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# Do Asian Companies Bid Higher in Cross-Border M&A? A Moderating Effect Analysis

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## ABSTRACT

This study examines whether Asian companies pay higher premiums in cross-border mergers and acquisitions (M&A) and identifies the institutional factors driving this behavior. Grounded in the concept of Asian institutional logic—characterized by state coordination, relational governance, and long-term strategic orientation—we argue that these features shape distinctive acquisition patterns compared to Western market logics. Using a large sample of cross-border M&A during the period 2003–2021, we first uniquely compare whether the geographical origin of the acquirer firm is a relevant determinant of the premium paid, namely for cross-border operations targeting Asia, Europe, and the United States. We find that Asian acquirers pay significantly higher premiums compared to their European and U.S. counterparts. Employing a moderating effect approach, we find that this relationship is amplified by four mechanisms aligned with the Asian institutional logic. Specifically, we analyze the role of Chinese state-owned enterprises (SOEs) and find that they contribute significantly to the higher premiums paid. Our results are robust across different model specifications and subsample analyses, shedding light on the distinct dynamics of cross-border M&A involving Asian firms.

**JEL Classification:** G30, G32, G34, D80

## 1 | Introduction

Mergers and acquisitions (M&A) have long been recognized as a relevant corporate strategy for firms seeking growth, market expansion, and competitive advantage (Rani et al. 2020; Hitt et al. 2019; Li et al. 2018). Over the past few decades, the global M&A landscape has experienced significant transformations, with an increasing number of transactions spanning different industries and geographic regions. According to the Institute for Mergers, Acquisitions, and Alliances (IMAA), the value of mergers and acquisitions (M&A) has increased steadily over recent decades.<sup>1</sup> While historically concentrated in the United States and European markets, M&A activity has gained remarkable traction in Asia, particularly in the Asia-Pacific and

Southeast Asian regions. Since the early 21st century, the value of M&A transactions in Asia has increased steadily (Zámborský et al. 2021; Tan and Ai 2010), with China emerging as a dominant player in cross-border deals (Zhu and Zhu 2016).<sup>2</sup> In fact, M&A has become an essential mechanism for firms seeking investment opportunities, resource reallocation, and market entry strategies in the Asia-Pacific region (Alam and Lee Ng 2014).

An intriguing phenomenon within this broader trend is the behavior of Asian firms in cross-border M&A transactions, particularly in determining the premiums paid. The determinants of M&A premiums have long been a core topic in finance, with prior research identifying firm-level and transaction-specific factors, such as company size, capital structure, investment

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opportunities, cash holdings, deal size, and means of payment, as key drivers (Cumming et al. 2023). Empirical evidence further suggests that acquirers from emerging markets often pay higher premiums when acquiring targets in developed countries (Hope et al. 2011). Conventional explanations point to weaker domestic institutions, government-backed internationalization strategies (e.g., China's "Going Global" policy), and the pursuit of strategic assets such as technology and brand equity (Buckley et al. 2015; Luo and Tung 2007). In addition, governance, regulatory, and cultural differences may increase valuation uncertainty and the risk of overpayment (Ahmad et al. 2022; Reddy et al. 2022; Boateng et al. 2019).

However, reducing this phenomenon to an emerging-versus-developed dichotomy overlooks a broader institutional explanation. Across diverse Asian economies, firms operate within hybrid business systems characterized by varying degrees of state coordination, network-based governance, relational contracting, and long-term strategic orientation (Bruton and Lau 2008; Peng 2012; Yiu et al. 2018). Unlike the arm's-length, shareholder-primacy logic dominant in Anglo-American contexts, many Asian systems combine market mechanisms with industrial policy, government involvement, and relational business networks that shape strategic decision-making (Wang and Miao 2016; Luo and Tung 2018). Within this institutional configuration, cross-border M&A serves not only efficiency-seeking objectives but also broader goals of capability upgrading, legitimacy-building, and international positioning (Deng 2009). Offering a higher acquisition premium may therefore function as a credible signal of commitment, financial strength, and long-term strategic intent, particularly when acquiring targets in advanced markets where informational frictions and legitimacy concerns are salient (Hope et al. 2011; Boateng et al. 2019). Thus, if acquisition premiums are partly shaped by institutional rationalities, then the regional origin of the acquirer becomes a theoretically meaningful determinant of bidding behavior rather than merely a descriptive characteristic.

Given the steady influx of Asian capital into Western markets (Li and Fabuš 2019), two critical questions arise: do Asian acquirers systematically pay higher premiums in cross-border M&A, and through which institutional mechanisms does this occur? Addressing these questions is not only empirically relevant but also theoretically significant. While earlier research compared emerging- and developed-market acquirers (Rossi and Volpin 2004; Peng et al. 2008), the increasing globalization of Asian capital markets represents a structural shift in global investment patterns (Zámborský et al. 2021; Deng and Yang 2015). Unlike earlier waves of government-driven expansion (Buckley et al. 2015; Ramamurti 2012), Asian firms have become increasingly visible actors in global cross-border investment flows, building on the broader rise of emerging-market multinationals documented in the springboard literature (Luo and Tung 2007, 2018). Examining whether they systematically pay higher premiums, and through which channels, is essential to understand how regional institutional configurations reshape global corporate behavior (Dikova et al. 2010; Li and Halebian 2022). The Chinese context deserves a particular analysis, as state-owned enterprises (SOEs) remain prevalent across industries (Wang et al. 2024; Lin 2021) and have become influential actors in cross-border M&A (Jia and Wu 2023). Guided partly by state

objectives, SOEs may incorporate strategic and political goals alongside financial criteria, which can translate into higher bid premiums (Hope et al. 2011; Florio et al. 2018). Government support and preferential financing further enable aggressive bidding, embedding acquisition decisions within a broader state-coordinated institutional framework (Guo et al. 2016).

This paper examines whether Asian firms systematically pay higher premiums in cross-border M&A and identifies the channels through which this phenomenon occurs. Using a large sample of 1589 cross-border M&A transactions from 2003 to 2021, our findings suggest that Asian acquirers pay higher premiums compared to their European and U.S. counterparts. Furthermore, we identify several key factors driving this higher premium, including the cultural distance between the acquirer and the target, the search for strategic resources, the need to mitigate information asymmetries, and government support. Government support is particularly relevant in the case of Chinese acquirers, revealing that Chinese state-owned enterprises (SOEs) contribute significantly to the premium paid relative to other cross-border acquirers, whether Chinese or not. Our results remain robust across various model specifications and subsample analyses.

Our paper makes several contributions to the current literature on cross-border M&A involving Asian firms. First, the study provides robust empirical evidence that Asian firms systematically pay higher premiums, but more importantly, it advances a theoretically grounded explanation rooted in what we conceptualize as an Asian institutional logic. By embedding our analysis within this institutional framework, we demonstrate that cross-border acquisition premiums can reflect distinct institutional rationalities rather than simple valuation errors or "overpayment." By situating our analysis in the context of a shifting global financial order, where Asian firms have become major outward investors, we show that what may appear as "old wine" (emerging vs. developed contrasts) gains new relevance when examined through the lens of Asia's institutional evolution, state influence, and integration into mature markets. Second, we identify key moderating factors such as cultural distance, strategic resource-seeking behavior, efforts to mitigate information asymmetries, and government support. Importantly, we theorize these mechanisms as institutional channels through which the Asian institutional logic translates into observable bidding behavior. Unlike previous studies focusing on analyzing one dimension, such as ownership (Yang et al. 2023) or national pride (Hope et al. 2011), we integrate the above-mentioned moderating variables into a unified framework, demonstrating that premium differentials are conditional on contextual and institutional factors rather than uniform across transactions. This provides a more detailed explanation of the premium disparities observed in the Asian context. Third, focusing on Chinese acquirers, the study highlights the substantial role of government support, especially through SOEs, in elevating acquisition premiums. This insight aligns with findings from other research that emphasizes the impact of political connections on firm valuation during cross-border M&A announcements (Guo et al. 2016). However, our study offers a more detailed exploration of how government backing specifically contributes to higher premiums. Unlike Guo et al. (2016), who focus primarily on firm-level ownership structures, our study incorporates

country-level macro-institutional variables, namely property rights and investment freedom indices, to capture cross-country differences in investor protection and regulatory environments. Moreover, we examine these dynamics within the broader Asian context rather than limiting the analysis exclusively to China.

The rest of the paper is structured around the following headings. Section 2 provides the literature review and develops the hypotheses. Section 3 presents the methodology, data, and research design to test our hypotheses. Section 4 shows the results of the empirical analysis and further robustness checks. In Section 5, we discuss the results and conclude the paper.

## 2 | Literature Review and Hypotheses

### 2.1 | A Brief Literature Review on M&A Premium Determinants

The premium in M&A refers to the difference between the price paid for a target company and its fair market value (Custodio 2014; Baker et al. 2012). Determining the premium paid in M&A transactions can be a complex process, due to information asymmetries and conflicts of interest between acquirer and target managers, and numerous uncertain outcomes (Malhotra et al. 2023). This issue is especially relevant in cross-border M&A, considering that acquirer firms deal with differences in corporate governance, culture, language, and accounting standards (Maung et al. 2020).

The seminal paper by Lubatkin (1983) states that the strategic fit between the target and the acquirer, the expected synergies, and the market conditions can influence premiums. Similarly, Urbšienė et al. (2015) identify several deal-related and market-related premium determinants. For example, acquirer companies with higher growth prospects (Kim et al. 2011) or stronger financial performance (Billett and Ryngaert 1997) are associated with higher premiums in M&A transactions, while acquirers tend to pay less for large target firms (Alexandridis et al. 2013). Additionally, target companies that have unique or proprietary assets, such as patents or valuable brand names, may also command higher premiums (Laamanen 2007). The characteristics of the M&A deal itself can also play a relevant role in determining the premium. For instance, research shows that friendly deals, where the target company's management is supportive of the acquisition, tend to command lower premiums than hostile deals (Gaughan 2005). Besides, deals where the target company has a large number of shareholders or is widely held tend to have higher premiums than those where the target company has more concentrated ownership or is closely held (Walkling and Edmister 1985).

Another important factor that influences premiums in M&A transactions is the state of the broader market conditions (Xie et al. 2017; Rossi and Volpin 2004). During periods of economic growth and high stock market valuations, premiums tend to be higher, as companies are willing to pay more for acquisitions (Nguyen and Phan 2017). A country's investors' protection is also found to be positively related to the premium since the uncertainties and information asymmetries are alleviated (Maung et al. 2019; Rossi and Volpin 2004).

Corporate governance has also been identified as a critical issue in M&A premiums as it can affect the performance and outcome of the transaction (Starks and Wei 2013). The relationship between corporate governance and premiums in M&A has been extensively studied in the literature, with various findings indicating the influence of corporate governance practices on returns and premiums. Previous research widely demonstrates that firms with strong corporate governance mechanisms, such as independent directors and effective board structures, tend to receive higher premiums in M&A deals (Acero and Alcalde 2021; Aktas et al. 2016). This is because good governance practices are seen as a signal of a company's overall performance and future potential, making it more attractive to potential acquirers. Besides, firms with female directors are less likely to make acquisitions and, if they do, will tend to pay lower bid premia (Levi et al. 2014). Similarly, the role of CSR has also been examined, with results showing that the target's CSR policies are positively associated with bid premiums (Gomes and Marsat 2018).

This section does not aim to provide a comprehensive review of the literature on the M&A premium determinants since the papers published in the last decades are numerous (an updated analysis of the research done in this field can be found in Cumming et al. 2023). However, this brief literature survey points out the relevance of understanding M&A premium determinants from different perspectives. At the same time, as Cumming et al. (2023) state, "the major contributions to the research have expectedly come from the United States and the United Kingdom" (p. 1495). This suggests that, at the very least, the underlying factors driving Asian companies involved in cross-border M&A to pay higher premiums than acquirers from other regions should be further examined.

### 2.2 | Why Do Asian Firms Pay Higher Premiums?

Previous literature has identified that firms from developing countries tend to bid higher for acquisitions in developed countries compared to firms from developed nations. For example, using a sample of cross-border M&A transactions from 1990 and 2007, Hope et al. (2011) attribute this higher bid premium to national pride, where companies from developing countries view acquiring firms in developed nations as a source of national achievement rather than purely a financial decision. Besides, the behavioral finance and signaling theories suggest that paying higher premiums signals confidence and long-term value creation for acquirer firms in developed countries, which investors can receive positively (Tseng and Kuo 2018). Also, cultural dimensions, particularly collectivism, influence decision-making, making firms from collectivist societies more likely to prioritize strategic goals over short-term financial considerations (Zhu et al. 2020).

However, the phenomenon of firms from developing countries paying higher premiums in cross-border M&As presents a more nuanced picture for Asian acquirers. Wu et al. (2016), when examining cross-border M&As by Chinese firms, find that these acquisitions have produced significant positive wealth effects, especially when the acquiring firm's strength in research and development (R&D) and prior M&A experience are considered. The study also notes that vertical M&As

are particularly favored by the market, suggesting that strategic asset-seeking behavior plays a role in these transactions. Similarly, political uncertainty in the host country can influence the bargaining power in cross-border acquisitions. Specifically, high political uncertainty strengthens the foreign acquirer's bargaining position, potentially leading to more favorable outcomes for acquirers, such as lower takeover premiums (Lee 2018). Also, the concept of contextual distance, encompassing cultural, institutional, and economic differences between the home and host countries, has been shown to affect post-acquisition performance. An inverted *U*-shaped relationship suggests that moderate contextual distance can facilitate learning and knowledge acquisition, enhancing performance, while too much distance can impede integration and communication. The findings from studies on Asian acquirers suggest the need for a more focused study on Asian acquirers to determine whether their bidding behavior aligns with previous findings from developed countries or if strategic, regulatory, and cultural factors play a more dominant role.

Building on recent research that highlights Asia's distinctive institutional and strategic environment (Barkema et al. 2015; Bruton and Lau 2008; Yiu et al. 2018), we conceptualize Asian acquirers as operating under a shared "Asian institutional logic." This perspective acknowledges that, despite notable heterogeneity among economies such as Japan, South Korea, China, India, and those in Southeast Asia, firms across the region are typically embedded in business systems shaped by strong state involvement, network-based governance, long-term orientation, and relational contracting. Institutional theory suggests that firms' strategic choices are embedded within regulative, normative, and cognitive structures that define what constitutes legitimate and rational behavior (North 1990; Peng et al. 2008). In many Asian economies, these structures reflect hybrid configurations in which markets coexist with industrial policy, relational governance, and state coordination, creating incentive systems that differ from the arm's-length, shareholder-primacy logic prevalent in Anglo-American contexts (Bruton and Lau 2008; Peng 2012). Within this institutional logic, where relational and state influences are pronounced, acquirers pursue not only financial synergies but also legitimacy, capability upgrading, and strategic reputation-building. The "springboard" perspective argues that Asian multinationals frequently use cross-border acquisitions to overcome latecomer disadvantages, secure strategic assets, and accelerate international positioning (Luo and Tung 2007, 2018; Deng 2009). From a resource-based perspective, paying a premium may be economically justified when acquisitions provide access to valuable, rare, and difficult-to-imitate assets that generate long-term competitive advantage (Barney 1991). Moreover, state backing and relational networks can relax financial constraints and alter risk tolerance, enabling more assertive bidding strategies (Guo and Clougherty 2015; Wang and Miao 2016). Offering a higher acquisition premium thus functions as a signal of strength, commitment, and credibility to both target-market and home-country stakeholders, particularly in advanced institutional environments where informational asymmetries and legitimacy deficits may be salient (Hope et al. 2011; Boateng et al. 2019). This contrasts with the efficiency-oriented logic predominant in Western contexts, reflecting instead a broader social and political rationality

embedded in Asian business systems (Bruton and Lau 2008; Yiu et al. 2018). Consequently, we argue that the institutional and strategic environment common to Asian economies systematically contributes to higher acquisition premiums.

**H1.** *Asian firms pay a higher premium in cross-border M&A compared to non-Asian firms.*

We posit that Asian acquirers systematically pay higher premiums in cross-border M&A because of four interrelated institutional mechanisms: (1) the management of cultural distance through relational strategies, (2) strategic asset-seeking behavior as a capability-building tool, (3) signaling efforts to mitigate information asymmetries, and (4) government influence that embeds political and legitimacy objectives in investment decisions. These mechanisms reflect the shared Asian institutional logic, characterized by strong state involvement, network-based governance, relational contracting, and long-term orientation.

The literature on the role of culture traditionally focuses on how cultural distance between the acquirer and target affects post-acquisition outcomes (e.g., Boateng et al. 2019; Ahern et al. 2015; Chakrabarti et al. 2009; Dikova and Sahib 2013; Reus and Lamont 2009). In cross-border M&A, cultural differences can complicate negotiation, integration, and value realization due to communication difficulties, misunderstandings, and trust deficits (Lim et al. 2016). However, in the Asian institutional context, these challenges are interpreted differently. Rooted in Confucian relational norms, many Asian societies emphasize harmony, hierarchy, and collective goals (Wen 2017). Consequently, paying a higher premium can serve as a relational signal, a gesture of goodwill and commitment designed to reduce perceived relational risk and ensure long-term cooperation with the target.

Empirical evidence supports this view. Boateng et al. (2019) find that cultural distance negatively affects Chinese acquirers' value creation, though this effect is mitigated by firm-specific resources and managerial capabilities. This implies that well-resourced acquirers can convert cultural distance into learning opportunities, enhancing post-acquisition performance (Chakrabarti et al. 2009; Reus and Lamont 2009). In addition, Lim et al. (2016) show an asymmetric relationship between cultural distance and M&A premiums: U.S. acquirers reduce bids when buying foreign targets, whereas foreign acquirers (including Asians) do not necessarily discount for distance. This asymmetry suggests that Asian acquirers, operating under relational governance norms, may willingly pay higher premiums to build trust and legitimacy. Collectivist cultural orientations reinforce this behavior by prioritizing long-term stability over short-term efficiency (Wen 2017; Zhu et al. 2020).

**H1a.** *The positive relationship between being an Asian acquirer and the M&A premium is stronger when cultural distance between acquirer and target is high, as firms seek to build legitimacy through relational commitment.*

A second mechanism driving higher premiums relates to strategic asset-seeking, a behavior deeply embedded in Asia's institutional and developmental context. Firms from Asia often engage in cross-border M&A not primarily for immediate

financial gain, but to acquire strategic resources and technological capabilities that can compensate for domestic institutional constraints (Deng and Yang 2015; Luo and Tung 2018). This reflects the springboard theory of emerging multinationals, which views M&A as a vehicle for overcoming latecomer disadvantages and building global competitiveness. For instance, in the high-tech, automotive, and manufacturing sectors, Asian acquirers frequently target Western firms to access advanced technologies, managerial know-how, or established brands (Scalera et al. 2020; Rui and Yip 2008). Deng (2009) notes that Chinese firms use cross-border acquisitions to accelerate entry into strategic sectors such as natural resources and technology. The resource-based view (Barney 1991; Finkelstein and Hambrick 1996) supports this, arguing that firms capable of leveraging unique, hard-to-imitate resources gain sustainable competitive advantages. Hence, Asian firms' willingness to pay higher premiums may represent a strategic investment in intangible assets that enhance long-term value and legitimacy in global markets. Although there is substantial variation across the region, both mature (e.g., Japan, South Korea, Singapore) and emerging economies (e.g., China, India, Indonesia) share hybrid institutional environments that blend market mechanisms with state coordination and long-term industrial policy (Bruton et al. 2010; Peng 2012). This hybridization fosters a dual logic: firms pursue efficiency-oriented goals typical of developed markets while simultaneously responding to state and institutional pressures to upgrade capabilities. In this environment, a higher M&A premium reflects a commitment to technological advancement and national competitiveness, aligning with both firm-level and state-level strategic objectives.

**H1b.** *The positive relationship between being an Asian acquirer and the M&A premium is stronger when the target firm possesses valuable strategic assets, reflecting capability-seeking motives.*

Asian acquirers also face information asymmetries stemming from institutional voids, limited investor protection, and weaker financial market transparency (Peng et al. 2008; Zhu and Zhu 2016). These challenges can increase the perceived risk of opportunism or deal failure in cross-border acquisitions. Consequently, firms may use higher bids as a signaling mechanism to convey confidence, reduce uncertainty, and build credibility with foreign targets and regulators (Nguyen and Phan 2017). Chae et al. (2014) find that improvements in financial market institutions, such as those in South Korea, help reduce information asymmetries and enhance transaction efficiency. Similarly, Jongwanich et al. (2013) show that China's financial reforms facilitated M&A completion by improving capital market depth and investor confidence. Within this setting, a higher acquisition premium operates as a credible signal of commitment and resource sufficiency, mitigating the adverse effects of institutional imperfections. Even in advanced Asian economies, where relational financing and state coordination persist, paying a higher premium can signal long-term reliability, thus aligning with the relational and legitimacy dimensions of the Asian institutional logic.

**H1c.** *The positive relationship between being an Asian acquirer and the M&A premium is stronger when information asymmetry*

*is greater, as firms use higher bids to signal credibility and reduce transaction uncertainty.*

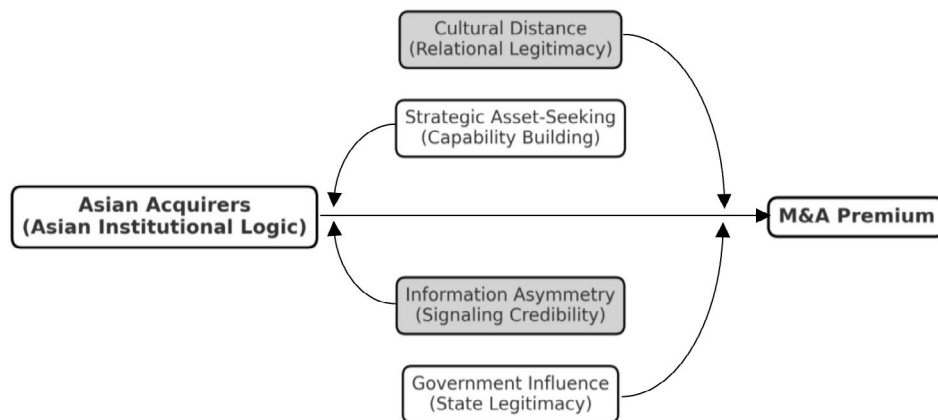
Finally, government influence is a defining feature of the Asian business landscape. In many economies, particularly China, state ownership and industrial policy play a central role in shaping firms' cross-border investment behavior. The Chinese government's "Go Global" strategy, introduced in the early 2000s, encouraged firms to expand internationally by offering policy support, access to credit, and regulatory facilitation (Wang and Miao 2016). Such institutional support enables firms, especially state-owned enterprises (SOEs), to pursue acquisitions driven by long-term strategic and political objectives rather than short-term financial metrics (Jia and Wu 2023; Guo and Clougherty 2015). SOEs often pay higher premiums due to several factors. First, government backing and preferential financing reduce financial constraints, allowing these firms to bid aggressively (Hong et al. 2015). Second, SOEs are expected to advance national interests such as securing resources, enhancing technological self-sufficiency, and promoting geopolitical influence (Lubinski and Wadhvani 2020). Third, political interference and weak monitoring can exacerbate overinvestment problems, particularly when managerial incentives are tied to political objectives rather than shareholder value (He et al. 2019). Consequently, state ownership can distort valuation processes, making overbidding a rational outcome within the state-coordinated institutional framework. Furthermore, SOEs may use higher premiums to ensure transaction completion and avoid reputational losses from failed deals, which could signal political weakness at home (Zhang et al. 2011). This logic aligns with the concept of "geopolitical jockeying" (Lubinski and Wadhvani 2020), where cross-border acquisitions serve as tools of institutional legitimation and international positioning. In this view, M&A premiums are not mere valuation errors but manifestations of the political and legitimacy-seeking rationality inherent in Asian capitalism.

**H1d.** *The positive relationship between being an Asian acquirer and the M&A premium is stronger when government influence or ownership is higher, reflecting the role of state coordination and legitimacy-seeking objectives.*

Figure 1 illustrates the conceptual moderating model linking the Asian institutional logic to higher M&A premiums.

### 3 | Sample, Variables, and Methodology

Our initial sample consisted of nearly 3000 cross-border M&As, including those that have been successful. Then, following prior related research, the sample is reduced by excluding cross-border deals with a value of less than 10 million USD (Rossi and Volpin 2004; Dyck and Zingales 2004). Additionally, M&As in the financials and utilities industries are excluded. Due to missing data in key variables (e.g., financial ratios, ownership information, or control variables), the final estimation sample used in the regressions comprises 1252 observations. All reported results are based on this final, cleaned dataset. While firm-level data (both the target and the acquirer) is obtained from the Eikon Refinitive dataset, institutional variables are obtained from the World Bank database. Moreover, all variables are winsorized at 1% and 99% to



**FIGURE 1** | Conceptual moderating model.

avoid any outliers in the sample. Tables 1a and 1b shows the country of origin of acquirers and targets in our sample after all of the above-described filters and the number of cross-border deals.

The relevant dependent variable is the premium of the deal. Following prior related research (Wen 2017), we utilize two alternative measures: the one-day (*P1D*) and the four-week (*P4W*) premium.<sup>3</sup> The former is calculated as follows:

$$P1D = \frac{(\text{bid price per share} - \text{target closing stock price one day before announcement})}{\text{target closing stock price one day before announcement}} \times 100 \quad (1)$$

while the second one (*P4W*) is similar, only changing the window of analysis from 1 day to 4 weeks. In the robustness analysis, we also consider the one-week premium (*PIW*).

An initial focus of the study is to analyze whether Asian firms bid higher in cross-border M&A. Accordingly, we take as a main independent variable a dummy (*Asian\_acq*), which takes the value of 1 if the country of the acquirer company is Asian and 0 otherwise. To facilitate the latter analysis by combining all deal possibilities, we also introduce another dummy (*Asian\_tar*), which takes the value of 1 if the target country is Asian and 0 otherwise. Additionally, we also consider the impact of both non-Asian acquirers and targets by using two additional dummy variables (*NonAsian\_acq* and *NonAsian\_tar*).

Our model also includes relevant control variables that prior literature finds to be related to M&A premiums. The first group of variables is related to deal-level characteristics. Thus, a deal size variable (*Dealsize*) is measured as the natural logarithm of each deal value in millions of USD (Maung et al. 2020). We also include a measure of the target size, namely the natural logarithm of total assets (*Size*) (Alexandridis et al. 2013).<sup>4</sup> Additionally, the target's capital structure is proxied by the debt-to-equity ratio (*Leverage*) (de La Bruslerie 2013), while its financial performance is measured through the return on assets ratio (*ROA*) (Malhotra et al. 2023). We also account for the target's growth opportunities, including the market-to-book ratio (*MtoB*) (Cornett et al. 2011). Lastly, we also test for the acquirer's controlling position both before and after the operation (Boubakri et al. 2023). Accordingly, we use the percentage of shares acquired in the transaction (*Shares*). Additionally, we include a similar set of control variables related to the acquirers'

firm-level characteristics, namely size, leverage, and ROA. The second group of control variables refers to the macroeconomic and institutional environment. Consequently, the institutional quality of the target country is measured through the following indexes provided by the Heritage Foundation (Cieřlik and Tarsalewska 2023; Francis et al. 2008): property rights (*Property\_rights*) and investment freedom (*Inv\_freedom*). Country dummies are not included in the main specification to

avoid multicollinearity with the Asian acquirer indicator, which is defined by the acquirer's country of origin. Including both would render the model unidentified. We instead control for industry and year fixed effects, which capture sectoral and temporal heterogeneity. Each target is classified in a specific industry, according to its 2-digit SIC industry (Maung et al. 2020), obtaining seven different industries: consumer products and services, energy and power, healthcare, high technology and telecommunications, industrials, materials, and real estate. Accordingly, our baseline model is as follows:

$$PREMIUM_i = \alpha + \beta_1 Asian\_acq_i + \beta_2 CONTROLS_i + Industry + Year + \mu_{i,t} \quad (2)$$

where *i* denotes the deal and  $\mu_{i,t}$  is the stochastic error accounting for measurement issues of the independent variables and the oversight of explanatory variables.

Given the pooled cross-sectional structure of our sample over time, we utilize a pooled ordinary least squares (OLS) estimation technique, which is commonly used in similar research.<sup>5</sup>

## 4 | Empirical Analysis

### 4.1 | Descriptive Analysis

To characterize the sample under analysis, we present in Table 2 the descriptive statistics of the variables used.

Panel A shows that the average premium is higher in the 4 weeks (0.4843) rather than the 1-day (0.4066), but lower than

**TABLE 1a** | Number of acquisition deals by acquirer and target country.

Asian Countries			Non-Asian Countries		
	Target	Acquirer		Target	Acquirer
China	18	44	Argentina	6	1
Hong Kong	20	30	Australia	140	46
India	33	16	Austria	10	5
Indonesia	8	4	Belgium	16	19
Japan	5	123	Brazil	11	12
Malaysia	16	11	Canada	174	101
Philippines	3	2	Chile	7	4
Singapore	29	22	Colombia	3	6
South Korea	13	20	Czech Republic	3	2
Taiwan	15	14	Denmark	5	11
Thailand	7	8	Finland	9	11
Total	167	294	France	63	75
			Germany	36	61
			Greece	4	3
			Ireland	3	14
			Israel	14	16
			Italy	9	25
			Mexico	3	4
			Netherlands	21	33
			New Zealand	13	4
			Norway	29	15
			Peru	7	3
			Poland	6	3
			Russia	3	10
			South Africa	7	26
			Spain	10	27
			Sweden	23	41
			Switzerland	14	62
			United Kingdom	110	128
			United States	326	190
			Total	1085	958

**TABLE 1b** | Number of acquisition deals by region 2003–2021.

	Asia	Europe	USA	Latin America	Total
Number of deals	461	208	516	67	1252

the 1-week window (0.5225) before the deal. Additionally, the sample has deals of different sizes (*Dealsize*), while the targets differ in size, performance, and indebtedness. Besides, there are transactions in which the acquirer company is not a current shareholder and those in which the acquirer is already the reference shareholder. In panel B, we provide the one-day (P1D) and the four-week (P4W) average premium by that acquirer's

TABLE 2 | Descriptive statistics.

Panel A. Global sample								
Variables	Acronym	Mean	Median	Standard deviation	Minimum	Maximum		
Premia								
1 day	<i>P1D</i>	0.4066	0.2763	0.5172	0.0000	3.8179		
4 weeks	<i>P4W</i>	0.4843	0.3438	0.5324	0.0022	3.5455		
1 week	<i>PIW</i>	0.5225	0.3065	0.9205	-0.0262	5.8960		
Deal characteristics								
Deal size	<i>Dealsize</i>	19.0039	19.0920	2.2889	13.4647	24.0657		
Target size	<i>Size</i>	19.4358	19.3069	2.1187	14.1704	24.6723		
Target leverage	<i>Leverage</i>	0.4669	0.4567	0.2787	0.0099	1.3966		
Market-to-book	<i>MtoB</i>	4.8945	2.9546	9.9323	-30.6061	65.5740		
Target ROA	<i>ROA</i>	0.5089	0.0215	3.0457	-1.1942	25.1195		
Percentage of shares acquired in transaction	<i>Shares</i>	0.6350	0.7309	0.3912	0.0137	1.0000		
Acquirer size	<i>SizeA</i>	22.0592	22.0841	2.3619	16.1618	27.2727		
Acquirer leverage	<i>LeverageA</i>	0.5108	0.5175	0.2129	0.0282	0.9577		
Acquirer ROA	<i>ROAA</i>	-0.0739	0.1633	1.6976	13.3671	0.7071		
Control variables								
Property rights	<i>Prop_rights</i>	81.7741	90.0000	15.1385	15.0000	98.4000		
Investment freedom	<i>Inv_freedom</i>	71.9649	70.0000	14.8256	15.0000	95.0000		
Panel B. Average premium by acquirer's origin								
	Non-Asian acquirer	<i>t</i> -test	Asian acquirer	<i>t</i> -test	Chinese acquirer	<i>t</i> -test	SOE acquirer	<i>t</i> -test
<i>P1D</i>	0.4061	1.66**	0.4080	1.78**	0.5105	1.68**	0.4033	1.70**
<i>P4W</i>	0.4831		0.4880		0.5854		0.4915	

Note: Table 2 Panel A shows the mean, standard deviation, median, minimum, and maximum values of the model variables. *P1D*: one-day premium; *P4W*: four-weeks premium; *PIW*: one-week premium; *Dealsize*: deal size in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *MtoB*: target's market-to-book ratio; *ROA*: target's return on assets; *Shares*: percentage of shares acquired in the transaction; *SizeA*: acquirer log of total assets; *LeverageA*: acquirer's debt-to-equity ratio; *ROAA*: acquirer's return on assets; *Prop\_rights*: property rights index; *Inv\_freedom*: investment freedom index. Panel B shows the average premium paid by the acquirer's origin and the *t*-test significance. \*\*\*, \*\*, and \*represent significance at 1%, 5%, and 10%, respectively.

origin, namely non-Asian, Asian, Chinese, and SOE. We observe that the average premium paid is higher in the four-week window than in the 1-day window across all groups. The 1-day (4-week) average premium paid by non-Asian companies is 0.4061 (0.4831), while it increases slightly to 0.4080 (0.4880) in the case of Asian firms. When focusing specifically on Chinese acquirers, the premium rises more substantially to 0.5105 (0.5854), suggesting that Chinese firms drive a significant part of the overall Asian premium effect. In contrast, SOE acquirers exhibit average premiums of 0.4033 (0.4915), indicating that state ownership alone does not necessarily imply higher unconditional premiums, although its role becomes more relevant in the multivariate analysis.

In Table 3, we provide the Pearson pair-wise correlation coefficients for our set of control variables, which present a consistently high correlation between our premium proxies and do not show relevant multicollinearity issues.

## 4.2 | Baseline Estimations

The multivariate analysis begins by estimating the baseline model as it is defined in (Equation 2), and the OLS estimations are reported in Table 4.

In this way, we do not find a significant relationship between M&A premium (*P1D* and *P4W*) and being an acquirer company from Asia (although the coefficients are positive). The results of the control variables are similar to those obtained in previous research. Specifically, we find that acquirers tend to pay less for large firms proxied through the target size (Alexandridis et al. 2013). Unlike previous research (Malhotra et al. 2023; Cornett et al. 2011), we do not find a significant relationship either for the target's leverage, growth opportunities (*MtoB*) or for the return on assets (*ROA*). Further, as the percentage of shares acquired (*Shares*) increases, so does the premium. Acquiring a larger equity stake enhances the acquirer's

TABLE 3 | Correlation matrix.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	<i>PID</i>	1												
2	<i>P4W</i>	0.864***	1											
3	<i>PIW</i>	0.810***	0.777***	1										
4	<i>Dealsize</i>	-0.114***	-0.125***	0.755***	1									
5	<i>Size</i>	-0.192***	-0.193***	-0.176***	0.287***	1								
6	<i>Leverage</i>	0.015*	0.017*	-0.009*	0.122***	0.028	1							
7	<i>MtoB</i>	0.007*	0.040**	0.036**	0.090***	0.028	0.004	1						
8	<i>ROA</i>	0.030*	0.025*	0.007*	-0.153***	-0.019	-0.004	0.010	1					
9	<i>Shares</i>	0.080***	0.083***	0.040*	0.541***	-0.005	0.010	-0.043*	0.470***	1				
10	<i>SizeA</i>	-0.053**	-0.048*	-0.040**	-0.188***	0.041	-0.042	-0.009	-0.470***	0.081***	1			
11	<i>Leverage</i>	0.009*	-0.019*	-0.002*	0.077***	-0.010	-0.002	0.022	0.081***	-0.084***	0.030	1		
12	<i>ROAA</i>	0.046*	0.020*	0.034*	0.110***	-0.090***	0.031	0.023	0.326***	-0.205***	0.041	0.054	1	
13	<i>Prop_</i> <i>rights</i>	0.028*	0.003*	0.017*	0.089***	-0.088***	0.034	0.005	0.321***	-0.198***	0.009	0.672***	0.125	1
14	<i>Inv_</i> <i>freedom</i>	0.044*	0.032*	0.037**	0.138***	-0.027	0.031	0.046**	0.221***	-0.121***	0.008***	0.263***	0.046**	1
15	<i>Asian_</i> <i>acq</i>	0.019***	0.018***	0.056***	0.451***	0.009	0.497***	0.167***	0.024***	0.008***	0.087***	0.263***	0.046**	1

Note: Table 3 shows the Pairwise correlation coefficients of the model variables. *PID*: one-day premium; *P4W*: four-weeks premium; *PIW*: one-week premium; *Dealsize*: deal size in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *MtoB*: target's market-to-book ratio; *ROA*: target's return on assets; *Shares*: percentage of shares acquired in the transaction; *SizeA*: acquirer log of total assets; *LeverageA*: acquirer's debt-to-equity ratio; *ROAA*: acquirer's return on assets; *Prop\_rights*: property rights index; *Inv\_freedom*: investment freedom index. \*\*\*, \*\*, \* and \* represent significance at 1%, 5%, and 10%, respectively.

**TABLE 4** | The effect of being an Asian acquirer.

	P1D	P4W
<i>Asian_acq</i>	0.0053 (0.0402)	0.0200 (0.0439)
<i>Dealsize</i>	-0.0144 (0.0188)	0.0189 (0.0206)
<i>Size</i>	-0.0562*** (0.0179)	-0.0899*** (0.0196)
<i>Leverage</i>	0.0324 (0.0617)	0.0612 (0.0674)
<i>MtoB</i>	-0.0028 (0.0019)	-0.0016 (0.0020)
<i>ROA</i>	0.0025 (0.0062)	-0.0000 (0.0067)
<i>Shares</i>	0.1996*** (0.0686)	0.1427* (0.0749)
<i>SizeA</i>	0.0167* (0.0095)	0.0078 (0.0104)
<i>LeverageA</i>	0.0846 (0.0863)	0.1743* (0.0943)
<i>ROAA</i>	-0.0135 (0.0098)	-0.0145 (0.0107)
<i>Prop_rights</i>	-0.0019 (0.0015)	-0.0036** (0.0016)
<i>Inv_freedom</i>	0.0033** (0.0015)	0.0041** (0.0016)
Year	Yes	Yes
Industry	Yes	Yes
Constant	1.0464*** (0.2495)	1.3048*** (0.2727)
Observations	1252	1252
R-squared	0.083	0.087
F-test	2.73***	2.87***
VIF	3.09	3.09

Note: Table 4 shows the coefficients and the standard errors (in parenthesis) of Equation (2) estimations, using the OLS regression. *P1D*: one-day premium; *P4W*: four-weeks premium; *PIW*: one-week premium; *Dealsize*: deal size in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *MtoB*: target's market-to-book ratio; *ROA*: target's return on assets; *Shares*: percentage of shares acquired in the transaction; *SizeA*: acquirer log of total assets; *LeverageA*: acquirer's debt-to-equity ratio; *ROAA*: acquirer's return on assets; *Prop\_rights*: property rights index; *Inv\_freedom*: investment freedom index. The model also includes industry and year dummies (*industry* and *year*, respectively). The R-squared provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The F-test determines whether the term significantly affects the response. VIF (variance inflation factor) detect multicollinearity among independent variables. \*\*\*, \*\*, and \* indicate a confidence level of above 99%, 95%, and 90%, respectively.

control rights, reduces the likelihood of post-acquisition conflicts with minority shareholders, and mitigates classic agency problems arising from dispersed ownership structures (Stulz 1988; Boubakri et al. 2023). In this context, paying a higher premium can be interpreted as the cost of securing stronger governance control and minimizing ex post agency frictions. This effect is particularly relevant in cross-border transactions, where differences in legal systems and corporate governance practices may otherwise amplify coordination and monitoring costs (Starks and Wei 2013). Lastly, investment freedom shows a positive relationship with M&A premiums (Cieřlik and Tarsalewska 2023; Maung et al. 2019; Rossi and Volpin 2004). Interestingly, we obtain a significant negative relationship for the case of property rights (*Prop\_rights*), which can be explained by the information asymmetries theory. When the acquirers' investment is better protected at the institutional level, there is no need to guarantee better protection at the firm-level (Boubakri et al. 2023) and hence, acquirers are less willing to pay higher premiums. In any case, this outcome deserves a further analysis in which, apart from considering the origin of the acquirer company, the origin of the target company is also considered. Thus, in Table 5, we estimate again Equation (2) by the origin of the target firm (using the variable *Asian\_tar*).

In this way, we can observe that, compared to non-Asian acquirers, Asian companies (*Asian\_acq*) pay higher premiums for cross-border targets in non-Asian countries. Specifically, the one-day premium (P1D) increases by 3.91 percentage points (p.p.) while the four-week premium increases by 9.00 p.p., all else constant. On the contrary, we do not find a significant effect over premiums paid for Asian targets. These results provide partial support for H1. Specifically, Asian acquirers pay significantly higher premiums only when acquiring non-Asian targets, whereas no significant premium differential is observed for acquisitions within the Asian region. This pattern suggests that the Asian premium effect is primarily associated with cross-regional transactions and does not extend to intra-Asian acquisitions, indicating that the institutional and strategic mechanisms underlying our hypothesis are more salient when Asian firms expand outside their home region.

Asian countries are heterogeneous in terms of financial development and culture (Jahanger et al. 2022), which may raise the question of whether all Asian countries pay a higher premium when involved in cross-border M&A. Thus, we refine our empirical specification by explicitly comparing major Asian acquirers, namely China together with Hong Kong (which represent 25.2% of the total M&A started by Asian countries) and Japan (which represent 41.8% of such deals), against a common benchmark group of non-Asian acquirers. To do so, we restrict the sample in Table 6 to acquisitions of non-Asian targets and estimate a unified regression model that includes two country-specific dummy variables: *China\_acq* and *Japan\_acq*. Non-Asian acquirers constitute the omitted reference category. The model therefore takes the form:

$$PREMIUM_i = \alpha + \beta_1 China\_acq_i + \beta_2 Japan\_acq_i + \beta_3 CONTROLS_i + Industry + Year + \mu_{i,t} \quad (3)$$

TABLE 5 | Asian acquirers and the origin of the target.

	Asian target		Non-Asian target	
	P1D	P4W	P1D	P4W
<i>Asian_acq</i>	0.0066 (0.0933)	0.0758 (0.0972)	0.0391* (0.0232)	0.0900* (0.0539)
<i>Dealsize</i>	0.0723* (0.0433)	0.0808* (0.0451)	-0.0280 (0.0214)	0.0108 (0.0234)
<i>Size</i>	-0.0672 (0.0476)	-0.0734 (0.0496)	0.0221** (0.0107)	-0.0931*** (0.0218)
<i>Leverage</i>	-0.0943 (0.1787)	-0.1761 (0.1863)	0.0316 (0.0681)	0.0803 (0.0746)
<i>MtoB</i>	-0.0168** (0.0076)	-0.0137* (0.0079)	-0.0025 (0.0020)	0.0014 (0.0022)
<i>ROA</i>	-0.0174 (0.0183)	-0.0159 (0.0191)	0.0045 (0.0068)	0.0021 (0.0074)
<i>Shares</i>	-0.2016 (0.2046)	-0.0846 (0.2132)	0.2356*** (0.0752)	0.0048** (0.0020)
<i>SizeA</i>	-0.0355 (0.0237)	-0.0211 (0.0247)	0.0221* (0.0107)	0.0110 (0.0118)
<i>LeverageA</i>	0.4524* (0.2508)	0.3426 (0.2614)	0.0688 (0.0936)	0.1788* (0.1026)
<i>ROAA</i>	0.0091 (0.0361)	0.0489 (0.0376)	-0.0127 (0.0104)	-0.0139 (0.0114)
<i>Prop_rights</i>	-0.0028 (0.0047)	-0.0065 (0.0049)	-0.0037** (0.0018)	-0.0048** (0.0020)
<i>Inv_freedo</i>	0.0031 (0.0048)	0.0049 (0.0050)	0.0026 (0.0017)	0.0033* (0.0018)
<i>Year</i>	Yes	Yes	Yes	Yes
<i>Industry</i>	Yes	Yes	Yes	Yes
<i>Constant</i>	0.7653 (0.6930)	0.7061 (0.7224)	1.3779*** (0.3046)	1.6107*** (0.3338)
<i>Observations</i>	162	162	1090	1090
<i>R-squared</i>	0.178	0.227	0.095	0.101
<i>F-test</i>	0.66	0.89	2.76***	2.94***
<i>VIF</i>	5.84	5.84	2.96	2.96

Note: Table 5 shows the coefficients and the standard errors (in parenthesis) of Equation (2) estimations, using the OLS regression considering the target's country. *P1D*: one-day premium; *P4W*: four-weeks premium; *P1W*: one-week premium; *Dealsize*: deal size in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *MtoB*: target's market-to-book ratio; *ROA*: target's return on assets; *Shares*: percentage of shares acquired in the transaction; *SizeA*: acquirer log of total assets; *LeverageA*: acquirer's debt-to-equity ratio; *ROAA*: acquirer's return on assets; *Prop\_rights*: property rights index; *Inv\_freedom*: investment freedom index. The model also includes industry and year dummies (*industry* and *year*, respectively). The *R-squared* provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The *F-test* determines whether the term significantly affects the response. VIF (variance inflation factor) detects multicollinearity among independent variables. \*\*\*, \*\*, and \* indicate a confidence level of above 99%, 95%, and 90%, respectively.

Under this specification, the coefficients  $\beta_1$  and  $\beta_2$  measure the incremental premium paid by Chinese and Japanese acquirers, respectively, relative to non-Asian acquirers, holding all other

factors constant. Importantly, because both country dummies are included simultaneously and the base category consists exclusively of non-Asian bidders, the estimated effects are directly

**TABLE 6** | Chinese and Japanese acquirers and the origin of the target.

	Non-Asian target	
	P1D	P4W
<i>China_acq</i>	0.1313** (0.0538)	0.0537*** (0.0157)
<i>Japan_acq</i>	0.0130*** (0.0038)	0.0456*** (0.0176)
<i>Dealsize</i>	0.0283* (0.0171)	0.0441** (0.0193)
<i>Size</i>	-0.0328 (0.0215)	-0.0550** (0.0214)
<i>Leverage</i>	0.2297** (0.0941)	0.2356* (0.1212)
<i>MtoB</i>	-0.0011 (0.0011)	-0.0005 (0.0013)
<i>ROA</i>	-0.0079 (0.0083)	-0.0048 (0.0086)
<i>Shares</i>	0.1491*** (0.0574)	0.1567** (0.0728)
<i>SizeA</i>	0.0095 (0.0926)	0.0313 (0.1090)
<i>LeverageA</i>	0.0037 (0.0214)	0.0021 (0.0162)
<i>ROAA</i>	0.0058 (0.0109)	-0.0075 (0.0134)
<i>Prop_rights</i>	-0.0057** (0.0025)	-0.0075** (0.0037)
<i>Inv_freedom</i>	0.0029*** (0.0009)	0.0036** (0.0015)
Year	Yes	Yes
Industry	Yes	Yes
Constant	1.5955*** (0.5236)	2.4331*** (0.6152)
Observations	1031	1031
Adj R-squared	0.091	0.098
F-test	2.37**	2.48**
VIF	3.45	3.45

Note: Table 6 shows the coefficients and the standard errors (in parenthesis) of Equation (2) estimations, using the OLS regression. *P1D*: one-day premium; *P4W*: four-weeks premium; *China\_acq*: dummy variable that takes the value of 1 if the acquirer company is from China; *Japan\_acq*: dummy variable that takes the value of 1 if the acquirer company is from Japan; *Dealsize*: deal size in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *MtoB*: target's market-to-book ratio; *ROA*: target's return on assets; *Shares*: percentage of shares acquired in the transaction; *SizeA*: acquirer log of total assets; *LeverageA*: acquirer's debt-to-equity ratio; *ROAA*: acquirer's return on assets; *Prop\_rights*: property rights index; *Inv\_freedom*: investment freedom index. The model also includes industry and year dummies (*industry* and *year*, respectively). The *R*-squared provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The *F*-test determines whether the term significantly affects the response. VIF (variance inflation factor) detects multicollinearity among independent variables. \*\*\*, \*\*, and \* indicate a confidence level of above 99%, 95%, and 90%, respectively.

TABLE 7 | Asian acquirers and the origin of the target (Europe, USA, LATAM).

	European target		USA target		LATAM target	
	P1D	P4W	P1D	P4W	P1D	P4W
<i>Asian_acq</i>	0.1063** (0.0542)	0.1998** (0.0942)	0.0322* (0.0186)	0.1086*** (0.0184)	1.1189*** (0.0998)	1.8086*** (0.0997)
<i>Dealsize</i>	0.0446*** (0.0138)	0.0526*** (0.0097)	0.0946*** (0.0334)	0.0449* (0.0257)	0.0640** (0.0259)	0.0942* (0.0528)
<i>Size</i>	-0.0414* (0.0231)	-0.0454** (0.0186)	-0.0601* (0.0337)	-0.0954** (0.0390)	-0.4575** (0.1821)	-0.2344*** (0.0381)
<i>Leverage</i>	0.1760*** (0.0154)	0.1927*** (0.0234)	0.2580* (0.1439)	0.2939* (0.1765)	0.3441*** (0.0345)	0.4885*** (0.0352)
<i>MtoB</i>	-0.0062 (0.0049)	-0.0053 (0.0041)	0.0014 (0.0031)	0.0023 (0.0038)	0.0091 (0.0156)	0.0023 (0.0201)
<i>ROA</i>	-0.0046 (0.0138)	-0.0040 (0.0132)	-0.0617 (0.0436)	-0.0423 (0.0295)	0.1684 (0.7845)	0.5455 (1.2034)
<i>Shares</i>	0.1895** (0.0840)	0.1762** (0.0808)	0.1805** (0.0843)	0.1708** (0.0814)	0.1921** (0.0846)	0.1803** (0.0815)
<i>SizeA</i>	-0.0363 (0.0804)	-0.0658 (0.0976)	-0.0336 (0.0797)	-0.0679 (0.0943)	-0.0434 (0.0797)	0.0295 (0.1110)
<i>LeverageA</i>	0.0194 (0.0164)	0.0161 (0.0205)	-0.0380 (0.0353)	-0.0553 (0.0417)	-0.1299 (0.1236)	-0.2091 (0.1585)
<i>ROAA</i>	0.0213 (0.0187)	0.0227 (0.0195)	-0.0299 (0.0323)	-0.0485 (0.0388)	-0.1140 (0.1145)	-0.1847 (0.1637)
<i>Prop_rights</i>	-0.0135*** (0.0037)	-0.0075** (0.0036)	-0.0152* (0.0088)	0.0225** (0.0107)	-0.0367* (0.0209)	-0.0420*** (0.0161)
<i>Inv_freedom</i>	0.0029* (0.0015)	0.0059** (0.0026)	0.0173*** (0.0058)	0.0156** (0.0066)	0.0486*** (0.0075)	0.0576*** (0.0013)
Year	Yes	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.4897 (0.5436)	0.7779 (0.6665)	3.2526** (1.4337)	3.7914** (1.7144)	3.4753 (4.2918)	6.6324 (5.7489)
Observations	463	463	324	324	43	43
Adj R-squared	0.131	0.129	0.143	0.137	0.131	0.128
F-test	1.84**	1.79**	1.71**	1.80*	1.78*	1.95**
VIF	2.25	2.25	3.14	3.14	2.99	2.99

Note: Table 7 shows the coefficients and the standard errors (in parentheses) of Equation (2) estimations by target's origin (Europe, USA, and LATAM), using the OLS regression. *P1D*: one-day premium; *P4W*: four-weeks premium; *PIW*: one-week premium; *Dealsize*: deal size in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *MtoB*: target's market-to-book ratio; *ROA*: target's return on assets; *Shares*: percentage of shares acquired in the transaction; *SizeA*: acquirer log of total assets; *LeverageA*: acquirer's debt-to-equity ratio; *ROAA*: acquirer's return on assets; *Prop\_rights*: property rights index; *Inv\_freedom*: investment freedom index. The model also includes industry and year dummies (*industry* and *year*, respectively). The *R*-squared provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The *F*-test determines whether the term significantly affects the response. VIF (variance inflation factor) detects multicollinearity among independent variables. \*\*\*, \*\*, and \* indicate a confidence level of above 99%, 95%, and 90%, respectively. The relatively high coefficient observed for acquisitions involving Latin American targets should be interpreted with caution, as the small number of transactions in this subsample may lead to less precise estimates and potential sampling bias.

comparable and free from contamination by other Asian economies. This structure ensures that the reported coefficients capture country-specific premium differentials relative to a common external benchmark, thereby aligning the econometric design with our theoretical objective of assessing whether distinct Asian institutional environments translate into systematically higher acquisition premiums.

The obtained results indicate that Chinese acquirers pay significantly higher premiums, increasing the one-day premium (P1D) by 13.13 p.p. and the four-week premium (P4W) by 5.37 p.p., *ceteris paribus*. Japanese acquirers also exhibit a positive and statistically significant premium differential, although the magnitude differs: the one-day premium increases by 1.30 p.p., while the four-week premium rises by 4.56 p.p. These findings suggest that the previously documented Asian premium effect is not driven exclusively by Chinese bidders but extends, albeit with different economic magnitudes, to other major Asian economies. Overall, the results reinforce the interpretation that Asian acquirers, particularly Chinese firms, are systematically more likely to offer higher premiums when acquiring non-Asian targets, consistent with the institutional and strategic arguments developed earlier.

### 4.3 | Additional Analyses

We further explore whether there are differences in the results when distinguishing between the target's origin. Accordingly,

**TABLE 8** | Asian acquirers and the origin of the target. One-week premium.

	One-week premium (P1W)	
	Asian target	Non-Asian target
<i>Asian_acq</i>	0.0024 (0.1765)	0.1467* (0.0781)
Controls	Yes	Yes
Year	Yes	Yes
Industry	Yes	Yes
Constant	0.2449 (1.2913)	1.3787*** (0.4892)
Observations	151	1060
R-squared	0.1654	0.088
F-test	0.54	2.45**
VIF	4.59	2.72

Note: Table 8 shows the coefficients and the standard errors (in parenthesis) of Equation (2) estimations, using the OLS regression. *PIW*: one-week premium; *Asian\_acq*: dummy variable that takes the value of 1 if the acquirer company is from Asia. Control variables are not included for parsimony reasons. The model also includes industry and year dummies (*industry* and *year*, respectively). The *R*-squared provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The *F*-test determines whether the term significantly affects the response. VIF (variance inflation factor) detects multicollinearity among independent variables. \*\*\*, \*\*, and \* indicate a confidence level of above 99%, 95%, and 90%, respectively.

we estimate our baseline model (Equation 2) considering three main targets' origin, namely Europe, the USA, and Latin America. Previous literature shows that cross-border M&A premiums vary by target region due to institutional and macroeconomic factors. First, legal systems impact investor protection and firm valuation. On the one hand, the USA (common law) has stronger protections, leading to higher premiums than Europe and LATAM (La Porta et al. 1998; Rossi and Volpin 2004). On the other hand, the USA has dispersed ownership, while Europe and LATAM have concentrated ownership, often demanding higher premiums (Faccio and Lang 2002; Dyck and Zingales 2004). Second, the USA's competitive capital markets drive higher premiums, while Europe shows mixed efficiency, and LATAM faces liquidity constraints (Fuller et al. 2002; Boubakri et al. 2012). The results are shown in Table 7.

While we persistently obtain a positive relationship between being an Asian acquirer and the premium, the effect is significantly higher in the Latin American region. The one-day premium increases by 3.22 p.p. when the target company is in the USA, 10.63 p.p. for the case of Europe, and 111.89 p.p. for the case of Latin America. Similarly, the four-week premium increases by 10.86 p.p. when Asian companies invest in the USA, 19.98 p.p. in Europe, and 180.86 p.p. in Latin America. These results confirm that Asian companies tend to bid higher in cross-border M&A out of the Asian region, regardless of where the target company is located. This behavior is especially relevant in the Latin American region, where Asian investments are likely to be focused on the resources industry (Ding et al. 2021), or the acquirer's strategies may look for complementary objectives diverse from the purely economic ones, such as political influence (Heinemann 2012).

Since the period for analyzing the premiums may be a concern in our model, we change our dependent variable window considering the one-week premium (P1W) (Maung et al. 2020; Maung et al. 2019) and recalculate our baseline model (Equation 2). The results are provided in Table 8 and, again, confirm our estimations, since we can observe that the one-week premium paid by Asian acquirers significantly increases by 14.67% only when the target is a non-Asian company.<sup>6</sup>

An additional robustness analysis is conducted to account for the potential influence of deal size on the results. Specifically, we examine whether the previously obtained findings are biased due to the inclusion of cross-border M&A transactions of varying sizes in the sample. To address this concern, we focus on Asian acquirers and divide the sample into three groups based on the *Deal Size* variable (Lee 2018). The baseline model (Equation 2) is then estimated separately for each tercile of *Deal Size* to assess the consistency of the results across different transaction magnitudes. The results are shown in Table 9.

It can be observed that the one-day premium (P1D) increases by 4.06% for small-size deals, 2.33% for medium-sized deal sizes, and 6.16% for larger operations. On the other hand, the four-week premium (P4W) increases by 7.30% for small-size deals, 10.11% for medium-sized deals, and 7.62% for larger ones. These results are analogous to those previously obtained, confirming our hypothesis.

TABLE 9 | Asian acquirer and the deal size.

	Small deal size				Medium deal size			
	Asian target		Non-Asian target		Asian target		Non-Asian target	
	P1D	P4W	P1D	P4W	P1D	P4W	P1D	P4W
<i>Asian_acq</i>	0.0996 (0.2092)	0.0576 (0.2622)	0.0406* (0.0212)	0.0730* (0.0425)	0.0228 (0.1975)	0.1568 (0.2403)	0.0233* (0.0122)	0.1011*** (0.0204)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Robust	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.6167 (2.0335)	1.3573 (2.6183)	0.5208 (0.4732)	0.6551 (0.5198)	3.8124 (3.6070)	1.1617 (3.0559)	1.6856* (1.0653)	2.5106* (1.3897)
Observations	32	32	467	467	66	66	435	435
Adj R-squared	0.726	0.764	0.175	0.1500	0.644	0.604	0.147	0.148
F-test	1.34*	1.09*	2.13**	1.99*	1.91*	1.93*	2.48**	2.79**
	Big deal size							
	Asian target				Non-Asian target			
	P1D		P4W		P1D		P4W	
<i>Asian_acq</i>	0.1964 (0.1224)		0.1786 (0.1325)		0.0616* (0.0327)		0.0762* (0.0394)	
Controls	Yes		Yes		Yes		Yes	
Year	Yes		Yes		Yes		Yes	
Industry	Yes		Yes		Yes		Yes	
Robust	Yes		Yes		Yes		Yes	
Constant	-0.0297 (2.9964)		0.8741 (2.7496)		-0.0037 (0.4129)		0.3144 (0.4265)	
Observations	126		126		374		374	
Adj R-squared	0.413		0.432		0.130		0.150	
F-test	1.98*		1.89*		2.05**		2.12**	

Note: Table 9 shows the coefficients and the standard errors (in parenthesis) of Equation (2) estimations, using the OLS regression. P1D: one-day premium; P4W: four-week premium; *Asian\_acq*: dummy variable that takes the value of 1 if the acquirer company is from Asia; Control variables are not included for parsimony reasons. The model also includes industry and year dummies (*industry* and *year*, respectively). The R-squared provides the goodness of fit measure for the individual mean detrended data which disregards all the between information in the data. The F-test determines whether the term significantly affects the response. \*\*\*, \*\*, and \* indicate a confidence level of above 99%, 95%, and 90%, respectively.

#### 4.4 | Moderating Effect

In this section, we analyze the channels through which Asian firms involved in cross-border M&A pay higher premiums when acquiring non-Asian companies, namely cultural distance, search for strategic assets, reduce information asymmetries, and government support. First, we explain how we proxy each channel. Cultural distance between the target and the acquirer is widely used by previous literature for explaining the M&A performance (e.g., Boateng et al. 2019; Lim et al. 2016; Ahern et al. 2015; Chakrabarti et al. 2009; Dikova and Sahib 2013; Reus and Lamont 2009; Stahl and Voigt 2005). To describe a country's cultural characteristics,

we use the six Hofstede cultural dimensions, namely uncertainty avoidance, long-term orientation, individualism, power distance, masculinity, and indulgence vs. restraint (Hofstede and Minkov 2010). Similar to Lim et al. (2016), we create an expanded version of the HofstedeDist, an aggregate index constructed by Kogut and Singh (1988) based on Hofstede (2001), which includes the six current cultural dimensions. Accordingly, our cultural distance variable (*Cult\_distance*) is defined as follows:

$$Cult\_distance = \frac{\sqrt{\sum_{i=1}^6 (H_{A,i} - H_{T,i})^2}}{6} \quad (4)$$

where  $H_{A,i}$  is the acquirer nation's score on Hofstede's dimension  $i$ , and  $H_{T,i}$  is the target nation's score on Hofstede's dimension  $i$ .

To proxy whether a firm is searching for strategic assets, we use the two-digit standard industrial classification (SIC) codes, consistent with prior M&A research (Faifman et al. 2024; Kile and Phillips 2009), identifying the target firms in the high technology and telecommunications sector. Thus, we create the dummy

variable ( $Tech\_ind$ ) that takes the value of 1 if the target belongs to that industry and 0 otherwise.

In cross-border M&A, the disparity between the industries of the acquiring and target firms can serve as a proxy for information asymmetry (Reddy and Fabian 2020; Boeh 2011). Acquirers venturing into unfamiliar industries may lack the nuanced understanding required to accurately assess the

**TABLE 10** | Moderating effect.

	Cultural distance		Technological industry		Diverse industries		Government support	
	P1D	P4W	P1D	P4W	P1D	P4W	P1D	P4W
<i>Asian_acq</i>	0.0398*	0.0992**	0.0253**	0.0200*	0.0180*	0.0220*	0.0539*	0.0578*
	(0.0238)	(0.0491)	(0.0102)	(0.0119)	(0.0103)	(0.0126)	(0.0304)	(0.0342)
<i>Cult_distance</i>	0.0247**	0.0306**						
	(0.0121)	(0.0131)						
<i>Asian_acq*Cult_distance</i>	0.0127*	0.0098*						
	(0.0076)	(0.0076)						
<i>Tech_ind</i>			0.0547***	0.0195***				
			(0.0151)	(0.0058)				
<i>Asian_acq*Tech_ind</i>			0.0154*	0.0389*				
			(0.0091)	(0.0221)				
<i>Diverse_ind</i>					0.0310***	0.0234*		
					(0.0108)	(0.0124)		
<i>Asian_acq*Diverse_ind</i>					0.0224**	0.1091**		
					(0.0108)	(0.0523)		
<i>SOE</i>							0.0251*	0.0305**
							(0.0142)	(0.0136)
<i>Asian_acq*SOE</i>							0.3418***	0.2984*
							(0.1231)	(0.1742)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	1.0512***	1.2736***	1.0464***	1.3048***	1.0644***	1.3184***	1.0514***	1.3123***
	(0.2506)	(0.2737)	(0.2495)	(0.2727)	(0.2505)	(0.2739)	(0.2500)	(0.2733)
Observations	1252	1252	1252	1252	1252	1252	1252	1252
<i>R-squared</i>	0.083	0.088	0.083	0.087	0.083	0.087	0.083	0.087
<i>F-test</i>	2.67***	2.85***	2.73***	2.87***	2.68***	2.81***	2.67***	2.80***
VIF	3.06	3.06	3.09	3.09	3.05	3.05	3.05	3.05

Note: Table 10 shows the coefficients and the standard errors (in parenthesis) of estimating the moderating effect, based on Equation (2), using the OLS regressions. *P1D*: one-day premium; *P4W*: four-weeks premium; *Asian\_acq*: dummy variable that takes the value of 1 if the acquirer company is from Asia; *Cult\_distance*: aggregate index constructed by Kogut and Singh (1988) based on Hofstede (2001); *Tech\_ind*: dummy variable that takes the value of 1 if the target belongs to that industry, and 0 otherwise; *Diverse\_ind*: dummy variable that takes the value of 1 if the industry is different between the target and the acquirer, and 0 otherwise, and *SOE*: dummy variable that takes the value of 1 if the acquirer company is an SOE, and 0 otherwise. The *R-squared* provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The *F-test* determines whether the term significantly affects the response. VIF (variance inflation factor) detect multicollinearity among independent variables. \*\*\*, \*\*, and \* indicate a confidence level of above 99%, 95%, and 90%, respectively.

target's value, operations, and market dynamics. Besides, different industries often operate under distinct regulatory frameworks. An acquirer from one industry may be unfamiliar with the regulatory landscape governing the target's industry, increasing the risk of overlooking compliance issues or underestimating regulatory costs. Moreover, industries develop unique cultures and operational practices. When an acquirer and target come from disparate industries, integrating these differing cultures and operations can be challenging, potentially leading to misunderstandings and inefficiencies (Boeh 2011). Accordingly, we introduce the dummy variable (*Diverse\_ind*), which takes the value of 1 if the industry is different between the target and the acquirer and 0 otherwise.

Lastly, the analysis of the role of government support is focused on the Chinese acquirers. As previously stated, China has a large presence of SOEs across various industries (Wang et al. 2024; Lin 2021), and their involvement in cross-border mergers and acquisitions (M&A) has grown significantly in recent years (Jia and Wu 2023). Besides, the country's "Go Global" initiative, introduced in the early 2000s, was designed to support Chinese firms' international expansion by promoting outbound foreign direct investment. The government implemented supportive policies, provided financial assistance, and relaxed regulatory restrictions to facilitate this. As a result, cross-border M&A activity surged, driven by objectives such as securing resources, acquiring technology and global brands, and expanding into developed markets (Wang and Miao 2016). Accordingly, we introduce a dummy variable (*SOE*) that takes the value of 1 if the acquirer is controlled by the central or local government or its various agencies (Liu et al. 2019).

The following procedure is used to test the moderating effects of the four identified mechanisms. Specifically, we examine whether the relationship between being an Asian acquirer (*Asian\_acq*) and the M&A premium (*P1D* and *P4W*) varies depending on cultural distance (*Cult\_distance*), the strategic or technological nature of the target industry (*Tech\_ind*), information asymmetry (*Diverse\_ind*), and government influence (*SOE*). To test this, we estimate regression models including both the main effects and the corresponding interaction terms between *Asian\_acq* and each moderator (e.g., *Asian\_acq* × *Cult\_distance*, *Asian\_acq* × *Tech\_ind*, *Asian\_acq* × *Diverse\_ind*, and *Asian\_acq* × *SOE*).

This approach allows us to assess whether these contextual and institutional factors strengthen or weaken the relationship between the acquirer's regional origin and the premiums paid in cross-border M&A transactions. A statistically significant interaction term indicates that the effect of being an Asian acquirer on the premium varies according to the level or presence of the moderating variable. The results of these moderation tests are reported in Table 10.

Overall, the results support the existence of significant moderating effects across all four mechanisms. The positive and statistically significant coefficients of the interaction terms indicate that these contextual factors tend to strengthen the association between being an Asian acquirer and paying higher M&A premiums.

First, the interaction between *Asian\_acq* and *Cult\_distance* is positive and significant at the 10% level for both short-term (*P1D*) and longer-term (*P4W*) premiums. This implies that the premium differential paid by Asian acquirers increases as cultural distance rises. In other words, Asian firms appear more willing to bid aggressively when operating in culturally distant environments, likely as a means to signal commitment, reduce relational uncertainty, and gain legitimacy in unfamiliar institutional settings, consistent with the relational governance dimension of the Asian institutional logic. Second, the interaction *Asian\_acq* × *Tech\_ind* is positive and significant at the 10%–5% level, indicating that Asian acquirers pay higher premiums when targeting firms in technology-intensive sectors. This finding aligns with the strategic asset-seeking motivation, suggesting that Asian acquirers, particularly from economies pursuing industrial upgrading, are ready to overpay for access to advanced technologies, innovation capabilities, and intangible assets crucial for long-term competitiveness. Third, the interaction *Asian\_acq* × *Diverse\_ind* is positive and significant for both *P1D* and *P4W*, supporting the idea that information asymmetries and industry dissimilarities intensify Asian acquirers' willingness to pay higher premiums. This suggests that when operating in sectors distinct from their own, Asian firms compensate for informational disadvantages by offering higher bids, effectively using the premium as a signaling device to reassure target firms and investors of deal credibility and commitment. Finally, the interaction *Asian\_acq* × *SOE* shows a strong and highly significant effect ( $p < 0.01$ ), with large coefficients for both premium measures. This result indicates that state ownership substantially amplifies the premium paid by Asian acquirers, reflecting the influence of government objectives and political legitimacy considerations. SOEs often enjoy easier access to financing and pursue strategic or geopolitical goals beyond immediate financial returns, which translates into systematically higher premiums—a pattern consistent with state-coordinated capitalism and the institutional embeddedness of Asian business systems.

Together, these results confirm that the effect of being an Asian acquirer on M&A premiums is conditional on contextual and institutional factors, rather than uniform across transactions. Cultural, technological, informational, and political mechanisms moderate the relationship, highlighting that Asian acquirers' bidding behavior is shaped by the distinctive institutional logic of the region—characterized by long-term orientation, state involvement, and relational strategies for legitimacy-building.

In this sense, to further understand the role of Chinese SOE involved in cross-border M&A, we develop Equation (2) introducing an interaction term (*China\_acq* × *SOE*), which captures the joint effect of being a Chinese acquirer and a SOE on the premium paid. Accordingly, our model is now defined as follows:

$$\begin{aligned} \text{PREMIUM}_i = & \alpha + \beta_1 \text{China\_acq}_i + \beta_2 \text{SOE}_i \\ & + \beta_3 \text{China\_acq}_i * \text{SOE}_i + \beta_4 \text{Cult\_distance}_i \\ & + \beta_5 \text{CONTROLS}_i + \text{Industry} + \text{Year } \mu_{i,t} \end{aligned} \quad (5)$$

and the results of estimating Equation (4) are reported in Table 11.

TABLE 11 | Chinese SOE and the target's origin.

	Asian target		Non-Asian target	
	P1D	P4W	P1D	P4W
<i>China_acq</i>	-0.0832 (0.4943)	0.0102 (0.5338)	0.0535*** (0.0129)	0.1276* (0.0695)
<i>SOE</i>	-0.0718 (0.5044)	-0.0831 (0.5447)	0.0375* (0.0223)	0.0242** (0.0122)
<i>China_acq</i> × <i>SOE</i>	0.7007 (0.7034)	0.4328 (0.7596)	0.1261*** (0.0240)	0.2518* (0.1456)
<i>Dealsize</i>	0.0539 (0.0427)	0.0708 (0.0461)	-0.0279 (0.0214)	0.0106 (0.0235)
<i>Size</i>	-0.0503 (0.0469)	-0.0657 (0.0506)	-0.0552*** (0.0199)	-0.0935*** (0.0218)
<i>Leverage</i>	-0.0716 (0.1722)	-0.2289 (0.1860)	0.0326 (0.0681)	0.0822 (0.0747)
<i>MtoB</i>	-0.0154** (0.0074)	-0.0116 (0.0080)	-0.0025 (0.0020)	-0.0014 (0.0022)
<i>ROA</i>	-0.0108 (0.0180)	-0.0154 (0.0194)	0.0043 (0.0068)	0.0017 (0.0074)
<i>Shares</i>	-0.0940 (0.2032)	0.0068 (0.2194)	0.2271*** (0.0753)	0.1522* (0.0825)
<i>SizeA</i>	-0.0405* (0.0232)	-0.0249 (0.0250)	0.0217** (0.0107)	0.0097 (0.0118)
<i>LeverageA</i>	0.5084** (0.2436)	0.4449* (0.2628)	0.0660 (0.0937)	0.1730* (0.1027)
<i>ROAA</i>	0.0134 (0.0350)	0.0458 (0.0378)	0.0121 (0.0104)	-0.0128 (0.0114)
<i>Prop_rights</i>	-0.0021 (0.0046)	-0.0067 (0.0049)	-0.0037** (0.0018)	-0.0047** (0.0020)
<i>Inv_freedom</i>	0.0004 (0.0048)	0.0034 (0.0052)	0.0027 (0.0017)	0.0036** (0.0018)
Year	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes
Constant	0.8263 (0.6724)	0.5215 (0.7261)	1.3862*** (0.3048)	1.6349*** (0.3343)
Observations	162	162	1090	1090
<i>R-squared</i>	0.235	0.2270	0.095	0.101
<i>F-test</i>	0.87	0.83	2.62***	2.75***
VIF	6.55	6.55	3.0	3.0

Note: Table 11 shows the coefficients and the standard errors (in parenthesis) of Equation (2) estimations, using the OLS regression. *P1D*: one-day premium; *P4W*: four-weeks premium; *China\_acq*: dummy variable that takes the value of 1 if the acquirer company is from China; *SOE*: dummy variable that takes the value of 1 if the acquirer company is state-owned; *Dealsize*: deal size in millions of USD; *Size*: target's log of total assets; *Leverage*: target's debt-to-equity ratio; *MtoB*: target's market-to-book ratio; *ROA*: target's return on assets; *Shares*: percentage of shares acquired in the transaction; *SizeA*: acquirer log of total assets; *LeverageA*: acquirer's debt-to-equity ratio; *ROAA*: acquirer's return on assets; *Prop\_rights*: property rights index; *Inv\_freedom*: investment freedom index. The model also includes industry and year dummies (*Industry* and *Year*, respectively). The *R-squared* provides the goodness of fit measure for the individual mean de-trended data which disregards all the between information in the data. The *F-test* determines whether the term significantly affects the response. VIF (variance inflation factor) detects multicollinearity among independent variables. \*\*\*, \*\*, and \* indicate a confidence level of above 99%, 95%, and 90%, respectively.

Our results show that, on the one hand, we still find a positive effect of being a Chinese acquirer company over the premium paid only in the case of non-Asian targets. Additionally, the acquirer being an SOE also positively influences the premium, and so does the joint effect, that is, Chinese state-owned acquiring companies pay higher bids when involved in cross-border M&A outside of the Asian region, which is aligned with our previous result. Specifically, the cumulative effect of being a Chinese and an SOE acquiring firm implies an increase in total one-day premium paid of 21.71 p.p. (40.36 pp. in the case of the 4-week premium).<sup>7</sup> SOEs from China are more likely to pay higher premiums in cross-border M&As since government support (“Go Global” strategy), including policy backing, financial assistance, and eased regulations, facilitates these investments (Wang and Miao 2016). Our results confirm that SOEs are more inclined to pay higher premiums due to the influence of national pride and government objectives, which differ from purely economic motives (Hope et al. 2011). State ownership in firms becomes a tool for the government to pursue diverse goals, including geopolitical influence (Guo and Clougherty 2015). Unlike private firms, SOEs often face fewer financial constraints, with access to public funds, leading to potential overinvestment problems (Guo and Clougherty 2015; Hong et al. 2015). This, combined with the lower likelihood of success in cross-border M&As for SOEs (Zhang et al. 2011; Guo and Clougherty 2015), prompts them to pay higher premiums to mitigate transaction risks and failure.

## 5 | Conclusion

Using a worldwide sample of cross-border M&A deals for the period 2003–2021, in this paper, we first uniquely examine whether Asian firms pay a higher premium. Our results confirm that Asian companies indeed bid higher in mergers and acquisitions compared to their non-Asian counterparts, namely when the target firm is located outside the Asian region. This phenomenon can be attributed to a combination of strategic and information asymmetries. Strategic asymmetries refer to the different motivations and goals of Asian and Western companies when engaging in M&A. Asian companies may have a stronger focus on gaining access to new markets and technologies or political influence, while Western companies may be more focused on cost-cutting and synergies. This difference in motivation can lead to Asian companies being willing to pay more for a target non-Asian company. Another reason could be related to information asymmetries, which refer to the fact that Asian companies may have less access to information about potential target companies compared to Western companies. This incomplete information can lead to Asian companies being more willing to pay a premium to secure a deal. This issue is especially relevant for the case of non-Asian targets since the information asymmetries are larger. Moreover, differences in cultural backgrounds between the acquiring and target firms can lead to communication barriers, trust deficits, and operational uncertainties. These challenges may lower the expected returns from the acquisition, potentially prompting acquirers to offer higher bids. We also find, however, that Chinese acquirers in general, and Chinese SOEs in particular, have a sizeable and economically significant influence on premiums paid for non-Asian targets (particularly in Europe, the U.S., and Latin America).

Our findings may have some relevant implications for both policymakers and managers. Governments and regulatory bodies should encourage mechanisms that improve information symmetry in cross-border M&A, such as standardized disclosure requirements and enhanced due diligence processes. Similarly, policies promoting cross-border business integration programs, cultural exchange, and managerial training can mitigate communication and trust deficits that lead to higher acquisition costs. Besides, market authorities should be aware that the reasons behind some M&A operations undertaken by SOEs, namely Chinese, may not be solely driven by economic or financial motives but may reflect unique strategic or political motives or unique deal financing advantages that allow such firms to offer higher cross-border M&A bid premiums than any other firms, Chinese or not. Thus, the economic rationale of a deal may not be the only reference to understanding the real objectives behind it (including politically motivated ones). From the practitioners’ perspective, Asian firms should invest in better target evaluation methodologies to mitigate overpayment risks. In other words, Asian acquirers should strengthen their negotiation capabilities to avoid overbidding due to competitive pressures or misjudgments about a target’s true value. In addition, SOEs must proactively address political concerns in host countries by demonstrating long-term economic benefits, ensuring compliance with foreign investment regulations, and engaging in transparent communication.

The research can be expanded in several ways. On the one hand, alternative premium measures (e.g., CARs) may enrich the findings and provide a better understanding of whether the higher premiums paid by Asian companies when acquiring non-Asian firms are persistent over time. On the other hand, delving into the firm-level characteristics of the Asian firms (ownership, age, diversification, etc.) may also help to better explain the mechanism through which Asian acquirers tend to pay higher premiums in non-Asian cross-border M&As.

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### Conflicts of Interest

The authors declare no conflicts of interest.

### Data Availability Statement

The data that support the findings of this study are available from Refinitiv Eikon. Restrictions apply to the availability of these data, which were used under license for this study. Data are available from the author(s) with the permission of Refinitiv Eikon.

### Endnotes

<sup>1</sup> Updated statistics on the number and values of M&A worldwide and by region can be found here: <https://imaa-institute.org/mergers-and-acquisitions-statistics/>.

- <sup>2</sup>In 2024, global M&A activity experienced a resurgence, with total deal value reaching approximately \$3.5 trillion, marking a 15% increase from the previous year and aligning with mid-2010s levels. The Asia-Pacific region contributed significantly to this growth, with deal value increasing by 10% to \$797 billion in 2024. This indicates that approximately 23% of global M&A transactions originated from Asia-Pacific economies in 2024.
- <sup>3</sup>Related papers on the M&A field also utilize the calculation of cumulative abnormal returns (CARs) before the announcement date to measure M&A premiums (e.g., Boateng and Bi 2014). However, the substantial size of the premiums we computed lead us to think that the usage of CARs would not change the essential results.
- <sup>4</sup>Alternatively, we utilize the natural logarithm of the target's total sales, and the results are analogous. *Dealsize* accounts for the financial magnitude of the M&A, reflecting the combined worth of assets, liabilities, and equity involved in the deal (Malhotra et al. 2023; Maung et al. 2020). Conversely, the target's size denotes the characteristics and scale of the entity being acquired. It provides insights into the relative magnitude and significance of the acquired firm within its industry or market segment (Alexandridis et al. 2013). We also estimate our model by replacing the aforementioned variables with the variable *Relative\_size* (as the ratio of the target's size and the acquirer's size). The results are analogous to those previously obtained by the literature, that is, the premium paid is higher as the relative size between the target and the acquirer is larger (e.g., Capron and Shen 2007). However, we decide to maintain *Dealsize* and *Size* together since we believe that including both dimensions enriches the model specification.
- <sup>5</sup>Our estimations show differences across the adjusted  $R^2$ -levels due to the different sizes of the samples. However, the validity of the variables included in the models are guaranteed by the Wald test results. Additionally, to avoid any endogeneity issues, we estimate our models using system-GMM methodology. The results are analogous to those obtained, and are available upon request.
- <sup>6</sup>We also perform additional robustness analyses, namely including alternative control variables: relative size of the target and the acquirer, and balance of payments and exchange rate between the countries. The results are analogous to those obtained with our baseline model and are not included for parsimony reasons but are available upon request.
- <sup>7</sup>The total effect of 21.71 reported for Chinese SOEs represents the combined marginal effect of being a Chinese acquirer, state ownership, and their interaction term. Specifically, it is calculated as the sum of the coefficients on Chinese Acquirer, SOE, and Chinese Acquirer $\times$ SOE. Statistical significance is tested using the linear combination of coefficients.

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