation this study finds a high reputation acquirer has a statistically larger significant coefficient. In comparison to a reputation acquirer, a high reputation acquirer is 8.7% more likely to acquire a public target and 8.10% and 5.7% less likely to acquire a private or subsidiary target, respectively. These results do not support the proposed hypotheses that a high reputation acquirer is more likely to acquire a private target than a public or subsidiary target in domestic M& As.

Table 21. Average Marginal Effect on Target Ownership Selection for Domestic M&As

This table presents the estimation for average marginal effects from probit regression analysis on reputation and high reputation acquirer likelihood of target ownership selection in domestic M&As. The dependent variables in models 1 and 2 public dummy; models 3 and 4 private dummy; and models 5 and 6 subsidiary dummy. The numbers in parentheses show the p value for probit regression based on the robust standard errors which is adjusted for heteroscedasticity and t-statistics, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Reputation	0.009***		-0.013**		-0.003	
	(0.009)		(0.016)		(0.701)	
High reputation		0.096**		-0.094		-0.060
		(0.019)		(0.185)		(0.456)
ROA	-0.143	-0.203	-0.225	-0.149	0.069	0.099
	(0.619)	(0.474)	(0.748)	(0.829)	(0.907)	(0.864)
Tobin's q	-0.050	-0.038	0.096**	0.080**	-0.021	-0.019
	(0.172)	(0.276)	(0.015)	(0.038)	(0.691)	(0.719)
Leverage	-0.057**	-0.058**	-0.002	0.011	-0.008	-0.007
	(0.026)	(0.048)	(0.924)	(0.590)	(0.746)	(0.768)
Industry similarity	-0.095*	-0.093*	-0.036	-0.021	0.051	0.051
	(0.061)	(0.051)	(0.503)	(0.685)	(0.372)	(0.376)
Cash only	0.118**	0.112**	-0.169**	-0.174**	0.079	0.080
	(0.012)	(0.019)	(0.025)	(0.025)	(0.306)	(0.294)
Stake sought	-0.002**	-0.002***	0.004***	0.004***	0.001	0.001
	(0.011)	(0.005)	(0.004)	(0.005)	(0.611)	(0.577)
Relative deal size	0.817***	0.836***	-2.356**	-2.223**	0.187	0.178
	(0.000)	(0.000)	(0.014)	(0.015)	(0.548)	(0.559)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Firms clustered	Yes	Yes	Yes	Yes	Yes	Yes
Constant						
Observation	202	202	215	215	212	212
Wald chi2						
Pseudolikelihood						
Pseudo R2						

All variables defined in Table 21 denote significance at the 10%, 5%, and 1% level p-values in parentheses * p < 0.10, ** p < 0.05, *** p < 0.01, respectively.

4.4.3. Robustness Checks

This study conducted several robustness checks within the sample and econometric models. The sample comprised the UK's most admired companies listed in MT. To identify the specific impact of reputation, the author classified reputation and high reputation based on yearly median values of acquirer reputation. And then compared the coefficient and significant level for reputation and high reputation. The size of

coefficient and statistical significance level determine the impact of reputation on target ownership nature selection. The probit regression analysis shows a larger coefficient (negative or positive) for high reputation acquirers and is statistically significant compared to the reputation acquirer. One could argue that endogeneity could be a concern in this study. Usually, endogeneity occurs when an explanatory variable is correlated with the error term in the regression model (Jarvik et al., 2011). This often happens due to omitted variable bias and when the dependent variable is a predictor of the explanatory variable and simply does not respond to the explanatory variable (Jarvik et al., 2011).

To rate reputation, MT measures firm's financial soundness and thus may pose the multicollinearity and omitted variable bias. To make sure reputation does not proxy for the financial variables, ROA and Tobin's q were controlled to avoid omitted variable bias. However, this may raise concerns of multicollinearity. Thus, this study also observed no multicollinearity in any of the models and this is confirmed by the variance inflation factors (VIFs) in all models. The accepted VIF value is 10 and values in these studies are well below that threshold (Zhou et al., 2016; Dow et al., 2016; Neter et al., 1989).

A firm's reputation is a time-variant and changes every year, and a single firm has multiple M&A deals in a single year during the sample period. To rule out autocorrelation and heteroscedasticity, the author clustered the firm's error term and

estimated robust standard error. In addition to probit regression, the author further checked the robustness of the result by estimating average marginal effects from probit estimation. This result is also consistent with the primary findings from the probit regression model.

4.5. Discussions and Conclusion

This study provides several important contributions. This thesis explores the effect of acquirer reputation in cross-border and domestic M&As, focusing on the likelihood of acquirer selection of the target firm's ownership nature. Studying a sample of 967 (672 cross-border and 295 domestic) deals between 2000 and 2018, and obtaining acquirer reputations data from MT, this study shows conclusive evidence that acquirer reputation matters for the selection of target ownership nature. Target ownership natures are the dependent variable, and reputation and high reputation are the independent variables in this study. A high reputation acquirer was classified based on the median score of reputation taken from the whole sample. By a reputation acquirer, the author means an acquirer from the whole sample and a high reputation acquirer means they were in the top 50% of that sample. This study estimates the performance for the bottom 50% of acquirers by subtracting the high reputation acquirer coefficient from the reputation acquirer.[61]

[61] The reputation data were collected from MT. Any firm listed in MT between 2000 and 2018 are called reputation firm and high reputation when it is on the top 50% of that sample. This study measured the impact of reputation based on the coefficient between reputation and high reputation.

The findings of this study would greatly benefit industry practitioners as this study observes a high volume of M&As by UK acquirers every year. For instance, since 1985, more than 103070 M&A transactions have been announced with a known value of almost £5688 billion. In 2017, there were over 3900 deals with a total value of £326 billion. While the number of M&As have decreased in most parts of the world, this represents a growth in deals of 7.3% compared to 2016; whereas the value has increased even more by 33% (IMAA, 2021).

This thesis contributes to the M&A literature by showing that we need to consider the firm's reputation in both domestic and cross-border M&As. The results suggest that the influence of the firm's reputation does not fade away when the host and home countries are geographically or culturally distant. The result from the probit regression shows that a high reputation acquirer is more likely to acquire a public target in cross-border and domestic M&As. This result is supported by the proposed hypothesis H1a and signalling theory that states that acquirer reputation reduces information asymmetry. This result also consistent with prior studies conducted by Shen and Reuer (2005). They studied the acquisitions of small manufacturing firms and compared the target's ownership nature in private versus public cross-border M&As. Shen and Reuer argued that the nature of target ownership incurs differential transaction costs, and they demonstrated that private targets incur higher transaction costs due to the presence of adverse selection problems than public target. Shen and Reuer found that

the selection of target ownership nature was determined by the target firm's age and industry. Their result shows that the acquirer chooses a public target when acquiring a young target and engaging in inter-industry M&A. Capron and Shen (2007) found that acquirers' favour private targets in similar industries. However, findings from this study shows that a high reputation acquirer is more likely to choose a public target in cross-border and domestic M&As when both acquirer and target are from a similar industry. The reason for this could be that information asymmetry is lower when the target is public and operating a business in a similar industry. This result suggests that a high reputation acquirer seeks to avoid information asymmetry as far as possible in target selection. However, the finding does not support hypothesis H2a which stated that a high reputation acquirer is less likely to acquire a public target in domestic M&A. This result is consistent with H1a which states that an acquirer is more likely to choose a public target in cross-border M&A. In comparison, the author found that high reputation acquirers do not compromise on target valuation whether domestic or cross-border. The valuation for private firms is challenging because of their opaque nature due to different regulatory and financial reporting policies.

Following Reuber and Fischer (2005) and Rindova et al. (2005), author argues that acquirer reputation mitigates information asymmetry. Similarly, Shen and Reuer (2005) found that strategic alliances may be an alternative vehicle to mitigate the effects of information asymmetry that accompanies the target's intangible asset resources. Shen and Reuer (2005) argue that assessing a target's value can pose significant difficulties

for buyers, and this is often the case when the target is small and private. Shen and Reuer (2005) note that when such valuation difficulties arise, bidders are more likely to pursue a public target. This study finds that high reputation acquirers that seek higher ownership of target firms are less likely to acquire a public target and this is consistent with Shen and Reuer. The possible interpretation for this can be linked to the acquirer motivation for acquisition. If an M&A is motivated by synergy gain, a high reputation acquirer may choose a private target. The literature shows that an acquirer will earn a positive M&A return when the target is a private firm.

Capron and Shen (2007) argued that the lack of information on private targets limits the breadth of the acquirer's search and increases target asset valuation risk. At the same time, less information on private targets produces more value-creating opportunities for exploiting private information, whereas the market of corporate control for public targets already serves as an information processing and asset valuation mechanism for all potential bidders. Capron and Shen found that the acquirer is more likely to choose a private target when the payment method is all cash, however, the result is not statistically significant and inconsistent with findings from this study. This thesis found that an acquirer is less likely to choose a private target when the payment method is all cash, and is more likely to choose a public target. The reason is that acquirers prefer to use stock options for an opaque target. This means that a high reputation acquirer is more likely to avoid a private target due to concern of information asymmetry. Thus, the proposed hypothesis H1b is supported by

findings from this study that a high reputation acquirer is less likely to choose a private target. However, the results do not support hypotheses H2a and H2b: a high reputation acquirer is less likely to acquire a public target and more likely to acquire a private target in domestic M&As. These results imply that the influence of reputation is consistent with cross-border and domestic M&As. In addition, this result suggests that high reputation acquirer avoids opaque targets due to high information asymmetry.

In addition, a number of prior studies documented that private firms suffer from a lack of market liquidity and high information asymmetry (Bae et al., 2013; Reuer and Ragozzino, 2008; Capron and Shen, 2007; Shen and Reuer, 2005; Makadok and Barney, 2001). Bae et al. (2013) show that acquirers are more likely to acquire a private target in a country with low transparency; however, the level of market liquidity has little effect on selection of target ownership nature. Host countries' opaque environment influence the acquirer to select a private target due to the significance of private information that is expected to be greater source of value creation by private target than public target (Bae et al. 2013). Bae et al. revealed that acquirers are less likely to acquire a private target if payment method cash only, and this is consistent with the author's findings. This thesis found that acquirers with a larger Tobin's q ratio and relative deal size are more likely to choose a private target in cross-border and domestic M&A, and these findings are consistent with Bae et al. (2013) and Feito-Ruiz et al. (2014). This may be because the acquirer is seeking market growth, improved

profitability and innovation. Previous studies found that acquirers gain significant financial returns when the target firm is privately held. Private firms are generally smaller than public firms and are more focused on R&D than the larger public firms.

This study argues that high reputation acquirers are more likely to choose a subsidiary in a cross-border M&A and less likely to in domestic M&A. The probit regression result shows that a high reputation acquirer is more likely to choose a subsidiary in a cross-border and less likely to in a domestic M&A, and thus this result supports hypothesis H1c. The findings of this study are also consistent with organizational learning theory. This thesis shows that learning is essential when the target is based in a different geographical location and the acquirer faces different cultural and regulatory barriers. However, the result does not support hypothesis H3c. This thesis finds that a high reputation acquirer is less likely to acquire a subsidiary in domestic M&A. Moreover, the result in domestic M&As is not statistically significant and this may be because of the smaller sample size. These results imply that a high reputation acquirer is more likely to learn from subsidiaries when the target is abroad, and less likely to if the target is domiciled in the same country. The result also shows that acquirers with a high Tobin's q ratio is less likely to acquire a subsidiary in domestic and cross-border M&As. This finding is also consistent with existing literature that found that an acquirer is financially better off when they buy a private target compared to a public or subsidiary target. Following Chen (2008), the author argues that the full acquisitions of private or

public are driven by capability procurements or synergy gains, whereas subsidiary acquisitions are motivated by co-learning and other strategic considerations.

He et al. (2018) argue that the global value chain leads firms to engage in M&A and enhance co-learning facilities. The author argues that subsidiary and high reputation acquirer would engage in M&A with a target with a mutual interest of learning from each other. A high reputation acquirer can leverage its unique capabilities and strategies through the global value chain (GVC) to shape the upgrading process by acquiring a quality subsidiary (He et al., 2018). In cross-border acquisitions, the acquirer can obtain competitive assets, such as advanced technology and reputable brands from a local firm (Chen, 2008; Chen and Zeng, 2004; Anand and Delios, 2002). A high reputation acquirer may join with foreign local firm to replicate its production efficiency, brands and distribution network, abroad (Chen, 2008; Chen and Hennart, 2002). To survive and expand in the global markets its important for the acquirer to have local assets such as advanced technology (Kogut and Chang, 1991), natural resources (Hennart, 1991), managerial expertise specific to the host cultures (Kogut and Singh, 1988), and networking with local government individuals (Gomes-Casseres, 1990). Acquiring a local firm is not easy due to cross-border country related barriers, however acquiring a subsidiary of a local firm may be an easier option for a foreign acquirer. Buying a subsidiary of a local or foreign firm would enhance the acquirer capability of cross-cultural learning and regulatory policy. In addition, by acquiring a

quality subsidiary, a high reputation acquirer can gain cost-effective access to the subsidiary and its parent firm (Chen, 2008).[62]

Moreover, the results are robust to alternative specifications and methodologies. This study controlled for acquirer firm, country, deal, and year effects. For endogeneity, acquirer firm's robust standard error was clustered to control the autocorrelation and heteroscedasticity. However, like any study, this study has its limitations. First, the sample size for domestic transactions is small and a bigger sample would demonstrate the robustness of the result. Second, this study only controlled for the acquirer's firm, country and deal level characteristics. The author did not control for the target firm-level effect.[63] Third, this study only considered the UK acquirers and, therefore, to justify the impact of reputation, a further study should be conducted in emerging economies and a global perspective.

The results clearly show that acquirer reputation plays an important role in international and domestic M&As and this study suggests that this impact on M&As deserves further investigation. This thesis hope to have shown that acquirer reputation determines target ownership nature in both cross-border and domestic M&As. Despite the very limited study conducted to determine the target ownership selection in cross-

[62] Once the subsidiary is sold it will have no connection with its parent firm. However, the learning from the parent firm will continue to exist within the subsidiary and then it will transfer to its new parents.

[63] Author used Thomson Reuter Eikon to obtain the M&A and firm level data. However, the author did not find enough data on targets firms as some of them no longer exist or have merged.

border M&As, this study did not find any empirical evidence on domestic M&As. Thus, this is the first study where the author introduced acquirer reputation is a determinant of target ownership selection in cross-border and domestic M&As. These findings make several theoretical contributions. This thesis found information asymmetry and signalling theories explain the relation between reputation and target ownership nature selection in domestic and cross-border M&As. In addition, this study found organizational learning theory explains the acquirer motive to acquire a subsidiary in cross-border M&As.

5.1. Conclusion

There have been an increased number of domestic and cross-border M&As by UK acquirers in recent decades. IMAA report that the UK had over 3900 deals with a total value of £326 billion in 2017. While the number of M&As decreased in most parts of the world, this represents a growth in deals by 7.3% increase compared to 2016 and the value increased by 33% (IMAA, 2021).

Despite the rise in M&A activity, acquirers continue to struggle to create shareholder value. Previous studies show that, compared to the target firm, the acquirer often experiences a negative or zero abnormal return in both event-time (Haleblian et al., 2017; Faccio et al., 2006.) and calendar-time (Ang and Cheng, 2006; Bradley and Sundaram, 2004; Anderson and Mandelker, 1993; Bradley et al. 1988; Malatesta, 1983). In addition, acquirer returns and probability of deal completion weaken over a longer completion time and based on the target ownership nature.

Prior studies find information uncertainty lowers future stock returns (Jiang et al., 2005). Zhang (2006) proposed that information uncertainty delays information flow into stock prices. Consequently, information uncertainty leads to lower stock returns for bad news and higher returns for good news. Information asymmetries complicate the negotiation process (Bhagwat et al., 2016; Caiazza and Pozzolo, 2016), create distrust (Akerlof, 1970), and thus cause longer deal term discussions. Previous studies found acquirer returns often depend on target ownership nature and the acquirer

earns a positive return for private targets and negative returns for public (Arikan and Stulz, 2016; Chang and Tsai, 2013; Capron and Shen, 2007; Moeller et al., 2004) and subsidiary targets (Jaffe et al., 2015; Chang et al., 2013). Conclusively, information asymmetry affects acquirer return, completion time and selection of target ownership. However, if information asymmetry affects acquirer M&A returns, completion time and target ownership nature, then what happens when there is reduced information asymmetry? The following section will try to provide the answer to the above question.

5.1.1. Findings

This study aims to provide a comprehensive picture of reputation and its effect in acquirer domestic and cross-border M&A activity. This thesis examines the effect of acquirer reputation on cross-border M&A returns, completion time and target ownership nature in cross-border and domestic M&A. The result shows that acquirer reputation has a significant relation in M&A performance and activity. In a nutshell, high reputation acquirer means it will acquire a less opaque target, take more time for due diligence, and consequently earn a significant return compared to the low reputation acquirer. In addition to provide a holistic view on the above, the author drawn a diagram below which comprises a brief overview of the three empirical chapters.

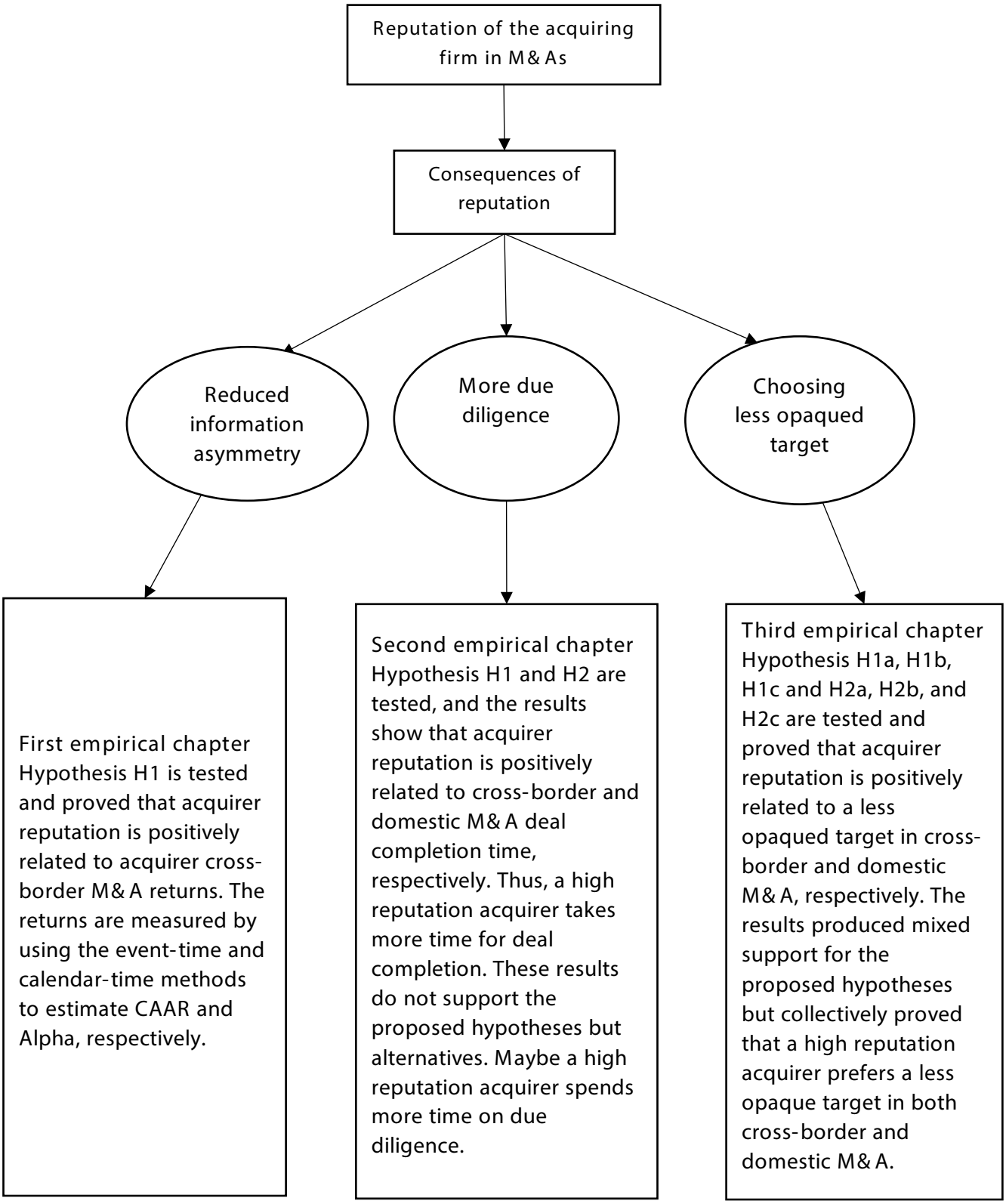


Diagram 4. The Overview of Empirical Chapters

Chapter 2 (first empirical chapter) examined acquirer reputation and its effect on acquirer cross-border event-time and calendar-time M&A returns. Drawing from information asymmetry and signalling theories, the author theorized that a high reputation acquirer would earn positive event-time and calendar-time returns by acquiring a quality target due to reduced information asymmetries. The final sample for this study included 813 cross-border M&A deals between 2000 and 2016. To the author's best knowledge there are no previous studies that examined reputation and UK acquirer cross-border calendar-time returns.

This study embedded information asymmetry and signalling theories to examine investors' reactions toward a high reputation acquirer cross-border M&A returns. The result shows that high reputation acquirers earn statistically significant positive event-time and calendar-time portfolio returns. To estimate acquirer event-time and calendar-time returns, 3 equally weighted portfolios were created. The portfolio durations[64] were 3- and 5-day for event-time and 3 years for calendar-time. The first portfolio included reputation and high reputation acquirers. The second portfolio included high reputation[65] acquirers only, and the third portfolio included low

[64] For event-time, the portfolios were formed based on the event window, 3 (-1, 0, 1). Specifically, this event window means 1 day before and 1 day after the announcement, and 0 is the announcement day. For calendar time, 3 portfolios were created at 1, 2 and 3 years from the announcement day.

[65] Reputation data were obtained from MT. This study has two independent variables: reputation and high reputation. A firm is called a reputation acquirer if that firm was listed in MT during the M&A announcement year. High reputation acquirers are the top 50% of MT listed firms and the bottom 50% are the low reputation acquirers.

reputation acquirers only. The CAAR and alpha were used to estimate acquirer event-time and calendar-time returns, respectively. The event-time portfolio showed that high reputation acquirers earn significant CAAR for the 3- and 5-day event window and outperformed low reputation and full sample (reputation)[66] acquirer portfolios. This finding contradicts earlier study conducted by Haleblian et al. (2017) and consistent with Chalençon et al. (2017). Haleblian et al. found that high reputation acquirers experienced a negative return while Chalençon et al. recorded a positive return. Moreover, this study found that high reputation acquirers generate significant positive alpha for 1-, 2- and 3-year portfolios compared to the low reputation and reputation acquirer portfolio. High reputation acquirers' positive event-time and calendar-time returns support the proposed hypothesis. The author argues that a high reputation acquirer would reduce information asymmetry through reputation signals and, consequently, attract a quality target. Thus, the high reputation acquirer earns positive event-time and calendar-time returns.

Chapter 3 (second empirical chapter) examined the effect of acquirer reputation in cross-border and domestic M&A, focusing on the time elapsed between announcement and completion. This chapter is based on the notion that progress and settlement of M&A deals can be substantially affected by information asymmetries. Thus, the author argues that acquirer reputation signals would reduce information

[66] The portfolio of the full sample included high and low reputation acquirers and thus, this thesis referred to the full sample means reputation.

asymmetry and, consequently, the deal completion time would be reduced. The final sample included a total of 967 M&A deals (672 cross-border and 295 domestics deals) completed between 2000 and 2018. This study found that high reputation acquirers take longer duration to complete both a cross-border and a domestic transaction. However, these results do not support the author's proposed hypotheses. The reason may be that a high reputation acquirer spends more time in due diligence. A quick deal may turn into a bad deal and increase the probability of deal termination because of receiving last minute information. Deal termination causes the acquirer financial and reputational damage, and this may be another reason that a high reputation acquirer takes more time for due diligence (Luo, 2005). For instance, Luo (2005) examined 2000 domestic M&A deals to see whether firms learn from information receive from market. Specifically, he examined whether acquirer and merging firm's combined announcement return predict the probability of deal completion. His result shows a deal more likely to be completed when announcement return is non-negative. The result in chapter 2 show, acquirer earn a significant positive return over 3-day and 5-day event window. Thus, following Luo (2005) the author argues that a high reputation acquirer deals more likely to be completed. The results show a high reputation acquirer takes more time to complete a cross-border and domestic transactions. However, prior studies documented a deal more likely to be cancelled if deal negotiation is prolonged (Bhagwat et al., 2016; Caiazza and Pozzolo, 2016). Moreover, this chapter examine relation between reputation and deal completion time. Therefore, a future study may consider high reputation acquirer probability of deal completion.

Chapter 4 (third empirical chapter) investigates acquirer reputation signals for selecting target ownership in domestic and cross-border M&As. Drawing from information asymmetry, signalling and organizational learning theories, this thesis hypothesize that a high reputation acquirer is more likely to acquire a less opaqued target in domestic and cross-border M&A. Public and subsidiary are less opaqued compared to a private firm. The sample consist a total of 967 M&A deals (672 cross-border and 295 domestics) completed between 2000 and 2018. A probit regression models were estimated to examine acquirer likelihood of target ownership selection. The findings show that a high reputation acquirer is more likely to acquire a public and subsidiary target in cross-border M&As and less likely to acquire a private and subsidiary in domestic M&As. These results support the author's proposed hypotheses in cross-border M&As and is consistent with information asymmetry, signalling and organizational learning theories. However, the result for domestic M&As does not support the hypotheses. The author hypothesized that a high reputation acquirer is more likely to acquire a private target and less likely to acquire a public or subsidiary due to acquirer reputation signals which reduced overall information asymmetries between target and acquirer. The author argues that information asymmetry is lower in domestic M&As because the acquirer does not face country related barriers[67]. However, the findings show that high reputation acquirers are more likely to acquire a

[67] Country related barriers include several attributes of a country, such as institutional, regulatory, political, and cultural quality. In addition, geographical distance increases information exchange cost.

public target and less likely to acquire a private or subsidiary target. This result suggests that high reputation acquirers' approach for target ownership selection remains same for private and public targets in domestic and cross-border M&As. This may be for the same reason that high reputation firms do not prefer an opaque target due to high information asymmetry. However, this study also found that a high reputation acquirer is less likely to acquire a subsidiary target in domestic M&As. This result supports organizational learning theory that the acquirer often buys a subsidiary in cross-border M&As to learn about the host country's institution, culture, and regulatory and political systems.

In summary, the findings of this study show significant evidence that acquirer reputation predicts acquirer M&A returns (event-time and calendar-time), deal completion time and target ownership nature. The results also support the theories (information asymmetry, signalling and organizational learning) that were explored to underpin the relation between reputation and M&A activity.

5.1.2. Contribution and Implication

This thesis addresses several gaps in the existing literature on the effect of acquirer reputation in M&A activity. This study contributes to M&A literature by adopting reputation as a key determinant for acquirer domestic and cross-border M&A activity. Information asymmetry delays information flow and creates ambiguity (Jansen, 2020; Bhagwat et al., 2016; Caiazza and Pozzolo, 2016; Zhang, 2006; Jiang et al., 2005) and

distrust (Akerlof, 1970). Consequently, it affects acquirer M&A returns, deal completion time and ownership choice. This study contributes to the literature in several ways.

First, building on the limited extent of research (Haleblian et al., 2017; Chalençon et al., 2017; Cheng et al., 2017; Saxton and Dollinger, 2004), this thesis extends the understanding of the influence of acquirer reputation in M&As. Specifically, the author argues that acquirer reputation signals reduce information asymmetry and thus the high reputation acquirer attracts a quality target. To the best of author's knowledge, this thesis is the first to examine the relation between UK acquirer reputation and domestic and cross-border M&A activities, and these includes acquirer returns, deal completion time and target ownership selection. Information asymmetry, signalling and organizational learning theories have been widely used in finance and financial economies, however this study did not find any evidence that prior studies embedded these theories to examine reputation and acquirer M&A activity (Haleblian et al., 2017; Chalençon et al., 2017; Saxton and Dollinger, 2004). Theories are important in research in many ways. Theoretical assumptions help the reader to evaluate the research argument critically, connects the researcher to existing knowledge, and guides them to develop research hypotheses and choose of research methods. Moreover, theoretical assumptions help researchers to address research questions and identify the specific variables that influence the research phenomenon. This thesis found a theoretical connection between reputation and M&A activity. This study found information asymmetry and signalling theories explained reputation signals that

reduce information asymmetries, and this study observed that organizational learning theory explained acquirer cross-border country related knowledge. Thus, this thesis recommends future studies may consider the above theories to examine the relation between reputation and M&A activity.

Second, while previous studies focused on the influence of acquirer reputation on acquirer event-time returns (Haleblian et al., 2017; Chalençon et al., 2017), this thesis emphasized the acquirer calendar-time returns. This study also addresses the shortcoming of Chalençon et al.'s (2017) sample and methodological issues. Haleblian et al. (2017) studied the US high reputation acquirers' M&A return and acquisition behaviours. Their findings show that high reputation acquirers experienced negative event-time returns for a 3-day event window. M&A literature shows that acquirers return differ based on their geographical location (Martynova and Renneboog, 2011). For instance, Martynova and Renneboog (2011) examined cross-border M&A returns for continental European acquirers and UK acquirers. Their result shows that UK acquirers earned a positive return and those in continental Europe, a negative return. Therefore, the impact of reputation on M&A may depend on how the local stakeholder perceives a firm and how much attention they pay to reputation. This perception varies across different cultures and, therefore, the impact of reputation on acquirer M&A activity may differ. This thesis found that a high reputation acquirer earns a significant positive event-time and calendar-time return in cross-border M&A. The implication is that a high reputation acquirer with specific advantages is more likely to gain stronger

event-time and calendar-time returns. Chapter 2 makes major contribution in literature because this study makes a first attempt to show the relation between reputation and acquirer calendar-time returns.

Third, this study explores the effect of acquirer reputation in domestic and cross-border M&As, focusing on the time elapsed between announcement and completion. This thesis contributes to the literature of reputation by showing that management needs to consider a firm's reputation in both domestic and cross-border M&As. The author examined domestic and cross-border M&As separately and compared their influence. This study found that a high reputation acquirer takes more time to complete a deal. However, the longer completion time causes acquirer financial loss and increases the deal completion risk. Consequently, a deal may terminate, or management would have to renegotiate. Luo (2005) argued that deal abandonment would cause an acquirer significant reputational damage, therefore, this study recommends a future study may consider high reputation acquirer loss for deal delay and deal termination. Thus, it may unpack the mystery of why a high reputation acquirer takes more time for deal completion. Nevertheless, this may be because a high reputation acquirer spends more time on due diligence to avoid deal abandonment. Luo (2005) claimed that deal abandonment not only cause the acquirer financial but reputation damage. The findings of this research also extend Luo's theoretical argument and make recommendation for an empirical study to justify reputational damage in relation to financial loss. However, chapter 3, did not find

information asymmetry and signalling theories explain the proposed hypotheses. Thus, the author recommend future research may consider due diligence theory to examine the relation between reputation and acquirer deal completion time.

Finally, this study explored the effect of acquirer reputation in cross-border and domestic M&As, focusing on target ownership selection. This thesis found conclusive evidence that acquirer reputation determines target ownership nature. This study observed that a high reputation acquirer is more likely to choose a public target in domestic and cross-border M&As. Chapter 4 embedded information, signalling and organizational learning theories and found these theories explained high reputation acquirer decisions on selection of target ownership nature. Past studies document target firm's ownership nature determines acquirer M&A returns. Acquirer often experience a negative return when target firms are public or subsidiary, and a positive return for private firms. Thus, findings from this research may help managers and policymakers to build their reputation to get leverage on target selection. For instance, this study finds a high reputation acquirer shows different attitude in M&A. This includes acquirer positive announcement returns, longer deal completion time and acquiring a less opaque target. Past studies documented longer deal completion time incur acquirer financial and reputational loss (Luo, 2005) and lower the probability of deal completion (Bhagwat et al., 2016; Caiazza and Pozzolo, 2016). This study finds a high reputation acquirer takes more time for deal completion and earn a significant positive return. Therefore, managers and policy makers should not undermine and

withdraw a deal for prolong negotiation. Thus, the findings of thesis may be helpful for managers and policy makers to adopt a different approach for M&A negotiation.

5.1.3. Limitations

Like any other studies, this study has limitations. This thesis only included acquirer firm and deal related controls. M&A literature show cross-border M&A activity is affected by target firm level variables. The author used Bloomberg and Thomson Reuters Eikon to obtain M&A and financial data and these databases do not provide enough data for target firms. Most previous studies on acquirer firms in M&A also do not have enough data for target firms (Moeller, 2004, 2005., Faccio and Masulis, 2005., Dikova et al., 2010., Deng et al., 2013., Li et al. 2017., Ahmad and Lambert, 2019; Bhagwat et al. 2016., Hawn, 2020., Cumming et al., 2020). This may be because the target firm no longer exists in the market or merged. Thus, future research may consider the target's firm level controls. Acquirer stock prices were used to estimate it M&A returns, however, past studies documented that stock price is highly volatile to any new information. Consequently, a firm's performance maybe overvalued or undervalued. Thus, the market may require more time to adjust the credibility of information in stock price. Therefore, a future study may consider accounting returns to measure high reputation acquirer performance. The sample size for domestic M&A was marginally small[68] in the third and the fourth chapters. Thus, a bigger sample would be

[68] The sample of this study is based on the MT and MT only started ranking the UK's most admired companies since 1990. Also, the author does not find any data prior to 2000, and hence this limited the sample size for this study.

advantageous and demonstrate the robustness of the result. The first empirical chapter has a sample period of 2000 and 2016[69], and the second and third empirical chapters 2000 and 2018. Thus, the sample period does not capture the impact of Brexit and Covid-19. In addition, this thesis reviewed three major M&A motives and explored the synergy motive (value maximization/efficiency motive), and anecdotally integrated with this research. This is because the past studies documented that most M&As occur for synergy purposes. However, future research should consider other motives and use a specific approach that identifies the M&A motives. Finally, this study only examined UK acquirer reputation and M&A activity; however, to provide further justification for the impact of reputation, more studies should be considered in emerging and global economies.

5.1.4. Recommendations for Future Research

This thesis examined the relation between UK acquirers' reputations and M&A activity. According to this study, a several future research recommendations can be made. Future research may consider a different dataset to estimate the acquirer's long-term performance. Thus, it may include accounting measures- such as ROA and a different reputation index-such as RepTrak Pulse. The downside is that RepTrak Pulse is a new

[69] To use Carhart four factor asset pricing model, the factor data (daily smb, hml, umd factors, risk free rate and market returns, based on the largest 350 firms) for the UK market was collected from Exeter University. However, these data are only available until 2017 and thus limited the sample period for this study. http://business-school.exeter.ac.uk/about/departments/accounting-finance/famafrench/files/

index and only started rating UK firms from 2010, but a comparison would justify the validity of this research. The reason that this study does not include RepTrak Pulse because it shrinks the sample size, and it still requires the justification of robustness against MT and Fortune.

M&A activity tends to react differently towards certain events, and thus the impact of reputation can be further justified by including recent activities such as Brexit and Covid-19. The UK economy is currently dealing with multiple shocks; Brexit and Covid-19 (Koeclin, 2021). De Lyon and Dhingra (2021) documented the impact of Brexit and Covid-19 on the UK economy. Overall, they found that 24% of UK exporting firms report that Brexit caused a 33% export fall to the EU because there has been an impact on their cost or price. However, the report on covid-19 shows a notable increase in economic activity in April 2021. Brexit played a significant role to enact a sharp drop in UK trade in 2021. Giles (2021) found the overall effect of Brexit on the UK economy and people's living standards appears to be negative and uncertain. Similarly, Islam (2021) reported that after a year of Brexit, the UK economy seems to be less open or less global than it was before. He also noted that UK's two-way trade with the EU is grown by only 2% while 18% with the US and 17% with China.

In June 2016, FT (Financial Times) reported, prior to the referendum the volume of deals involving UK targets were down almost 70% compared to the same period in

2015 (Massoudi and Fontanella-Khan, 2016). This resulted from uncertainty as nobody wants to deal with whether the target will be in or out of the world's largest single market (Massoudi and Fontanella-Khan, 2016). Consequently, some M&A transactions were delayed, put on hold, or withdrawn entirely after the Brexit vote because of legal and political uncertainties (Kon, 2022). However, UK experienced a 48% rise in M&A deal values compared to the last year and this occurred after the EU-UK withdrawal agreement was finalised in November 2018 (Cassidy, 2018; Mallett, 2020). Kon (2022) documented that Brexit had a little impact on UK's M&A activity, both during and after the transitional period. However, Brexit may not have weakened the UK M&A activity, but it has led to more significant complexities for M&A transactions. Because of regulatory changes, and these may lead to more prolonged deal term negotiations, which means more time for due diligence (Kon, 2022).

In addition to Brexit, the Covid-19 has crippled UK's economic growth. McAuley (2022) reported that the UK's GDP declined 9.4% in 2020 compared to the previous year. In 2019, UK's GDP was £2,255,283 mil and dropped to £2,046,209 mil in 2020. Despite this sharp drop in GDP, UK's overall domestic and cross-border M&A increased (Mallett, 2020). However, UK acquirers' cross-border M&A deal values continued a decrease from the first quarter to the third quarter of 2020 (Mallett, 2020). However, according to Jowett (2022), the distribution of all M&A deals (inward, outward and domestic) and deal values in 2021 was closest to 2018. Thus, these findings further

suggest that the Covid-19 did not affect M&A deal values. However, Jowett (2022) reported the mixed results for deal completion times in 2021 and 2020. He found some deals took longer to complete in 2021, and others took less time.

Thus, it would be interesting to see the UK's high reputation acquirer M&A performance during Brexit and post Brexit. Also, the recent hit by Covid-19 which has slackened the world economy. Specifically, certain industries suffered severely, and thus the UK government had to offer subsidies. Therefore, a future study should examine the impact of Brexit and Covid-19 and UK's high reputation acquirers' M&A performance and activity.

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