Gordon Institute of Business Science
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Post-acquisition performance of emerging market multinationals in developed markets, impact of institutional distance and international experience. Evidence from South Africa.

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Abstract

This paper looked at the past performance of multinational companies from emerging market countries post their merger and acquisition deals of subsidiaries based in developed markets. It investigated the link and influence of cultural distance and international experience on the post-acquisition operational performance of emerging market multinational firms. Two hypotheses were developed i.e., that the is a negative link of cultural distance to performance and secondly there is a positive correlation of international experience to performance after the acquisition. In a review of 116 merger and acquisition deals from South Africa to developed countries between 1994 and 2018, the investigation found that these multinational firms on average experienced a deterioration in performance after the foreign direct investment deal. The investigation did not find enough statistical evidence in support of the two hypotheses; thus both were rejected.

Keywords

Cultural distance

International experience

Internationalisation

Performance

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy in Corporate Strategy at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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1. Introduction

The accelerated increase in number of multinational companies based in emerging markets has created opportunities for academic research that is trying to unpack the threats and opportunities faced by these firms as they grow (Liou et al., 2018). Compared to their counterparts from developed economies, emerging market multinationals driven by their latecomer disadvantages have experienced rapid expansion into foreign markets (both developed and developing) as a way of exploring and /or exploiting strategic economic assets while escaping the home country constraints that come with the less market friendly institutions (Cui & Xu, 2019; Gaur et al., 2018; Liou & Rao-Nicholson, 2017) which increases transaction costs of doing business. To improve their operational performance, multinationals from emerging markets expand through mergers and acquisitions of established entities mainly in developed countries as a way of getting access to critical assets like brands, technology, innovation, and additional channels for product distribution (Cuervo-Cazurra & Ciravegna et al., 2018; Gaur et al. 2018; Liou et al., 2018).

A study of post-acquisition performance by South African multinational firms by Liou and Rao-Nicholson (2017) found the existence of negative correlation between institutional distance and performance of a firm post the merger and acquisition, and the host / home countries' colonial ties moderated the relationship. The following invitation for future research was extended, "we encourage researchers to further study the African firm level characteristics that are effective in alleviating the legitimacy threat presented by institutional distance" (Liou & Rao-Nicholson, 2017, p. 1193). According to Cuervo-Cazurra and Luo et al. (2018), the bulk of current international business studies have focused on understanding how the host country influences international strategy with less attention being paid to institutions of the home country. In addition, the emergence of multinationals from emerging countries on the international arena has given rise to a scholarly debate on the link between internationalisation and the firm's operational performance (Buckley & Tian, 2017). The profitability implications of the rapid international expansion strategy followed by emerging market firms to escape home institutional voids remain unknown (Cui & Xu, 2019). Cuervo-Cazurra and Ciravegna et al. (2018) and Liou and Rao-Nicholson (2019) concurred that while some work has been done to highlight the success emerging market multinationals have enjoyed, there is still a gap in understanding the drivers of the performance of these multinationals. This paper investigated the influence of institutional distance as measured by cultural distance as

well as the multinational's international experience on performance (post-acquisition) of these emerging market firms that go and invest in developed markets. This investigation analysed the performance data of South African multinational firms that were involved in mergers and acquisitions in developed markets.

The starting assumption of this research was that internationalisation leads to better performance because of the benefits derived from risk reduction, building economies of scale and differentials in production input costs (Nguyen, 2017). Emerging market multinational firms have been seen to expand into developed markets in search of strategic assets. Cui and Xu (2019) and Gaur et al. (2018) argued that when home markets grow and transform, competition will force local firms to go offshore in search of strategic assets that will be used to build home competitive advantage. In their investigation of South African firms that pursued international mergers and acquisition early in their life, Liou and Rao-Nicholson (2019) found that push factors like weak institutions drove these firms to go international using aggressive means to reduce their vulnerability to the home institutions that aren't market friendly.

Culture is a form of an informal institution, and it defines the norms and values of a country or society at large and as such influences the social engagements including the way business is conducted (Liou et al., 2017; Liou et al., 2018). Since culture represents the unspoken rules and doesn't carry the same coercive influence that laws and regulations have, firms have some latitude in how they manage the challenges of cultural distance and as such it will take time and resources for the firm to address the gap (Liou et al., 2018). According to Luo and Tung (2017), a subsidiary will likely enjoy greater autonomy when cultural distance is very large. When a subsidiary has autonomy, it means there will be a high possibility of a reduction in the benefits that should be derived from internationalisation. As an example, the economies of scale will not be fully exploited, and transactions costs will remain high because of the failure to standardise the products and processes (Wei & Nguyen, 2017). To the contrary, there are benefits that come with the subsidiary being autonomous which include the ability to address the specific requirements of the host country's stakeholders (Liou et al., 2018), reducing the risk of disrupting the production of the strategic assets (including retaining key personal in the subsidiary) and reducing the costs that comes with the liability of foreignness (Cuervo-Cazurra & Luo et al., 2018). Ultimately, depending on the balance achieved between the cost and benefits of addressing liability of foreignness, cultural distance will present challenges to the multinational firm's performance after the acquisition (Buckley,

2018; Wei & Nguyen, 2017; Yan et al., 2020) and has a negative correlation to performance.

Scholars have found that international experience of the multinational firm influences how it expand overseas. For example, some multinational firms were observed to expand internationally through global value chains, which allowed them to initially participate indirectly in the targeted offshore market while learning, before they become independent from the established global firms and ultimately directly participating in the foreign market (Gammeltoft & Cuervo-Cazurra, 2021). Mathews (2017) and Tian (2017) argued that firms coming from emerging home institutions are likely to succeed in an international strategy that is based on learning from established companies as proposed by the linkage, leverage and learning model of internationalising, again highlighting the importance of international experience. Firms have been seen to also use other modes of entry like participating in foreign markets without any equity commitment which is achieved through exports to facilitate the learning process (Gaur et al., 2018; Holtbru¨gge & Berning, 2018). Therefore, international experience has a positive link to performance of the emerging market multinational firm after the acquisition.

To interrogate the impact that cultural distance and international experience have on the performance of multinational firms from emerging markets that invests in developed markets, the paper used the institution-based view framework to carry out the analysis. In short, this framework explains foreign direct investment strategy as incremental based on home and host countries' institutional differences (Estrin et al., 2018; Yan et al., 2020). Firms are expected to initially expand into countries that are like the home country and then based on acquired experience and capabilities, they will later move to countries that have significantly different institutions. The institution-based view framework will be appropriate in analysing the performance of South African multinationals given the country is a young democracy with young institutions that are in the process of development. Most of South African multinationals with a presence in the developed markets have operations in Africa or countries with similar institutions which they used as a learning board (Estrin et al., 2018; Holtbru¨gge & Berning, 2018; and Yan et al., 2020).

Large globally competitive multinationals contribute to the exceptional performance of emerging market economies including the development of the middle-income class of consumers (Tonby & Madgavkar, 2018; Woetzel et al., 2018). Tonby and Madgavkar (2018) and Woetzel et al. (2018) further argued that high performing economies like

China, India and Uzbekistan, host twice as much as other emerging economies, the number of companies generating revenue more than US $500 million. These globally competitive large emerging market multinationals, which thrive on innovation and expansion, act as catalysts for the entire economy of emerging markets as they work with small and medium sized suppliers which are critical for employment creation (Rajagopaul, 2020; Woetzel et al, 2018). As a result, large global corporates play a crucial role in pulling millions of people out of poverty in emerging markets and as such an understanding of what drive their post-acquisition performance within the context of their limiting home institutions will assist senior managers in crafting and implementing successful international strategies.

The investigation focused on two hypotheses i.e., that cultural distance negatively affects post-acquisition operational performance of the firm and that international experience positively influence post-acquisition firm performance. Data of mergers and acquisitions deals by South African based multinational firms completed between 1994 (dawn of the country's independence) and 2018 (based on performance being measured three years after the deal) was used in the investigation. The major findings were that South African multinationals experienced negative post-acquisition performance on average over the period of investigation, there was no evidence to support both hypotheses, however the relationship between performance and both cultural distance and international experience were negative and positive respectively, which was in line with expectations (both logic and current literature). Finally, the investigation observed that the total assets that the multinational firm owned positively influenced the performance of South African multinationals after their acquisitions.

This report is structured as follows: a literature review of the current academic debates related to the topic of investigation is in the following section covering institutional distance, performance of multinationals and the rich South African history and its influence in the development of cultural institutions. The development of the hypotheses based on the literature follows next, then the methodology used to conduct the research, the results of the investigation and finally the discussion of the results including the take outs from the investigation.

2. Literature Review

2.1. Institutional distance

When emerging market multinational companies expand to service offshore markets, they are generally pushed by their home market constraints that will be expected to limit the entity's future growth opportunities (Cui & Xu, 2019; Wang & Ma, 2018) and ultimately the long-term operating performance. Home country institutions are critical in the life of the firm since they create the firm's ecosystem, they shape the firm's competitive advantage or lack thereof and they also shape the business strategy to be pursued in the host country (Tang & Buckley, 2022). Based on the institutional escapism framework, organisations are motivated to move into foreign markets as a way of escaping the home market institutional hazards (Marano et al., 2017; Nuruzzaman et al., 2019). In their investigation of the foreign expansion process followed by South African multinationals, Liou and Rao-Nicholson (2019) found that push factors like weak institutions at home drove these emerging multinational firms to go international aggressively to reduce their vulnerability to the home country institutions that weren't market friendly.

Aligned to the above were findings by Barnard and Luiz (2018), they concluded that firms expand into international markets because of uncertainty in the home country and not necessarily because of weaknesses in the home country's institutions. Institutions are at the core of the operations of the business as argued by Tang and Buckley (2022), as such any form of uncertainty around these will likely have negative consequences on an organisation's long-term performance. For example, investors might start withholding their capital or charging more for it based on this uncertainty which will reduce the resources available to fund future growth opportunities that drive the long-term sustainability of the business through superior / better performance. Barnard and Luiz (2018) argued that as institutions change, such change brings with it uncertainty and discomfort to the managers of the firm about the future productivity of the new environment.

When it comes to drivers of foreign direct investment in China, Gaur et al. (2018) observed that some industries became unattractive because of the negative home market factors that included shortage of inputs as well as local competition forcing firms to go international in search of opportunities and resources (Cui & Xu, 2019) to propel

their future growth. According to Buckley (2018), internationalisation of Chinese firms became aggressive in the 1990s because of the emergence of home country push factors like poor distribution and logistics networks, domestic markets protectionism and very competitive and saturated sectors following the joining of the World Trade Organization.

In addition, some emerging market firms are exposed to strong home market resource dependency. First and foremost, there is a dependency on the home government for production inputs which may include cheap funding and secondly there is dependency on established foreign entities operating in the home market which provide access to competitive resources like brands, experienced management, and technology (Cui & Xu, 2019). Cui and Xu (2019) and Nuruzzaman et al. (2019) further pointed out that these firms are pushed to pursue international opportunities as a way of managing this resource dependency which poses significant business risk to the long-term performance of a firm. Resource dependency can limit the business' ability to respond to market opportunities through limited innovation as the resources are either guaranteed or the provider of the resources might impose some restrictions on how the beneficiary should conduct business if they would like to continue getting access to these. As an example, there might be a requirement by the government for the firm to pursue certain social projects even though that might not give the highest risk adjusted return and thus not an efficient way of allocating resources for the firm. High resource dependency will also likely result in increased transaction costs in the form of corruption to officials who are gatekeepers to these resources or the firm accessing poor quality resources including paying high prices given the lack of competition from a supplier perspective. The profitability from the international investment was observed to be based on the level that the emerging market firm can escape the home resources dependency (Cui & Xu, 2019) and thereby creating new sources of the required resources.

In contrast to the traditional escape motivation view in which firms have to 'escape' the voids of home institutions to survive, there are also emerging scholar views that companies are also pushed to expand internationally by the development of home country institutions. For example, Cui and Xu (2019) as well as Gaur et al. (2018) argued that when home markets experience growth through the opening of markets and the emergence of a sizable middle-income class market, competition from bigger firms targeting these markets will push local firms to go international in search of strategic

assets like technology and brands which will be used to compete back in the home country. Buckley (2018) pointed to the case of China; the country's foreign direct investments have been mainly driven through the government's 'Go Global' policy which was created to encourage local firms to grow by going into international markets. This example supports the institutional leverage framework which proposes that firms take advantage of the home market institutions to go international (Holtbru¨gge & Berning, 2018; Nuruzzaman et al., 2019) and in the process benefit from the government incentives which ultimately lead to better performance. As such, internationalisation is a strategy used by emerging market multinationals to build a sustainable business performance (Cuervo-Cazurra & Ciravegna et al., 2018) by diversifying from home market voids that stifle future growth while acquiring strategic assets to build a competitive advantage. The internationalisation strategy exposes the emerging multinational firm to new risks which emerge based on the home and host countries' institutional distance.

Institutions are rules of engagement in a particular market or country and as such have significant influence on how business is conducted and ultimately the performance of any multinational company (Gaur et al., 2018; Liou et al., 2017; Liou & Rao-Nicholson, 2017) that invests or is invested in the market. Institutions can take the form of formal or informal, with formal institutions being defined as the laws, regulations or rules of conduct that can be legally enforced in the court of law (Gaur et al., 2018; Liou & Rao-Nicholson, 2017) and as such are coercive. On the contrary, informal institutions are not written down rules, rather they are internalised by both firms and people within the specific jurisdiction and as such have a potential to significantly increase the learning costs incurred by the multinational firm in the host market (Bhaumik et al., 2018). Institutional distance describes the dissimilarities between the home / host countries' institutions (Liou & Rao-Nicholson, 2017). Buckley (2018) and Estrin et el. (2018) argued that institutional distance creates challenges with the multinational's legitimacy and its more pronounced for emerging market multinational firms based on the institutional weaknesses that exist in the home country. Scholars Liou et al. (2018) and Liou and Rao-Nicholson (2017) define institutional legitimacy as a view formed about the multinational firm based on facts, perceptions or otherwise by host country's stakeholders who include clients, suppliers, and regulators, on the way a firm is conducting its business within the circumstances of the host country's rules, norms and values. According to Cuervo-Cazurra and Luo et al. (2018), a home country advantage or disadvantage impacts the firm's internationalisation strategy based of the perceived

image of the company and / or its products in the new market. As such, it is the perception of the clients in the host market and not the real quality of the products that will drive the success or otherwise of the emerging market multinational in that market. According to scholars Estrin et al. (2018), Holtbru¨gge and Berning (2018) and Yan et al. (2020), based on traditional models like the Uppsala, an emerging market multinational firm is expected to pursue foreign direct investments in markets that have institutions close to those of the home country as a way of managing legitimacy challenges and risks caused by institutional distance. The firm's legitimacy significantly affects how it interacts with its stakeholders in the host country and ultimately has an impact on its success or otherwise in the host market. As an example, when a firm lacks legitimacy in the host market, its business may be negatively impacted by clients boycotting its products, authorities issuing fines or the inability to negotiate favourable terms with buyers and suppliers.

Scholars have been debating on the arbitrage opportunities presented by institutional distance in general. According to Konara and Shirodkar (2018) these arbitrage opportunities emerge from the embedment effect of the multinational's home institutions or the superior institutions in the host country that supports a multinational that seeks to escape the home country constraints. The former arbitrage speaks to the strengths from the home country that are part of the multinational which can be passed on to the acquired subsidiary to create a competitive advantage while the latter relates more to the emerging market multinationals that expand into developed countries as a way of escaping or diversifying from the stifling home institutions (Konara & Shirodkar, 2018). As emerging market multinational firms spread their tentacles into foreign host countries with significant institutional distance (i.e., developed countries), they carry with them a negative tag (also called 'liability of origin') which is based on their country of origin (Estrin et al. 2018; Marano et al., 2017). For example, if the home country of the emerging multinational firm is plagued by corruption, the default assumption in the host country is most likely that the multinational firm is also corrupt and as such its treated with suspicion by the stakeholders resulting in it being closely monitored, strictly regulated or even being denied access to some of the resources that it needs to operate optimally in the country.

In addition to the liability of origin, emerging market multinationals also face the liability of foreignness which simply can be defined as the costs incurred by a multinational (in comparison to local firms) for running a business in the host market (Cuervo-Cazurra & Luo et al., 2018). All this will likely increase the costs of operating in the host market

(through learning new ways of doing business and unlearning current ways that might not be acceptable within the new market) and reduce the ability to conduct business more effectively and thus ultimately impacting the performance of the emerging market multinational. To manage this liability of foreignness, when emerging market multinationals expand their operations into offshore markets, some of these firms have been observed to initially partner with a local investor (in form of a joint venture) who understands the local environment and has legitimacy capital (Gammeltoft & Cuervo-Cazurra, 2021; Holtbru¨gge & Berning, 2018; Rao-Nicholson & Khan, 2017). There is a downside to such joint ownership arrangements, even though the legitimacy issue might be resolved, such firms may not enjoy the full benefits (financial or otherwise) of the international strategy because of limited integration to the subsidiary while still learning the market. Integration is a necessary condition for optimal performance under the transaction cost economics framework. With partial ownership of the subsidiary, there may be conflicts with the joint partner which may hamper the transfer of resources in either direction therefore reducing exploitation of the arbitrage opportunity and as a result the performance benefits from the acquisition, however it helps with reducing the adoption (learning and unlearning) costs (Konana & Shirodkar, 2018). In addition, as part of an international strategy to manage the learning and / or unlearning process of entering a new market, emerging market multinationals will sometimes have to hire managers with experience in similar countries like the host country, more so when institutional distance is significant (Cuervo-Cazurra & Luo et al., 2018).

Some scholars also observed that when an emerging market multinational firm acquire a subsidiary with a strong brand in the host country, the parent firm in most cases will likely opt to maintain a local corporate visual identity. Liou et al. (2018) argued in support of multiple corporate visual identities because it creates competitive advantages since the firm can source information from its different identities to respond to its diverse stakeholders' needs or demands. In this case when an emerging market multinational firm acquire a subsidiary based in a developed market, the integration has been observed to take some time since the parent company may lack the capabilities (including management) required to exploit the strategic assets in the host market (Estrin et el., 2018; Rao-Nicholson & Khan, 2017). Aligned to the above view, after looking at Latin American firms, Cuervo-Cazurra and Luo et al. (2018) argued that when a firm coming from a country with weak or deteriorating institutions acquire a subsidiary based in a host country with superior institutions, the subsidiary will likely be given greater

autonomy to retain key personnel and allow it to continue developing the capabilities that attracted the acquiror in the first place.

There are however contrary arguments to the subsidiary being given autonomy or maintain multiple corporate identities, Wei and Nguyen (2017) argued that global integration of the multinational firm is meant to create economies of scale and reduce cost of production by having standardised processes and products. As a result, to improve its competitive advantage and its operational performance, the acquiring firm will need to find ways of accessing and transferring the strategic capabilities while keeping the subsidiary relatively autonomous. This will be difficult to achieve when the emerging multinational firm does not have full control of the subsidiary, such a scenario will most likely negatively impact the performance of the firm. It is critical for the multinational to find a balance between building economies of scale through integration and being able to remain agile enough to respond to the stakeholder needs of the host country (Wei & Nguyen, 2017). However, in a study on the challenges faced by multinationals companies from emerging markets when it comes to branding and marketing strategies, Liou et al. (2018) found that the change of corporate visual identity of a marketing strategy is likely to occur when the institutional distance is high as the parent company will push for more integration with the subsidiary in the advanced host market to be able to access the targeted strategic assets or capabilities. Cuervo-Cazurra and Ciravegna et al. (2018) found that international investment enhances the performance of an emerging market multinational, more so when the home market is characterised by corruption and political uncertainty.

The differing views on how emerging market multinational firms manage large institutional distance point to the presence of other extenuating factors that influences the strategic decisions pursued by management in how their organisations manage institutional distance (Liou et al., 2018), with the end goal being the creation of legitimacy as a basis for long-term performance. Yan et al. (2020) observed that in addition to the home / host countries' psychic distance, there are other factors like business networks of the senior leadership, potential market opportunities and transaction costs that are at play in determining the market into which Chinese small to medium sized firms expanded to. In addition, the size of the firm also affects a firm's international strategy, with small to medium sized firms' decisions being observed to be heavily influenced by the perceptions of their senior leadership compared to large firms in which decisions are

made in a structured way by following certain governance processes (Yan et al., 2020) and as such will likely positively impact performance if the leadership is well experienced in foreign expansions. Scholars Gammeltoft and Cuervo-Cazurra (2021), Gaur et al. (2018), Holtbru¨gge and Berning (2018) and Tian (2017) observed that when a home country government supports domestic firms to go international, such incentives come handy and help the multinational firm in overcoming the liability of foreignness, this encourages companies to expand offshore even into countries with higher institutional distance. However, the drawback to this is that regardless of the home institution leverage, such firms may not perform well in the foreign markets because of management's lack of preparedness to efficiently operate a business in a foreign market (Wei & Nguyen, 2017). This view was supported by Wei and Nguyen (2020) after their study of Chinese service multinationals, they concluded that the presence of firm specific advantages is required to achieve performance across borders and that internationalisation on its own does not lead to superior performance, aligning to Yan et al. (2020) conclusions on institutional distance alone not being a sufficient condition in deciding new markets for these emerging market multinational firms.

In the Chinese business environment, there is a concept called 'guanxi' which describes the informal personal networks which are crucial in conducting successful businesses because they give senior leadership access to information and /or resources that can support their strategic ambitions which ultimately influence the operating performance of the firm with less worry being placed on the legitimacy of the firm in the host country (Buckley, 2018; Yan et al., 2020). In an investigation of Chinese firms that had expanded to Germany, Holtbru¨gge and Berning (2018) concurred that networks were essential for a successful international strategy as they offer access to insider information and as such a learning opportunity about the host country. The presence of a larger diaspora community also helps firms with sourcing and processing information about the host country and therefore reducing the liability of foreignness (legitimacy), a case in point being China where the relationship between the diaspora community and the foreign direct investment was observed to be positive (Estrin et el., 2018). To prove this learning and unlearning processes that multinationals must go through when they move into markets with large institutional distance, there is evidence that Chinese firms have been migrating from relational to arms-length ways of doing business transactions (Konara & Shirodkar, 2018).

There have been recent calls to look at institutional distance as an opportunity to the organisation rather than a threat that only require total compliance by the multinational to manage host market pressures. According to Buckley (2018), the success of multinationals on the international markets is based largely on their capability to leverage market imperfections and in the process becoming more innovative and thus building dynamic capabilities. Gammeltoft and Cuervo-Cazurra (2021) added that emerging economies have less scrutiny and controls compared to advanced economies, allowing them to sometimes operate with less constraints and more manager discretion which create competitive advantages (e.g., through innovation).

In addition, the liability of foreignness has pushed emerging market firms to adopt global best practices that position them in good light within the global markets, for example by adopting global reporting practices like corporate social responsibility (Marano et al., 2017; Tashman et al., 2018) which exposes them to more investment opportunities and additional markets. In some instances, these emerging market multinational firms struggle to raise capital from international markets because of institutional voids in their home country which make international investors suspicions about the nature or quality of their businesses as well as their financial reporting (Marano et al., 2017; Tashman et al., 2018). Through exposure to markets with better institutions, the emerging market multinational firms will diversify from their current exposure in growth limiting markets to creating a new growth path through internationalisation (Cui & Xu, 2019; Luo & Tung, 2017). When a firm must escape the institutional gaps and the competitive pressure at home, they will likely move into countries with stronger institutions to protect their investments as well as gain access to superior capabilities like technology which will be used to improve home operations and compete against incumbents (Cuervo-Cazurra & Luo et al., 2018).

Cui and Xu (2019) together with Luo and Tung (2017) argued that when multinational firms from emerging markets expand into global markets, they are mainly concerned about their liability of 'emergingness' more than the liability of foreignness. As a result, they have an aggressive international strategy, and they take more risk in their international journey compared to the path-dependent approach followed by multinationals from the advanced economies. In addition, Gammeltoft and Cuervo-Cazurra (2021) pointed out that emerging market firms expand into offshore markets to benefit from differences rather than similarities in institutions and this is the reason why

they go to markets with large institutional distance and commit significant resources quickly and early when compared to advanced markets multinational firms. Adding to this, Tang and Buckley (2022) investigated how emerging market multinational firms from Brazil, India, China and Russia make decisions on the destination and scale of foreign direct investment under different institutional environments and concluded that these firms conduct business differently compared to their advanced counterparts as some emerging market firms see host country institutional weakness as a benefit while others prefer strong institutions to reduce transaction costs. According to Tang and Buckley (2022), even though investing in markets with superior institutions compared to home country present barriers, once they have entered the market, emerging market firms have been seen to increase their investment exposure drastically so that they can quickly learn the sophisticated market and develop superior capabilities and thus benefiting from the large distance between the two countries.

As a result, institutional distance creates liability of foreignness for the multinational firm while on the other hand exposing it to new growth opportunities (Cuervo-Cazurra & Ciravegna et al., 2018). According to an investigation on Latin American firms by Cuervo-Cazurra and Ciravegna et al. (2018), one of the findings was that internationalisation open the firm to both opportunities and risks in the sense that by going international a firm will likely build economies of scale, get access to new or better assets (including funding) and the firm will own new capabilities, all of these create a competitive advantage. On the other hand, the firm will start servicing new customers, face new regulatory regimes, face discrimination, and must deal with the need to learn quickly while making more investments (Cuervo-Cazurra & Ciravegna et al., 2018). The result, the impact of the international strategy on the performance of the firm will depend on balancing the benefits against the costs of the strategy.

How emerging market multinationals manage institutional distance, which includes the mode of entry, equity ownership and personnel to manage the subsidiary among others, is influenced by their international experience and will have an impact on post-acquisition performance (Konara & Shirodkar, 2018). According to Gammeltoft and Cuervo-Cazurra (2021), global value chains have been used in some cases to access international markets by emerging market multinational firms when they lack international experience or resources for them to create a competitive advantage. Under these arrangements, emerging market multinationals partner with well-established firms to access foreign

markets while learning and acquiring the necessary experience. With time, the emerging market multinational will move from the global value chain to establish a presence in the market and directly participate and compete against the established firms in the host market (Gammeltoft & Cuervo-Cazurra, 2021). Similarly, emerging market multinationals with a strategy based on linkage, leverage and learning model to internationalisation will likely succeed as they stand on the shoulders of established firms with resources already and so do not need to reinvent the wheel (Mathews, 2017; Tian, 2017). In support of the argument to learn and gain experience, other emerging multinational firms were observed to expand into new markets using the exports mode initially, meaning the firm will participate in the host market without setting up operations (Gaur et al., 2018; Holtbru¨gge & Berning, 2018). This will lower the set up costs and makes it easier for the firm to exit should it discovers the market is not suitable. Where an emerging market multinational has both a comparative advantage and liability of foreignness, Cuervo-Cazurra and Luo et al. (2018) observed that such firms will sell products based on this comparative advantage while also hiding the country of origin in the packaging or alternatively the product will be sold at a relatively lower price compared to its quality to make up for the country-of-origin liability.

Institutional distance creates threats and opportunities for emerging market multinationals. It causes liability of foreignness on one hand which results in additional costs that will reduce the profits of the business. Alternatively, it can be a source of innovation which will create a competitive advantage that will in turn enhance the firm's performance.

2.2. Performance from internationalisation

Based on the discussion in the previous section, it can be seen that the reason why firms expand their operations into foreign markets is to create competitive advantage which is a catalyst for the firm's long-term performance. Regardless of the amount of academic work done so far, there is still a lively debate on the real determinants of the interaction between performance and internationalisation and according to Cuervo-Cazurra and Ciravegna et al. (2018), future studies should dig deeper and look at the home country context using empirical data from new countries as well as looking at different variables. Nguyen (2017) and Wei and Nguyen (2020) concurred that even with so much work having been done to understand the relationship at play between the performance of a

firm and its operations in multiple countries, the results have been indeterminate with relationships ranging from positive, negative to no relationship at all. In their study of the interaction between operating in multiple jurisdictions and the performance of the company, Shin et al. (2017) concluded that there was an inverted U-shaped as well as a U-shaped interaction between the two variables for knowledge and capital-based service multinational firms respectively. This means knowledge-based service firms are expected to achieve their peak performance early in the internationalisation journey after which performance starts dropping while for capital intensive service firms, the performance increases with more internationalisation as the firm builds economies of scope and scale (Shin et al., 2017).

In a study of the connection between the extent of internationalisation and performance of the firm, Abdi and Aulakh (2018) found that over time firms build scale and get experience which ultimately result in increased profitability through all the stages of internationalisation (what they termed the 'S-curve' relationship). As such, performance is expected to come through with time rather than being based on the level of internationalisation. These findings contradict the widely accepted three stage model of explaining the link between the firm's performance to the degree of internationalisation. An overview of the three stages is as follows, in stage one the firm experience a negative relationship since it still lacks economies of scale and experience in the new market because of the low degree of internationalisation, followed by a positive performance relationship in second stage as the degree of internationalisation increases resulting in the firm gaining scale and experience and finally a negative relationship as result of the costs of managing business in multiple jurisdictions outpacing the benefits (Abdi & Aulakh, 2018). Konara and Shirodkar (2018) also argued that the net benefits (i.e., net of costs) of internationalisation are dependent on the institutional distance net direction and as such affect multinationals' performance differently. Compared to capital intense, knowledge-based multinationals have higher adaption costs in the host country as they require more physical stakeholder interactions to exploit their firm specific advantages (Shin et al., 2017).

Bhaumik et al. (2018) investigated the operational performance of financial institutions from Central and Eastern Europe after their acquisitions and concluded that acquisitions of banks with significant embedded client information that is private and unverifiable, while the acquisition target is based in a country with different institutional frameworks

has a potential to negatively affect the acquiring firm's capital cost and ultimately its performance in the coming years following the execution of the deal. This is because it will cost more to verify the embedded customer information and to an extent, some of the information may not be reliable even though it will be used to determine the value the acquiring firm will pay and as a result the costs will most likely outweigh the benefits (Bhaumik et al., 2018). In such a case, there is a risk of overpaying for the assets which in turn negatively affects the investment return and ultimately the operational performance of the parent firm. Only once the transaction has been finalised will the acquiror be able to correctly value the relationship between the bank and its embedded clients, this is a case of high transaction costs associated with information asymmetry based on institutional distance. Accordingly, institutional distance affects performance in two ways i.e., a multinational can arbitrage the home country knowledge already rooted in the organisation or the attractive host market conditions (Konara & Shirodkar, 2018).

Cuervo-Cazurra and Ciravegna et al. (2018) are proponents of the argument that internationalisation has an enhancing effect on the performance of a firm, especially for emerging market multinationals, based on their study of multinational firms from Latin America and that this correlation is strengthened in firms coming from home countries plagued by high corruption and political risks. This is so because these firms were observed to develop the capability to manage uncertainty at home which will later be used to manage uncertainty that comes with internationalisation with much benefit being derived from host countries that have quite different institutions compared to the home country (Konara & Shirodkar, 2018). Nguyen (2017) as well as Wei and Nguyen (2020) argued that the firm specific advantages (capabilities) are the major drivers of a multinational's performance. Multinationality (internationalisation) should positively influence the firm's performance based on the risk reduction from diversification, economies of scale and scope development, production factor cost differentials and varying tax regimes across boarders (Nguyen, 2017).

Konara and Shirodkar (2018) added that the performance of the acquired firm will likely be positive when a multinational firm pursues foreign direct investment in a market with inferior regulatory institutions than when the investment is channelled towards a country with superior regulatory institutions. This argument might not hold when one looks at informal institutions like culture in which case even though the distance might be big, there is no superior or inferior cultural institutions. A counter argument is to note that the

emerging country multinational firms that go international are normally the best performers in their home country and as such have superior capabilities which they will deploy in the host country to try and neutralise the negative effects of liability of foreignness including any home country comparative advantages (Cuervo-Cazurra & Ciravegna et al., 2018). As such when an emerging market multinational moves into a developed country, the impact on performance will be expected to be positive driven by its capabilities as well as the favourable host country institutions which include among other research and development, innovation, access to technology and brands which all contribute to a competitive advantage.

In a meta-analytical review of scholarly work done in trying to establish the link between the mode of entering the foreign market and the multinational firm's performance, Zhao et al. (2017) found that research based on transaction cost economics theory consistently found that better performance is achieved when the multinational has majority control in the subsidiary for the different entry modes (greenfield, fully owned subsidiary and majority joint ventures). This is supported by the transaction cost economics framework which is all about minimizing costs by exercising full control which allow the parent company to freely share firm resources for better performance (Zhao et al., 2017).

Aligned to the above theories is the internationalisation theory which argue that firms go international using an approach that minimise transaction costs, this fits into core objectives of the business which is maximising profits and minimising costs (Abdi & Aulakh, 2018; Tang & Buckley, 2022). Investigations based on resource based view have yielded contradictory results on the entry mode-performance relationship with a positive relationship being observed when the parent company has majority equity which allows it to deploy resources into the subsidiary to improve performance while joint ventures (low or equal equity) have also been seen to have positive performance relationship based on their ability to earn host country legitimacy which enables easy access to resources and support from the local stakeholders (Zhao et al., 2017).

In summary the performance of a multinational firm is driven by the interaction of multiple factors driving the business and as such there is no simple relationship that exists

between performance and internationalisation. The firm specific capabilities are also important for countering the effects of big institutional distance.

2.3.   The institutional context of South Africa

Since attaining its political independence in 1994, South Africa has seen its economy grow from USD154 billion in 1994 to USD405 billion in 2018, in current USD terms, (The World Bank, n.d.a), this represents an average annual growth rate of 4%. For the same period the country experienced a population growth from 41 million to 58 million for years 1994 and 2018 respectively (The World Bank, n.d.b). The country is a member of a new economic block named BRICS together with Brazil, Russia, India and China, all emerging market countries, and majority of whom have experienced great economic growth in the recent past (Liou & Rao-Nicholson, 2017). BRICS member states made up 41% of the world population, 29% of total land area, 24% of world GDP and 16% of world trade in 2017 (Statistics South Africa, 2018). Developed markets have been a target of emerging market multinational firms as they try to catch up with their counterparts from the developed markets (Liou & Rao-Nicholson, 2017). Liou and Rao-Nicholson (2017) found that the post-acquisition performance of South African multinationals that spread their wings into developed nations was influenced by the dissimilarities in institutions of South African when compared to those of the host nation, including the colonial ties shared by the two nations. The significance of BRICS in the world economic order together with the rich institutional context that characterise emerging market countries, has attracted scholars who are now trying to understand how such home institutions have influenced the performance of multinational firms from these countries (Liou & Rao-Nicholson, 2017).

South Africa has a rich history which has shaped the development of its institutions to some extent, and this applies to both the formal and informal institutions. It is a country that was once colonised by the Netherlands and United Kingdom, so the influence of both can be seen in the country's institutions (Liou & Rao-Nicholson, 2017; Liou & Rao-Nicholson, 2019). According to Liou and Rao-Nicholson (2019), the language, religion and cultures of the former colonial powers have been left engraved in the fabric of the previously colonised countries like South Africa. The country's legal and financial institutions for example are like those of its former colonisers (Liou & Rao-Nicholson, 2019). Scholars have argued that by its very nature, colonisation left tracks of bad

economic performance plus poor governance (Liou & Rao-Nicholson, 2017) which resulted in poverty for most of the citizens who were previously marginalised.

South Africa's colonisation was met with resistance from the locals and settlers had to use violence (including repressive laws) to take control of the country, resulting in the locals being deprived of access to good resources like ownership of land (Barnard & Luiz, 2018). In this process, most of the land was taken and given mainly to white Europeans (French, Dutch, Germans and later the British) and slaves from Asia and other African countries to farm on it resulting in the creation of a diverse ethnic society (Liou & Rao-Nicholson, 2017) which has an influence on the country's culture. On the other hand, the dispossession of land perpetuated poverty among the locals who had to resort to working in urban and mining areas (Barnard & Luiz, 2018) for survival, even though they were also suppressed and exploited there. There were conflicts between the British and the Boers (Afrikaners) later which resulted in the country being literally split along these lines and thus influencing the cultural development in the different parts of the country before being later reunited under the British rule in 1910 (Liou & Rao-Nicholson, 2017; Liou & Rao-Nicholson, 2019).

Even though South Africa gained independence from the British, the marginalisation of the local population continued and later strengthened when the National Party which was elected in 1948, implemented laws that advocated for separate development based on race (i.e., apartheid) (Barnard & Luiz, 2018; Liou & Rao-Nicholson, 2017). During the apartheid regime, South Africa was placed under international economic sanctions which were only lifted after the 1994 political independence, as a result its businesses were isolated from participating in international markets (Liou & Rao-Nicholson, 2019) for a long time. Based on such isolation, businesses had to be creative to survive under such harsh economic environment. The state also became an active economic player by creating state owned entities whose sole purpose was to keep the economy and ultimately the country afloat. The country had to come up with some innovative local solutions to address the country's economic challenges, for example the establishment of Sasol which extracted oil from coal. In line with what Cuervo-Cazurra and Ciravegna et al. (2018) observed in Latin America, harsh institutional environments create firms that have the capability to deal with uncertainty and such a capability can be adapted in other environments. This will become a competitive advantage when these firms move to territories which are not similar to the home country from an institutional distance

perspective. Cuervo-Cazurra and Ciravegna et al. (2018) argued that emerging market multinationals will likely enhance their performance when the home country is plagued by corruption and political turbulence.

Fast forward post-apartheid, South African businesses experienced rapid international expansion in search of strategic assets as well as diversifying from home country constraints like skills shortage which emanated from the apartheid government's system that deprived the majority population access to quality education (Liou & Rao-Nicholson, 2019). According to Barnard and Luiz (2018), most South African companies expanded into developed markets (Europe and North America) during the 1990s based on past colonial ties and networks. South Africa's past colonial experiences of the majority citizens may complicate the working relationship between its people and those from former colonisers based on mistrust (Liou & Rao-Nicholson, 2019) and can thus affect the benefit derived from internationalisation.

Given the recency of the country's return to the world economic system, South African multinationals do not have much international experience as well as the capabilities within to manage different cultures that come with cross boarder acquisitions (Liou & Rao-Nicholson, 2017). This will likely increase the expenses that come with the liability of foreignness mainly in situations where the informal institutional distance is big given the need to deploy more physical resources to address such as observed by Bhaumik et al. (2018). South Africa's past colonial ties might affect the ability of its multinational companies to fully benefit from internationalisation, for example the lack of trust between the employees of both the parent and subsidiary might complicate the integration process. Such a scenario will then negatively affect the performance as economies of scale, and / or the sharing of the strategic assets might not be achieved as anticipated (Wei & Nguyen, 2017).

3. Hypothesis

3.1. Cultural distance vs post-acquisition performance

Culture describes the standard practices and values of a society which influences social engagements and ultimately the way business is conducted in that society (Liou et al., 2017; Liou et al., 2018). As cultural norms are not written down rules and are embedded in the individuals and firms alike, closing the liability of foreignness will require the multinational firm to deploy more resources physically and as such the adaptation costs are a bit high which will trickle down to the performance of the firm (Bhaumik et al., 2018). According to Luo and Tung (2017), a subsidiary will likely enjoy greater autonomy when the cultural distance is large and as such there will likely be delays in integrating with the parent firm, thus impairing the ability of the parent to fully benefit from the acquired subsidiary. Multinationals have been seen to partner with local partners in instances of large institutional distance as a way of attaining legitimacy (Gammeltoft & Cuervo-Cazurra, 2021; Holtbru¨gge & Berning, 2018). However, such joint ownership can pose challenges with the integration of the subsidiary as there might be conflicts and lack of trust which will delay sharing of resources for the benefit of the organisation (Konana & Shirodkar, 2018). Based on transaction cost economics framework a multinational will benefit more from an acquisition when there is full control (integration) which will result in the creation of economies of scale and resource sharing (Zhao et al., 2017).

Chinese firms' foreign direct investment has been observed to follow foreign markets that host a significant Chinese diaspora population as this assist in sourcing and processing information about the host country and indirectly reducing the cultural distance (Estrin et el., 2018; Holtbru¨gge & Berning, 2018). Since culture is part of the unspoken rules, it is complex and involves some discretion in managing it. Hiring local managers or those managers with international experience come in handy in managing the liability of foreignness as they will be able to navigate the challenges posed by the home and host countries' cultural differences in a way that allows the subsidiary company to operate more effectively (Estrin et el., 2018).

According to Liou and Rao-Nicholson (2017), significant institutional distance negatively impacts the performance of the firm post the acquisition as it will hinder the ability of the firm to fully understand the rules of the game. Since culture is part of the informal rules that are not written down, the acquiror will need to commit significant resources to support the adaptation process which will involve both learning the new culture and

unlearning any embedded home cultures that will likely cause conflicts with the host country's stakeholders. As a result, cultural distance is expected to exhibit a negative relationship to the emerging market multinational firm's post-acquisition performance.

Hypothesis 1 (H1): Cultural distance negatively impacts the firm's post-acquisition operating performance. The higher the cultural distant between the home country and the host country, the more cultural distance negatively impact the post-acquisition operating performance.

3.2. International experience vs post-acquisition performance

The literature around how multinational firms enter markets with high institutional distance using a learning approach before committing a lot of resources supports the relevance of experience in determining foreign direct investment. According to Estrin et al. (2018), Holtbru¨gge and Berning (2018) and Yan et al. (2020), before expanding into countries with high institutional distance, emerging market firms have been observed to initially go into similar markets to gain international experience. Similarly, when international expansion by emerging market firms is targeted at markets with high institutional distance (developed countries), these firms have been observed to partner with local firms including holding low equity in the subsidiary to allow for learning and gaining international experience (Gammeltoft & Cuervo-Cazurra, 2021; Holtbru¨gge & Berning, 2018; Rao-Nicholson & Khan, 2017).

According to Gaur et al. (2018) and Holtbru¨gge and Berning (2018), some firms initially participate in foreign markets without any equity commitment through exports to facilitate the learning process and thus helping manage the legitimacy challenge while participating and learning the host market. Some emerging market firms initially go global indirectly by participating in the global value chains and only once they have acquired the necessary experience, they will move to directly participate in the host independent of the larger firms that they relied upon initially (Gammeltoft & Cuervo-Cazurra, 2021). In addition, scholars have observed that post-acquisition integration is sometimes delayed when the multinational firm lacks the experience and expertise to manage the new strategic assets acquired in the developed market (Estrin et el., 2018; Rao-Nicholson & Khan, 2017).

Hypothesis 2 (H2): A firm's international experience has a positive impact on its post-acquisition operating performance. Holding other things constant, emerging market multinationals with some international experience at the time of acquisition, will have higher post-acquisition operating performance compared to those with no experience.

3.3. The research model

Figure1 below is a summary model of the investigation this paper undertook. The paper assumes internationalisation leads to better performance (Cuervo-Cazurra & Ciravegna et al., 2018; Gaur et al. 2018; Liou et al., 2018) and as such the investigation seeks to understand the link of cultural distance and international experience to the performance of an emerging market multinational firm after an acquisition deal.

Figure 1: Model of investigation
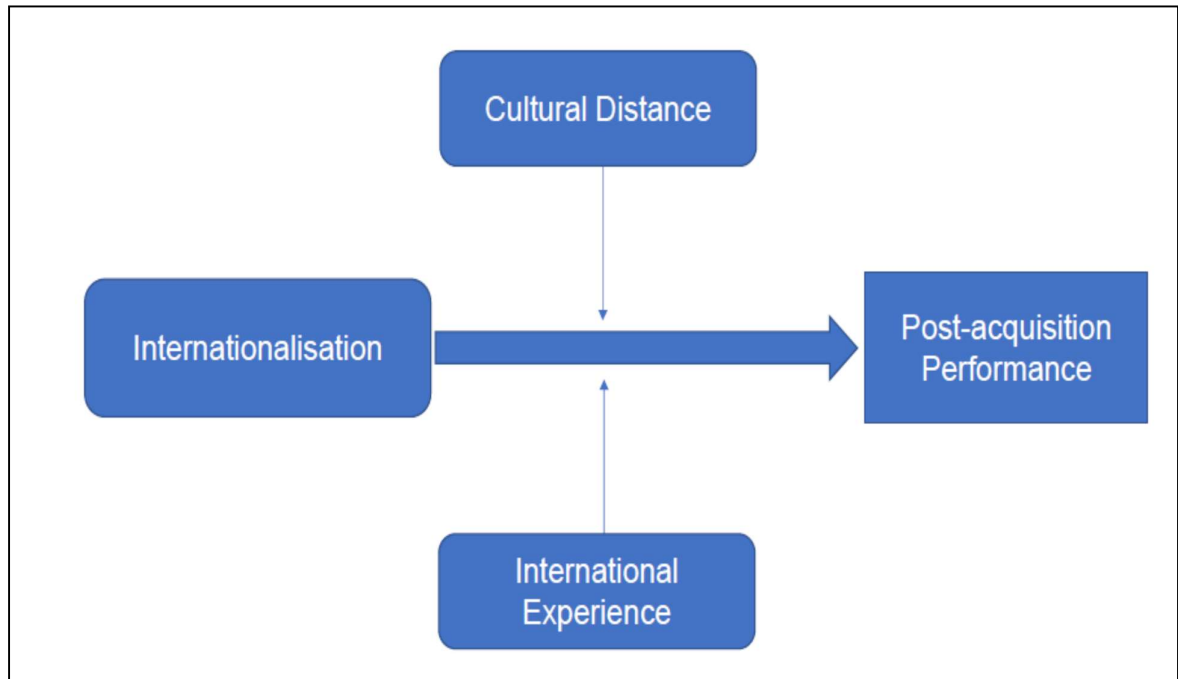
4. Research Methodology

This investigation was based on a positivist approach i.e., it is about exploring the relationship of different variables that can be quantified based on objective methods or metrics. According to Bell et al. (2019), the positivism method uses natural science methods to understand social reality, meaning it's based-on facts, its free of values and it's based on a phenomenon. The purpose of this investigation is to understand the relationship between post-acquisition operating performance (dependent variable), cultural distance and the firm's international experience (both independent variables) of emerging market multinationals that expanded into developed markets, using data for South African multinational as an example. The investigation seeks insights to the question: what the impact of cultural distance and international experience is on performance of the firm after the acquisition. The level and unit of analysis for the investigation was the firm. The targeted population are all multinationals from emerging market countries that have pursued foreign direct investment in developed markets. A population is a group on which the research outcomes can be generalised (Bell et al., 2019).

The research made use of secondary public non-human data collected from different sources including credible databases and websites. Secondary data allows for a longitudinal time analysis as the data will have been collected over time (Bell et al., 2019). This type of data works best for this investigation given most mergers and acquisitions transactions take place over time, the performance impact was analysed three years after the completion of the transaction and as a result there wasn't enough time to perform primary data collection. The research also made use of any published information including annual financial statements of companies. Based on information above, the investigation does not pose any significant ethical risk. All raw data collected as part of this investigation will be stored in a personal icloud account for at least 10 years.

The sample on which the research was based comprised all South African firms that completed mergers and acquisitions deals in developed markets between the years 1994 to 2018. The year 1994 is when South Africa got its political independence leading to the lifting of economic sanctions that allowed business in the country to start participating in the world economy (Barnard & Luiz, 2018; Liou & Rao-Nicholson, 2019). The financial performance post-acquisition of the emerging market multinational firm was observed in year three post the deal to allow enough time for the benefits to be unlocked and as such

only mergers and acquisitions that were completed by 2018 were included in the sample. Bell et al. (2019) defines a sample as the population's subset, and it's meant to represent the population if the results from the investigation are to be generalised or replicated. Given the heterogeneity of emerging countries, focusing on a specific country will allow for data analysis and interpretation of results to be done within the circumstances of that country, which will help with determining boundary conditions and limitations on generalising the research results (Childlow et al., 2015; Teagarden et al., 2018). According to Cuervo-Cazurra et al. (2016), establishing theoretical boundaries based on relationships that are driven by specific conditions helps with future expansion of the theory to environments that have not been looked at before. The data on foreign mergers and acquisitions pursued by South African firms in developed markets, was downloaded from the Refinitiv's Mergers and Acquisitions database (SDC Platinum previously owned by Thomson Financial Securities), a widely used database in previous similar investigations by other scholars.

The following criteria was used to download the data from the Refinitiv database: (i) the acquiror's home country is South Africa; (ii) the merger and acquisition deal was completed; (iii) the acquiror is /was listed on the Johannesburg Stock Exchange; (iv) after the deal, the acquiring firm had a majority shareholding (i.e., greater than 50%) in the subsidiary; and finally (v) the transaction was completed between April 1994 and December 2018.

Since the focus of this study is on those deals that were executed in developed countries by South African firms i.e., the target firm should be based in a developed nation, only those deals that were executed in such markets were included in the sample. For this investigation, a country was classified as developed if it had a Human Development Index (HDI) score of at least 0.80, based on the 2019 rankings. HDI was created by the United Nations and is used to gauge the level of development of people in a country using metrics like education, health, and life expectancy (United Nations Development Programme, 2022). Each country is rated on a scale of 0 to 1 with the former being the least developed and the latter the most developed. Countries with scores of 0.80 and above are classified as developed. In addition, the host country (country of target firm) should be a member of the Organization for Economic Co-operation and Development (OECD). Thus, the host country was classified as developed if it had an HDI score of at least 0.80 and was a member of OECD as at the time of the investigation.

Once the list of acquisitions had been cleaned to only reflect deals that were executed in developed markets, additional financials data was collected for use in calculating the performance of the multinational companies. This data covered the firm's total assets and net income before discontinued operations and extra-ordinary items for the period one year before the acquisition up until three years after the deal was completed. In addition, the firm's international experience was determined by looking at the existence or otherwise of any foreign assets or sales in the firm's financials in the year preceding the deal. This data was collected from Refinitiv's Company financials database. Any deals that had missing information were excluded from the investigation.

4.1. Dependent Variables

4.1.1. Post-acquisition operating performance

A company's post-acquisition performance was calculated as the change in the return on average total assets (ROA) between year three post the deal and the year of the deal. ROA is an accounting ratio for long term performance of the combined firm (i.e., after completing the offshore acquisition). Given the acquiring firm had a majority ownership in the subsidiary, the assumption was that the subsidiary's financials were integrated into the financials of the parent company at some point within the three-year period post the deal. ROA measures the profits generated by management for every R1 of investment made into the business (i.e., it's a measure of how well the assets are being used, asset efficiency). Unlike other performance metrics like return on equity (ROE) which looks at returns to equity holders, ROA excludes the impact of leverage in calculating the performance of the firm. The firm's performance data was collected for period one year before the deal until three years post the deal, which aligns to empirical research in this field as acquisition benefits may take time to realize (Liou & Rao-Nicholson, 2019). This data was collected from Refinitiv Company financials database.

ROA $_{(t)}$ = Net income excluding discontinued operations and extraordinary activities $_t$ / Average total assets between times (t) and (t-1).

Post-acquisition performance (%) = ROA $_{(t+3)}$ – ROA $_{(t)}$, where t is the year the deal was executed.

4.2. Independent Variables

4.2.1. Cultural distance

Country culture scores were measured using Hofstede data on country culture available of the website. This data is based on the research done by Prof. Hofstede and his teams on the effect of culture on values in the workplace. The initial research analysed employee value scores within IBM for period 1967 to 1973 across 70 countries ((Hofstede Insights, n.d.). The country culture scores were to some extent based on replicating and extending the IBM study to different populations internationally. Further studies were done using commercial airline pilots, students across 23 nations, leaders in civil service from 14 countries, prestige clients in 15 countries, and the upper class in 19 countries which all validated the original findings (Hofstede Insights, n.d.). Hofstede's model uses six dimensions to measure country culture as described in the Figure 2 below and the country scores for each of the dimension are available on the website (Hofstede Insights, n.d.). For each of these cultural dimensions, a score between 0 and 100 was allocated for each country.

Figure 2: Hofstede's cultural dimensions

Cultural Dimension	Description
Power distance index	Measures how human inequalities are handled by society. A nation with a high score accepts hierarchical order while low score nation aspire equal power distribution and demand accountability for any inequalities.
Individualism versus collectivism	Individualism is a social framework under which people care only about themselves and their immediate loved ones. Collectivism on the contrary, is a framework in which individuals expect a certain group of people to care for them in exchange for their loyalty.
Masculinity versus femininity	A masculine society is competitive, characterised by heroism, achievement, assertiveness, and material rewards. Feminine society is consensus focused and is about cooperating, modesty, caring for the vulnerable and quality of life.

Uncertainty avoidance index	It's about how a society deal with an unknown future. Intolerant to non-traditional ideas or conduct is characteristic of societies that have low uncertainty tolerance. Societies with high tolerance are more relaxed and open to new things.
Long term orientation versus short term normative orientation	Societies differently handle how they keep links to the past as they deal with the present and future. Low scores show societies that focus more on keeping traditions and norms while being suspicious to change (short term normative). High scores are for those societies that are more pragmatic towards the future (long term view).
Indulgence versus restraint	An indulgent society is one that tolerate free satisfaction of basic natural human behaviours associated with enjoying life. Restraint represents a suppressive society which controls enjoyment of life through strict social norms.

Source: (Hofstede Insights, n.d.)

According to Berry et al. (2010), some researchers have observed the dynamic and evolving nature of culture over time. This dynamism is not fully captured when using Hofstede data which is static and can thus be highlighted as a weakness to using this data compared to other data sources like the World Values Survey database whose surveys are conducted regularly. However, Hofstede's data is ready to use with minimum work required to get it ready for analysis. In addition, even though Berry et al. (2010) highlighted the dynamic nature of culture, the change in most cases is not drastic over the short to medium term i.e., culture is referred to as a fixed aspect of a country (Rosenberg, 2017).

Once country culture data had been collected, the next step was to calculate the culture distance between South Africa (the acquiring firms' nation) and the acquired firms' nations. Even though there is no standard way to calculate distance, there are five criteria that a distance measure should satisfy i.e., symmetry, non-negative, identification, definite and triangle inequality (Berry et al., 2010). Below Figure 3 represent some of the methods that can be used to calculate distance including their properties.

Figure 3: distance calculation methods

Property	Description	Euclidean	Euclidean Squared	Mahalanobis
Symmetry	$d_{ij} = d_{ji}$ for all i and j	Yes	Yes	Yes
Non-negativity	$d_{ij} >= 0$ for all i and j	Yes	Yes	Yes
Identification	$d_{ii} = 0$ for all i	Yes	Yes	Yes
Definiteness	$d_{ii} = 0$ only if $x_i = x_j$	Yes	Yes	Yes
Triangle inequality	$d_{ij} = d_{ik} + d_{jk}$ for all l, j, and k	Yes	No	Yes
Sensitive to correlation	Variables not assumed to be orthogonal to each other	No	No	Yes
Sensitive to variance	Variables not assumed to have equal variance	No	No	Yes
Scale invariant	Measure not sensitive to scale of variables	No	No	Yes
Ability to handle overdetermination	Number of points can be smaller than number of variables	Yes	Yes	No

Source: (Berry et al., 2010, p. 1469)

The Mahalanobis methodology satisfies the five criteria mentioned earlier and compared to Euclidean, it factors the variance-covariance matrix while not being sensitive to the scale of the variables (Berry et al., 2010). However, its limitation is that the variables can't be collinear, and the data points must be more than the variables to allow the calculation of the inverse of variance-covariance matrix (Berry et al., 2010). Since country variables tend to be correlated, the variables' variance varies significantly and

are measured on different scale, the Mahalanobis approach to measuring country distance is more appropriate and thus was used to calculate the cultural distance index between South Africa and the host country.

4.2.2. International experience

This is the firm's international experience before making the acquisition as measured by presence of either foreign sales or foreign assets in the company's financials a year before the acquisition was made. Prior international experience of the acquiror has been seen to have an impact the performance of the subsidiary (Cuervo-Cazurra & Luo et al., 2018; Rickley & Karim, 2018). International experience variable will be measured as a dummy variable, i.e., labelled zero when there was no foreign assets or sales and one if the company had foreign assets or sales before the acquisition. This data was collected from Refinitiv Company financials database.

4.3. Research quality and rigor

Research results that can't be reproduced nor replicated pose a challenge on the credibility and usefulness of the investigation (Aguinis et al., 2017). Nielsen and Raswant (2018) argued that a research's validity and reliability and therefore its replicability increases when there is more disclosure on which control variables are used, rational for their addition and how they will be measured. As such the data collection and data analysis processes were performed with rigor to ensure credibility of the outcomes.

4.3.1. Data collection

To ensure robustness of the research, outliers were removed from the sample. Aguinis et al., (2017) described outliers as data that significantly deviate from other data points and as such can have significant adverse impact on the results of the hypothesis being tested (Montgomery et al., 2012; Yan & Su, 2009). For example, only companies with full data sets were included, for multiple deals within a short time frame (less than 3 years), only the last deal was included and finally portfolio investments were removed from the data set. In addition, large variations in variables that have big standard deviations will be managed in the analysis process by making use of log values for such variables.

4.3.2. Control Variables

The investigation will control for several factors that might have an influence on the performance over and above cultural distance and international experience which is the focus of the investigation (Aguinis et al., 2017; Becker et al., 2015). Use of control variables is meant to enhance accurate estimates of the interaction between dependent and independent variables while removing alternative interpretations of the results and thus helping improve research rigor (Becker et al., 2015; Nielsen & Raswant, 2018). Cuervo-Cazurra et al. (2016) argued for the importance of removing alternative views on the empirical relationship under investigation. Control variables assist in eliminating false conclusions that there is a casual relationship between the dependent and independent variables i.e., Type I error (Cuervo-Cazurra et al., 2016; Nielsen & Raswant, 2018).

However, the use of control variables in regression analysis has its drawbacks as well, for example results might be distorted or the contribution of the other variables might be affected (Nielsen & Raswant, 2018). Becker et al. (2016) pointed that the use of control variables introduces theoretical and analysis challenges which if not addressed will result parameter estimates that can't be interpreted, makes replication of results an impossibility and introduces inferential errors. As such it is important to ensure that only the control variables that will contribute to the analysis should be included and well documented (Cuervo-Cazurra et al., 2016).

Below is a list of control variables used in the investigation, including the rationale behind their inclusion (Becker et al., 2016) as well as how they will be measured.

4.3.2.1.   Resource capability of the firm

Previous studies have shown that firms with more assets are relatively better positioned to manage the liability of foreignness (Estrin et el., 2018; Liou & Rao-Nicholson, 2019; Wang & Ma, 2018), and as such these companies are likely to have better financial performance compared to those with limited resources. The resource capability of the firm was measured by the size of the firm i.e., the log of the firm's total assets in the financial year the deal was executed. The data was sourced from Refinitiv Company financials database.

4.3.2.2.   Level of equity in subsidiary

The equity ownership in the acquired subsidiary will influence the integration process post the acquisition and as such the parent firm's financial performance (Estrin et el., 2018; Liou & Rao-Nicholson, 2019; Rao-Nicholson & Khan, 2017). A full equity ownership will increase the adoption costs through learning and unlearning processes and will thus likely have a negative performance impact on an emerging market multinational expanding into a developed country (Konara & Shirodkar, 2018). Data on the equity ownership in the subsidiary was downloaded from the Refinitiv's Mergers and Acquisitions database. This control variable was analysed as continuous variable to fully understand the impact of the different shareholding levels on post-acquisition performance.

4.3.2.3. Gross domestic product (GDP) growth rate

The gross domestic product growth rate in the host country will have a direct influence on the general financial performance of firms participating in that market (Konara & Shirodkar, 2018; Liou et al., 2016). This means a firm investing in a country experiencing high GDP growth rate will likely benefit from the country's growth moment even when the deal might not have been the best and vice versa. This is mainly so in cases when performance is being reviewed over a short term (3 years). The average GDP growth rate (based on constant currency) of each of the host countries was calculated for the period of the investigation (1994 to 2018). The GDP growth rate data was be downloaded from the World Bank National Accounts DataBank Microdata Data Catalog.

4.3.2.4. Host government restrictions on foreign direct investment

The host government's restrictions when it comes to the flow of foreign direct investment will likely affect the entry / investment method, the level of investment, key personal deployment in the form of expatriates and ultimately the financial performance of the multinational company (Liou et al., 2016). Restrictions affects the ability of resources to flow into a country and thus stifle the growth in the economy which ultimately impact the performance of firms operating in such a market (Alon et al., 2022). The OECD FDI Regulatory Restrictiveness Index measure the constraints on foreign direct investment (FDI) in multiple economic sectors across almost 70 countries, among them the OECD and G20 member states (Organisation for Economic Co-operation and Development, n.d.). This index looks at four types of regulatory restrictions i.e., limitations or controls on equity ownership by foreigners, employing foreign nationals as key personal, operations and the country's approval process of foreign investment, to gauge the

country's restrictiveness on foreign direct investment. Although the above-mentioned factors are not the only determinants of an attractive investment environment, regulations play a significant part in the creation of a country's investment mood. The current FDI Regulatory Restrictiveness Index (1996 to 2019) data was collected from the OECD website.

4.3.2.5. Cash deal financing

According to Liou and Rao-Nicholson (2019), there is evidence that deals from cash transaction will likely experience better post-acquisition operating performance. Dummy variable was used with a value of one to indicate cash deal only (i.e., 100% cash financed transaction) and zero otherwise. Data was downloaded from Refinitiv's Mergers and Acquisitions database.

4.3.2.6. Colonial ties

This has been seen to have an impact on deal execution process and the post integration process based on the old relationships between home and host countries (Liou & Rao-Nicholson, 2019). Since South Africa was colonised by both the Netherlands and UK, colonial ties were measured as a dummy variable with a value of one if the host country is Netherlands or UK and zero for any other host countries.

4.3.2.7. Technology sector

There is an argument by some scholars which point to the view that through innovation, acquiring firms in high technology industries can easily leverage the subsidiary's assets (including knowledge) as inputs to their own (Cuervo-Cazurra & Luo et al., 2018; Liou & Rao-Nicholson, 2019). This will then be expected to positively impact the multinational's performance. To measure this variable, a dummy variable of one was used if a target was in the high technology sector and zero otherwise. This data was sourced as part of the mergers and acquisition data from Refinitiv's Mergers and Acquisitions database.

The choice of the above control variables was based on each of them meeting the criteria spuriousness according to theory, previous studies and basic understanding of the relationship to being investigated (Becker et al., 2016; Cuervo-Cazurra et al., 2016). Figure 4 is a summary list of all the variables used in this investigation.

Figure 4: Summary of the model variables

	Variable	Measure	Value
Performance	Dependent	The change in the return on average total assets between years three after the deal and the year the deal was finalised.	Continuous and a percentage
Cultural distance	Independent	Country distance calculation based on Mahalanobis method and using Hofstede's country cultural dimensions.	Continuous and a percentage
International experience	Independent	Presence of foreign assets or sales in the year proceeding finalisation of deal.	1 or 0
Resources	Control	The log of total assets of the multinational in the year the deal was executed (USD).	continuous
Equity	Control	The equity percentage that the multinational had in the subsidiary after the deal.	Continuous and a percentage
GDP growth	Control	The gross domestic product average annual growth rate for period under review (1994 to 2018).	continuous and a percentage
FDI restrictions	Control	The level of foreign direct investment restrictions in the host country as measured by the OECD FDI Regulatory Restrictiveness Index.	Continuous between o and 1
Cash deal	Control	Deal financing method, 100% cash or otherwise.	1 or 0
Colonial ties	Control	Identify the host as a former coloniser of South Africa or otherwise.	1 or 0
Tech sector	Control	Classify the multinational's operating sector as either high technology or otherwise.	1 or 0

4.4. Data analysis

A multivariate linear regression model was used to test the impact of cultural distance and international experience on the performance of the firm post the acquisition deal. Regression analysis is used to determine how much of the variance of the dependent variable (post-acquisition performance) can be attributed to the independent variables (cultural distance and international experience). In addition, the influence of the control variables on the relationship was also tested to ensure robustness of the results.

Below is the regression model used for the investigation.

$$Y = \alpha_0 + \sum_{all\ i} \alpha i \beta i$$

Where:
- Y is the post-acquisition performance of the firm
- β is a predictor (independent or control) variable
- α the partial regression coefficients

The parameter α is the expected change in the dependent variable Y because of a unit change in β_j given all the other predictor variables β_i (i$\neq$ j) are held constant. Linear regression models are used as approximate functions since the actual relationship between y and β_i is not known and the model is a good proxy of the relationship over certain ranges of the predictor variables (Montgomery et al., 2012).

The diagram below (Figure 5) is a summary of the linear regression modelling exercise. The regression was carried out using IBM's SPSS Statistics software package.

Figure 5: Summary of linear regression modelling
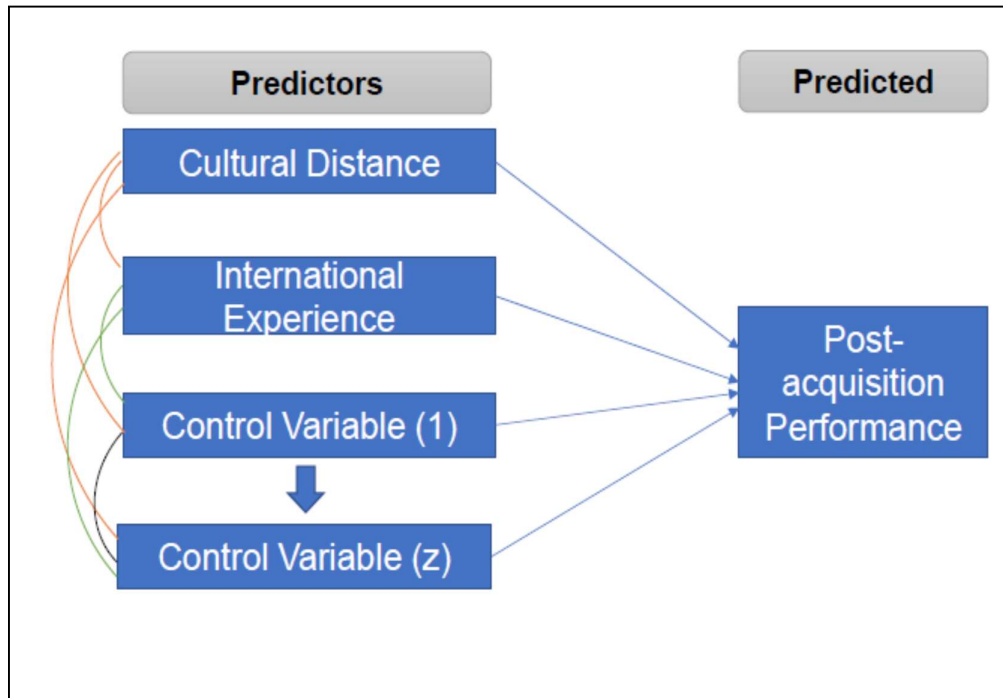
The model tested the existence of a linear relationship between each predictor (independent or control) variable and the predicted (dependent) variable, a necessary condition for a linear regression modelling. The same test was conducted between the predictor variables as well to ensure they don't have linear relationships amongst themselves.

4.4.1. Model robustness

Generally, there are two aspects to consider i.e., the model fit and any significant deviations of data points from the assumed model (Yan & Su, 2009). Below are some of the tests that were performed on the model's residuals (error terms) to check for model validity or robustness. A residual is the change in the dependent variable not explained by the model or simply put it's the gap between the data and the model fit (Montgomery et al., 2012). The analysis was based on scaled up residuals in the form of either standardised (with approximately unit variance) or studentised residuals (constant variance) which are both helpful in detecting extreme values (Montgomery et al., 2012). Both the residuals have a mean of zero.

4.4.1.1. Model assumptions

Linearity:

Linear regression modelling assumes the existence of a linear relationship between the predictor variable and the dependent variable. According to Nielsen and Raswant (2018), to be able to deduce meaningful relationships, only predictor variables that are linearly related to the dependent variable should be used. Linearity was checked using the residuals scatterplot.

Homoscedasticity:

This is the assumption of constant variation in residuals across the fitted values of the models and each predictor variable (Yan & Su, 2009). According to Montgomery et al. (2012), when the spread of residuals changes across the predictors, this might be an indication of heteroskedasticity which results is biases in standard errors and the test statistics (Yan & Su, 2009). A visual inspection of the scatterplot of standardised predicted value against the studentised residual can help identify the presence or otherwise of homoscedasticity (Yan & Su, 2009).

Multicollinearity:

Multicollinearity refers to a situation in which a predictor (independent or control) variable has a linear relationship with one or more of the other predictor variables (Cuervo-Cazurra et al., 2016; Montgomery et al., 2012). Multiple linear regression assumes the absence of multicollinearity since its presence negatively impacts the size of multiple R (correlation between fitted and actual values of the model), makes it difficult to determine the contributions of the independent variables and increases the standard error of the model (Becker et al., 201; Cuervo-Cazurra et al., 2016). So long the predictor variables are not collinear with each other, then multicollinearity will not be a concern (Cuervo-Cazurra et al., 2016; Nielsen & Raswant, 2018). Multicollinearity can be assessed by inspecting the correlations among the predictors or regressing each predictor variable onto the other predictors and calculating the variance inflation factor (VIF) (Montgomery et al., 2012). According to Montgomery et al. (2012) a VIF of more than 5 or 10 is an indication of the presence of multicollinearity.

Normality:

Linear regression assumes the error terms of the regression equation (model residuals) are independent random variables (Montgomery et al., 2012). Montgomery et al. (2012), argued that compared to small deviations, large departures from normality assumption will negatively impact the test statistics of the model which are based on this assumption e.g., t or F statistics and the confidence intervals. A normal probability plot of the residuals was used to check alignment to the normality assumption.

Outliers:

An outlier can be described as an observation or data point that is significantly different for most of the data points (Yan & Su, 2009). This data point might be because of an error in data collection process, or it might be a useful piece of information in explaining the relationship under investigation (Montgomery et al., 2012).

4.4.1.2. Model output

Descriptive statistics will be disclosed in the results section as this practice helps with the specification and verification of the properties of the sample including the different variables under investigation (Cuervo-Cazurra et al., 2016; Nielsen & Raswant, 2018). Becker et al. (2016) argued that the reporting of descriptive statistics for control variables, enable replication, understanding of the properties and comparison between measured and partial predictors. As an example, ranges help with detecting outliers while the average and standard deviation helps with understanding the central tendencies and distribution characteristics of the sample under investigations (Nielsen & Raswant, 2018).

5. Results

5.1. Sample

Below is a summary of the look and feel of the final data used for this investigation. From the initial 268 deals downloaded from Refinitiv database on mergers and acquisitions, the final sample had 106 deals with complete information spread over the years 1997 to 2018. Most of the deals were executed in years 2000 to 2001 (Figure 6).

**Figure 6: Number of deals per year**

Figure 6 shows the spread of the mergers and acquisitions deals per country with a further breakdown into the different industries / sectors. United Kingdom, United States and Australia were recipients of most of the deals (i.e., 75%).

Figure 7: deals per county per sector

	Consumer Products & Services	Consumer Staples	Energy and Power	Financials	Healthcare	High Technology	Industrials	Materials	Media & Entertainment	Real Estate	Retail	Grand Total
Australia	4	1			1	3	2	4			3	18
Austria								1				1
Belgium						1						1
Canada								4				4
Chile									1			1
Czech Republic		1										1
Finland								1				1
France		1							1		1	3
Germany			1			1		2				4
Ireland	1											1
Italy											1	1
Luxembourg		1										1
Netherlands					1	1				1	1	4
New Zealand						1						1
Poland						1						1
Switzerland				1								1
Turkey								1				1
United Kingdom	6	4		5	2	4	6	7		2	4	40
United States		2				15		4				21
Grand Total	**11**	**10**	**1**	**6**	**4**	**27**	**8**	**24**	**2**	**3**	**10**	**106**

The high technology sector had a quarter of all the deals over the period followed by the materials sector which comprises of mainly mining companies (Figure 8).

Figure 8: Industrial sector breakdown
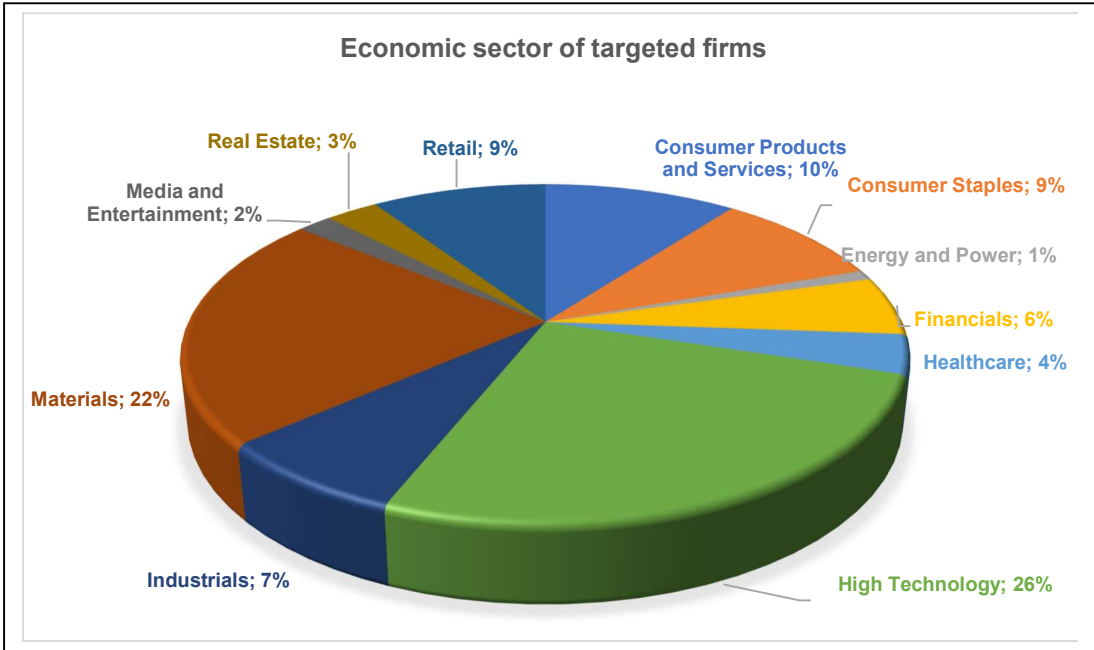
5.2. Cultural distance calculation

Based on Hofstede country cultural data and Mahalanobis distance calculation methodology, Figure 9 shows the cultural distances between each of the host country of the targeted firm and South Africa. All the host countries have a cultural distance between 7.5% and 8.5%. The United Kingdom, host to about 38% of the deals under investigation has one of the highest cultural distances in the sample i.e., above 8%.

Figure 9: Country cultural distance index
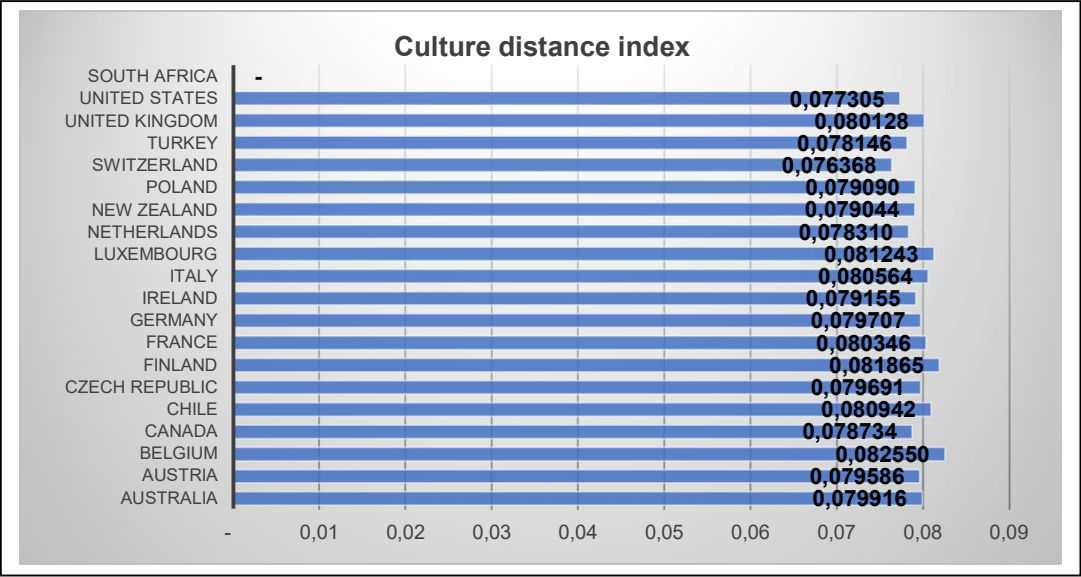
5.3. Regression results

5.3.1. Descriptive Statistics

The mean is a single point estimate of the distribution of the subjects of study while the standard deviation shows how these subjects are dispersed or spread around the mean (Bell et al., 2019). The average performance of the sample was negative 1.46% and average equity holding of 95%. About 80% of the firms had international experience while the average cultural distance was 7.94% with a smallest dispersion around the mean when compared to other variables.

Figure 10: Descriptive statistics

	Mean	Std. Deviation	Number of observations
Performance	-0.0146	0.1505663	106
Resources	3.0917	0.7533747	106
Equity	0.9498	0.1225073	106
GDP growth	0.0252	0.0068106	106
FDI Restrictions	0.0742	0.0489420	106
Cash deal	0.4113	0.4555333	106

Colonial Ties	0.4150	0.4951000	106
Tech Sector	0.2550	0.4378000	106
Cultural Distance	0.0794	0.0012421	106
International Experience	0.8020	0.4005000	106

Based on the above, the firms from the sample on average experienced a performance decline after expanding into developed markets. The resources control variable had a wider standard deviation of 75%.

5.3.2. Hypothesis testing

5.3.2.1. Coefficients

The unstandardised coefficients (B column in Figure 11) is a list of all the regression parameter estimates (α_i). They represent the expected change in the predicted variable (Y) per unit increase in an independent or control variable ("predictor") while controlling for the remaining predictor variables. The null and alternative hypothesis for these slopes is H_0: $\alpha_i = 0$ and H_1: $\alpha_i \neq 0$ for all predictor variables (Montgomery et al., 2012).

Based on the t-test, only the predictor variable 'resources' is a significant predictor of post-acquisition performance of the firm (Figure 11). Looking at the standardized coefficients (Beta column in Figure 11) provide a way of determining the specific contribution of a predictor variable to the regression model (Montgomery et al., 2012). In this case, the predictor resources (24.1%) had the greatest impact in the model followed by the equity level (13%).

Figure 11: Regression coefficients

Model	Unstandardised Coefficients		Standardised Coefficients	t	Significance
	B	Standard Error	Beta		
(Constant)	0.788	1.100		0.716	0.476
Resources	0.048	0.022	0.241	2.142	0.035

Equity	0.159	0.128	0.130	1.242	0.217
GDP growth	-2.690	2.582	-0.122	-1.042	0.300
FDI Restrictions	0.402	0.437	0.131	0.922	0.359
Cash deal	0.015	0.036	0.045	0.411	0.682
Colonial Ties	0.012	0.043	0.039	0.281	0.779
Tech Sector	-0.018	0.038	-0.051	-0.464	0.644
Cultural Distance	-13.549	13.955	-0.112	-0.971	0.334
International Experience	0.005	0.041	0.014	0.129	0.897

Plugging the coefficients in into the linear regression model gives the following equations. Some of the signs accompanying the coefficients do not align to common expectations and Montgomery et al. (2012) pointed out several possible reasons like multicollinearity, errors in computation, missing regressors and limited range of some regressors.

Unstandardised equation:

$Performance = 0.788 - 13.549 CultureDistance + 0.005 InternationalExperience + 0.048 Resources + 0.159 Equity - 2.69 GDPGrowth + 0.402 FDIRestrictions + 0.015 CashDeal + 0.012 ColonialTies - 0.018 TechSector$

Standardised equation:

$Performance = -0.112 CultureDistance + 0.014 InternationalExperience + 0.241 Resources + 0.130 Equity - 0.122 GDPGrowth + 0.131 FDIRestrictions + 0.045 CashDeal + 0.039 ColonialTies - 0.051 TechSector$

Alternatively, in addition to point estimates, confidence intervals were also used for testing the hypothesis. In contrast to coefficients which provide a point estimate of the population parameter, confidence intervals offer interval-based estimates (Montgomery et al., 2012). Each confidence interval should be interpreted in the context of it being one of an infinite number of intervals that can be generated through a process of repeated random sampling from the population and according to Montgomery et al. (2012) the breath of the interval measures the regression line quality.

If the null hypothesis regression slope (i.e., $H_0 = 0$) is between the lower and upper bounds of the confidence interval, then H_0 can't be rejected (Montgomery et al., 2012). In a similar way, if the null hypothesis slope falls outside the range, then the H_0 can be

rejected, inferring a non-zero regression parameter. Based on confidence intervals, all the coefficients of predictor variables fall within their respective interval implying the null hypothesis can't be rejected i.e., all predictors' coefficients are equal to zero.

Figure 12: Regression coefficients confidence intervals, correlation & collinearity

Model	95% Confidence Interval for B		Correlations			Collinearity Statistics	
	Lower Bound	Upper Bound	Zero-Order	Partial	Part	Tolerance	VIF
(Constant)	-1.397	2.972					
Resources	0.004	0.093	0.250	0.214	0.206	0.736	1.358
Equity	-0.095	0.414	0.118	0.126	0.120	0.855	1.170
GDP growth	-7.814	2.435	-0.050	-0.106	-0.100	0.682	1.467
FDI Restrictions	-0.464	1.269	0.069	0.094	0.089	0.461	2.167
Cash deal	-0.057	0.087	0.161	0.042	0.040	0.778	1.285
Colonial Ties	-0.072	0.096	-0.076	0.029	0.027	0.475	2.104
Tech Sector	-0.093	0.058	-0.014	-0.047	-0.045	0.76	1.315
Cultural Distance	-41.249	14.151	-0.091	-0.099	-0.094	0.701	1.426
International Experience	-0.077	0.088	0.138	0.013	0.012	0.766	1.306

The zero-order correlations in Figure 12 are Pearson's correlations between the predictor variable and the dependent variable. Performance (dependent variable) has low correlation with each of the predictor variables with a maximum correlation of 0.25 being with the resources of the firm. The partial correlations measure the relationship (strength and direction) between each predictor variable and the dependent variable after controlling the remaining predictor variables.

The part correlations are the correlation between each predictor variable and the dependent variable (controlling the remaining predictor variables from a given predictor variable). The ideal scenario is to have high correlation coefficient between the dependent variable and the predictor variable. The square of part correlation gives the proportion of variation in the dependent variable that is separately attributed to a given predictor variable and can be used in rank ordering the predictor variables for their

relative contributions to the linear regression model (Bell et al., 2019; Montgomery et al., 2012) as shown in Figure 13.

Figure 13: Contribution ranking of predictor variables

	Part correlation	Squared part correlation	Rank order
Resources	0.206	0.042	1
Equity	0.12	0.014	2
GDP growth	-0.1	0.010	3
FDI Restrictions	0.089	0.008	5
Cash deal	0.04	0.002	7
Colonial Ties	0.027	0.001	8
Tech Sector	-0.045	0.002	6
Cultural Distance	-0.094	0.009	4
International Experience	0.012	0.000	9

Finally, tolerance (equal to 1 - R-square) represents the proportion of variation unexplained in one predictor variable after regressing it onto the remaining predictor variables. Tolerance values of less than 0.10 are considered an indication of the presence of multicollinearity (Montgomery et al., 2012). The last column in Figure 12 shows the variance inflation factor (VIF) which is the reciprocal of tolerance. As such, a VIF greater than 10 indicates presence of severe multicollinearity for a given predictor variable z (Montgomery et al., 2012; Yan & Su, 2009). The last two columns of Figure 12 shows that all the predictor variables pass the multicollinearity test.

5.3.2.2. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.328	0.108	0.024	0.14875730	1.691

The model summary table above evaluates the impact of the predictor variables on the dependent variable. The multiple correlation (R) of 33%, is the corelation between the

estimated values of performance (dependent variable) against the actual values. In addition, only 11% of the change in the dependent variable is explained by the predictor variables, represented by R-square (Montgomery et al., 2012) in the model summary table. There is also a significant shrinkage (more than 75%) between the adjusted R-square and the R-square which brings to question the validity of the model. According to Montgomery et al. (2012) the adjusted R-square helps with validating the significance of adding more variables to the model and the shrinkage is a penalty for unnecessary variables in the model.

A Durbin Watson score of 1.7 indicates a low positive autocorrelation (ideal is 2.0 which indicates zero autocorrelation) in the model's output indicating there is no strong pattern or trend in the model's output over time.

5.3.2.3.   Analysis of variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.256	9	0.028	1.285	0.255
	Residual	2.124	96	0.022		
	Total	2.380	105			

ANOVA is a test of statistical significance of the R-square metric (i.e., R-square tells us how much of the dependent variable is explained by the predictors). A test for statistical significance tells how confident the researchers can be that the results of the study can be generalised to population from which the sample was drawn (Bell et al., 2019). Based on a null hypothesis that the population R-square is zero (i.e., none of the variation in the dependent variable is explained by the predictors) (Montgomery et al., 2012; Yan & Su, 2009), the ANOVA results above show that the model is statistically insignificant and therefore the null hypothesis is accepted. The p-value of 0.255 is higher than 0.05 and therefore statistically insignificant. Five percent is generally the acceptable level of statistical significance that is acceptable in business research (Bell et al., 2019). Alternatively, the ANOVA test can be seen as a test that all the regression coefficients are equal to zero (Montgomery et al., 2012; Yan & Su, 2009) and an acceptance of the null hypothesis implies all the regression coefficients are equal to zero.

5.3.2.4. Conclusion

Figures 11 and 12 summarises the results of the coefficients tests. Based on these, cultural distance has a negative impact on performance (i.e., negative coefficient) as expected. Using both the t-test (Figure 11) and the confidence interval test (Figure 12), the coefficient is statistically insignificant and therefore there is no evidence to support Hypothesis 1. Similarly, from the same tables international experience has a positive impact on performance which is as expected. The coefficient is also statistically insignificant implying there is no evidence to support of Hypothesis 2.

The coefficients signs of the control variables GDP growth rate (negative), FDI restrictions (positive) and Tech Sector (negative) were not as expected. The resources control variable was the only one with a statistically significant coefficient based on the t-test (Figure 11). Overall, the model was statistically insignificant as shown by both the model (section 5.3.2.2) and ANOVA (section 5.3.2.3) results sections below.

5.3.3. Robustness

5.3.3.1. Pearson correlations coefficients

This metric is a measure of strength and direction of the linear relationship that exists between variables in question, and it takes values between zero and positive one or negative one depending on direction of relationship (Bell et al., 2019). According to Bell et al. (2019), values close to positive or negative one indicates strong relationship while values closer to zero show a weaker relationship. In a linear regression model, the ideal scenario is to have high correlation coefficients between each of the predictor variables against the dependent variable. The absolute values in the first column of Figure 14 show relatively low correlations between the dependent variable and each of the predictor variables. The predictor variable Resources has the highest correlation coefficient with the dependent variable of 0.25 while the predictor variables Tech Sector and GDP growth rate have the lowest correlations coefficients to performance.

Figure 14: Pearson correlations

	Performance	Resources	Equity	GDP growth	FDI Restrictions	Cash Deal	Colonial Ties	Tech Sector	Cultural Distance	International Experience
Performance	1.000									
Resources	0.250	1.000								
Equity	0.118	(0.018)	1.000							
GDP growth	(0.050)	(0.005)	0.095	1.000						
FDI Restrictions	0.069	(0.034)	0.027	**0.519**	1.000					
Cash Deal	0.161	0.200	0.292	0.031	0.261	1.000				
Colonial Ties	(0.076)	(0.154)	(0.051)	(0.423)	**(0.630)**	(0.181)	1.000			
Tech Sector	(0.014)	(0.115)	0.110	0.045	0.144	0.004	(0.273)	1.000		
Cultural Distance	(0.091)	(0.002)	0.049	(0.101)	(0.245)	(0.048)	0.404	(0.429)	1.000	
International Experience	0.138	0.437	0.069	(0.053)	(0.094)	0.111	(0.110)	(0.035)	(0.114)	1.000

Except for FDI restrictions vs GDP growth and colonial ties vs FDI restrictions (absolute vale of coefficients are greater than 0.5), the correlations coefficients between each of the predictor variables are relatively low, an indication of low to no multicollinearity in the data.

5.3.3.2.   Normal distribution test

The normal distribution of residuals is one of the assumptions underlying linear regression (Yan & Su, 2009). However, since residuals are not simple random variables, they are not expected to behave normally and as such the normality assumption is not a critical one. The below histogram of standardized residuals shows some departure from normality; however, the overall shape of the residuals exhibits a normal distribution.

Figure 15: Histogram standardised residuals
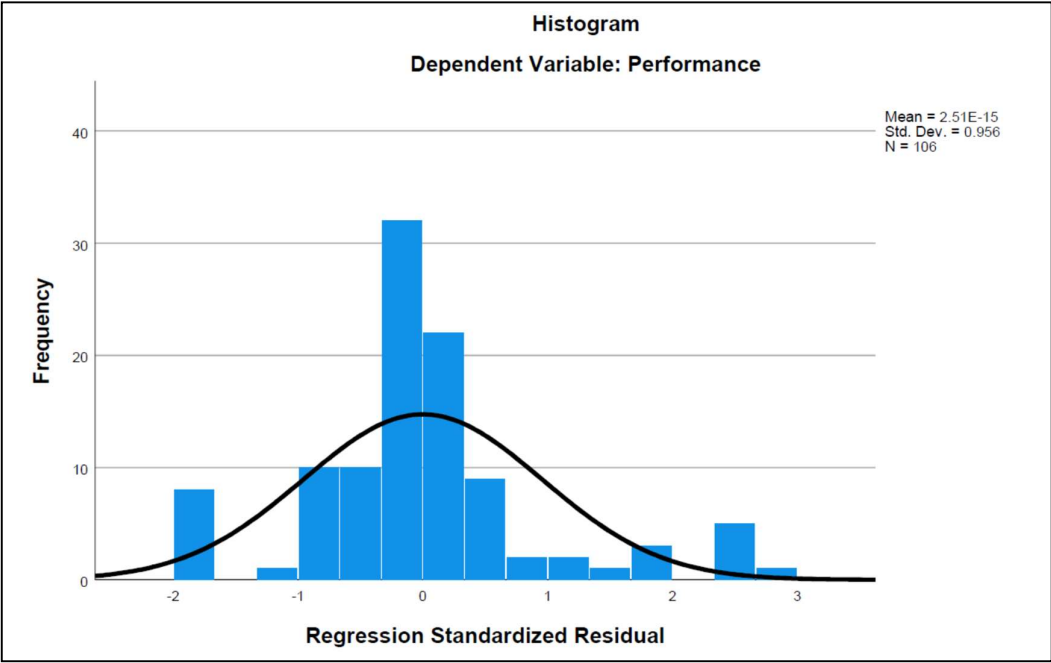
In addition, the below normal P-P plot can be used to gauge the normality of standardized residuals (Yan & Su, 2009). The graph shows the relationship between observed residuals (blue dots) compared to residuals expected under a normal distribution (solid black line). The closer the observed residuals are to the regression line, the higher the evidence of normal distribution of the residuals. The P-P plot support the existence of a normal distribution of the residuals by observing that the central values (i.e., the 33% and 66% cumulative probability) lie close to the straight line (Montgomery et al., 2012).

**Figure 16: P-P plot standardised residuals**
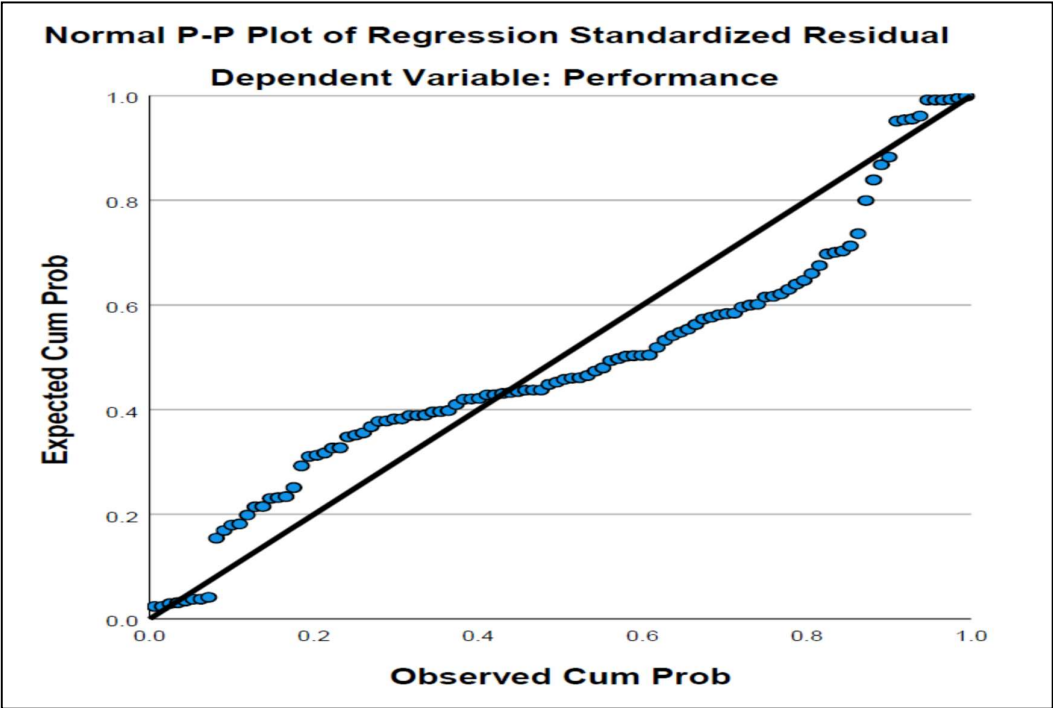
5.3.3.3. Scatterplot

The scatterplot below, Figure 17, helps with identifying outliers (Montgomery et al., 2012; Yan & Su, 2009) as residuals are expected to be randomly and evenly distributed around zero. Except for one case, most of the residuals falls within -3 and +3 units. In addition, homoskedasticity (constant variance of errors) is a condition for the linear regression model. Through a visual inspection exercise, except for one case, the variation in spread of residuals around zero is relatively constant across the fitted regression line values and each predictor variable and as such there is no evidence of heteroskedasticity.

Even though there are a few cases from the sample that relate to a single entity being involved in multiple merger and acquisition deals over the period under investigation, visual inspection of the scatterplot doesn't show any evidence of autocorrelation of the residuals (independency of residuals), another condition of linear regression modelling being met. This is aligned to the conclusion based on the Durbin Watson statistic observed in the model results section above which also confirmed there was no evidence of significant autocorrelation in the model.

Figure 17: Scatterplot of performance
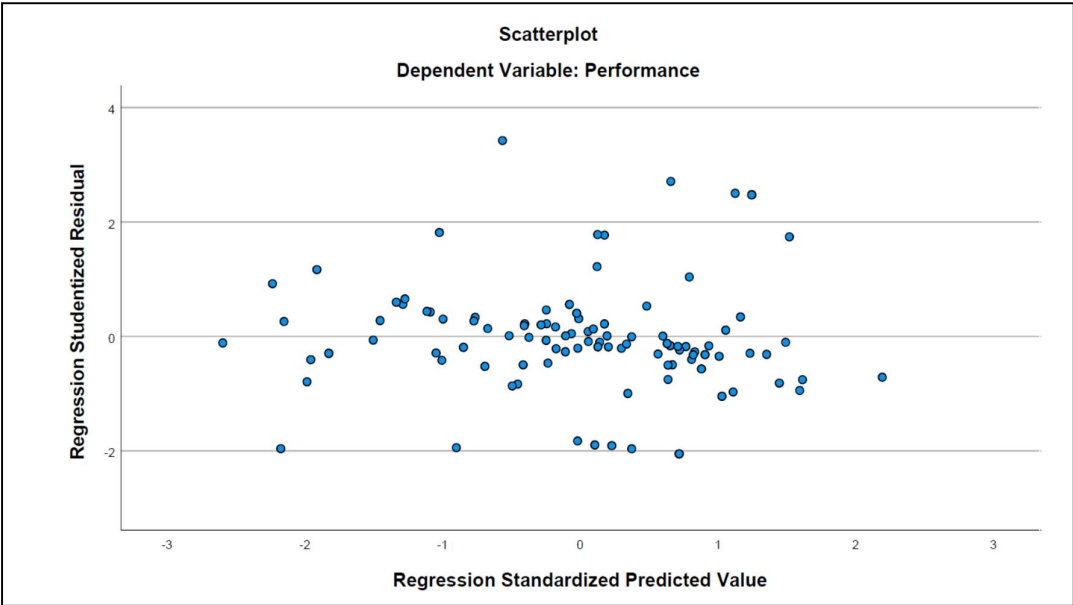
5.3.3.4. Partial regression plots on dependent variable

Linearity between the predictor variables and the dependent variable is another condition that a linear regression model must meet. By plotting the studentised residuals against each predictor variable, it helps with identifying variables that may be contributing to heteroskedasticity (non-linearity) in the residuals, if present in the data. The graphs in this section are partial plots and they represent the relationship between a predictor variable and the dependent variable while controlling for the remaining predictor variables. The partial plots (also known as added-variable plots) are a visual representation of the partial correlations below extracted from Figure 18.

Figure 18: Partial correlations of predictors to the predicted value

	Resources	Equity	GDP growth	FDI restrictions	Cash deal	Colonial Ties	Tech Sector	Cultural distance	International experience
Partial correlations	0.214	0.126	-0.106	0.094	0.042	0.029	-0.047	-0.099	0.013
Square of partial	0.046	0.016	0.011	0.009	0.002	0.001	0.002	0.010	0.000

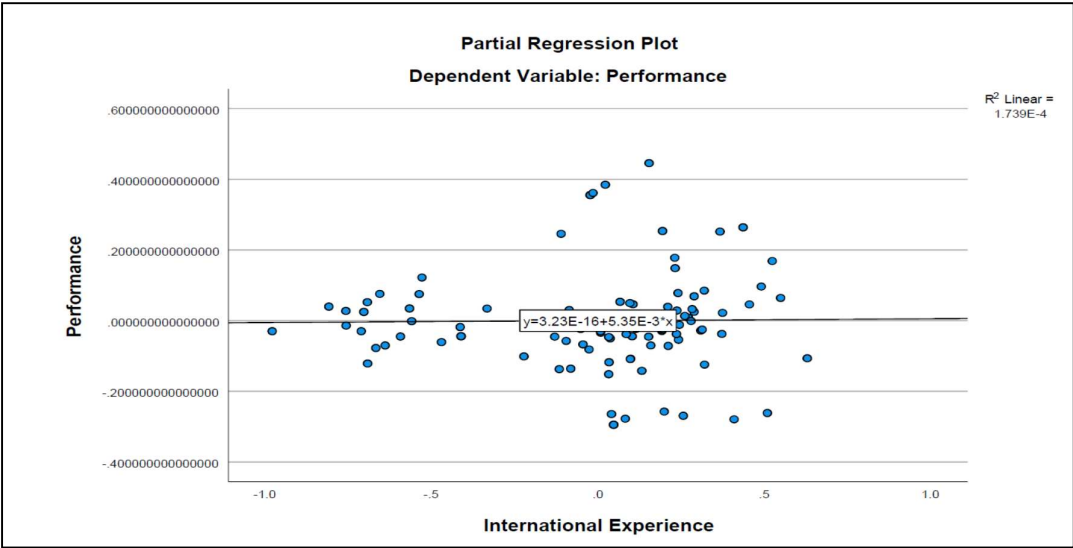| correlati ons									

In addition to helping with visualising the partial correlations between the dependent variable and predictor variable, the plot may also be used to determine if the relationship between the two variables is linear. Squaring of the partial correlations in Figure 18 gives the R-square values reflected in each of the scatter plots.

5.3.3.4.1. **Figure 19: Cultural distance partial regression plot**
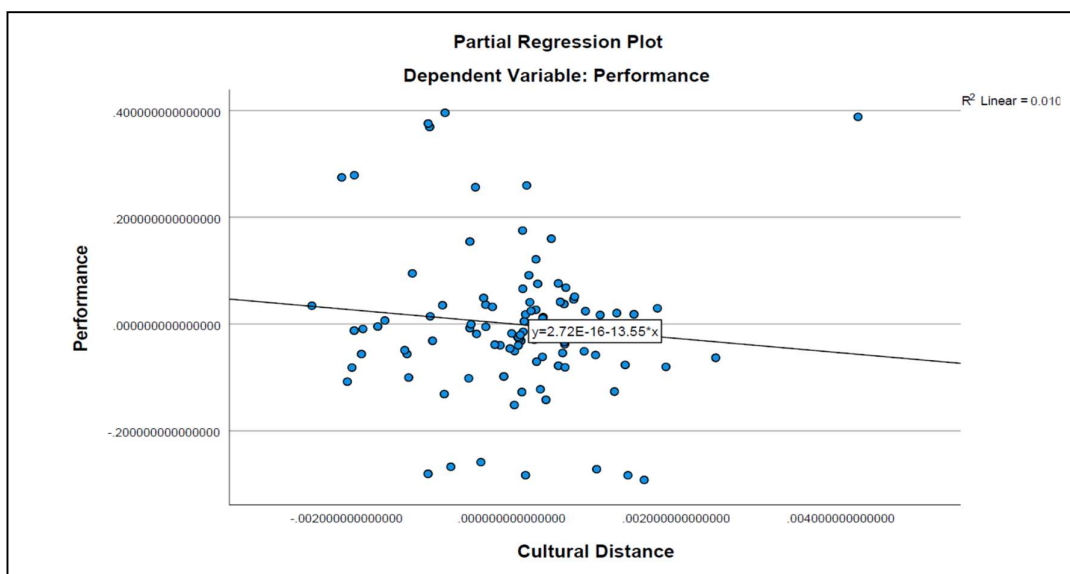

Cultural distance and performance have a low negative partial correlation and the graph shows a linear relationship between the two variables meaning the independent variable cultural distance is of some value in explaining the post-acquisition performance of the firm.

5.3.3.4.2. Figure 20: International experience partial regression plot

Partial Regression Plot
Dependent Variable: Performance

Even though it's one of the independent variables, the firm's international experience has a low positive partial correlation, and the line fitted to the graph shows that international experience is of no value in explaining the firm's post-acquisition performance.

5.3.3.4.3. Figure 21: Firm Resources partial regression plot

Partial Regression Plot
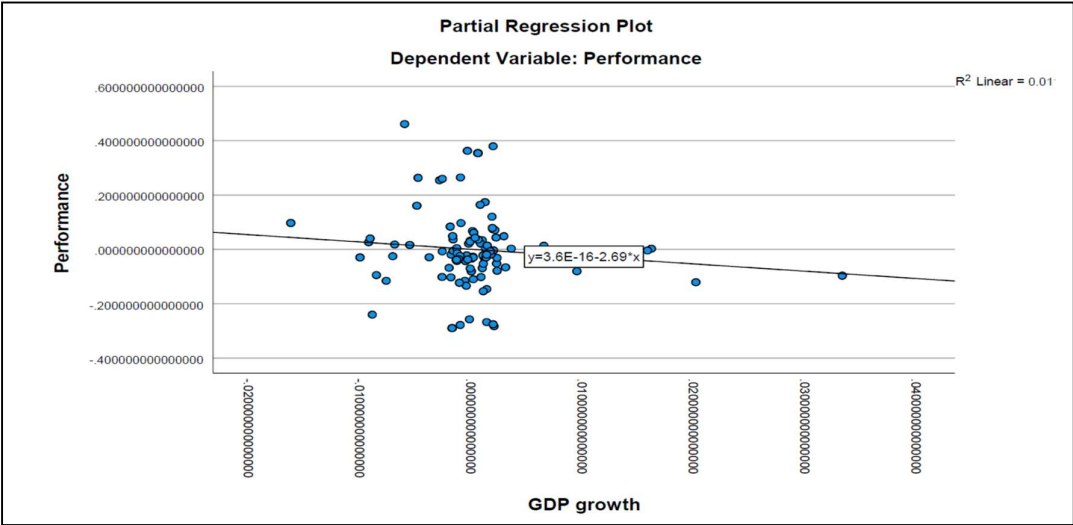**Dependent Variable: Performance**
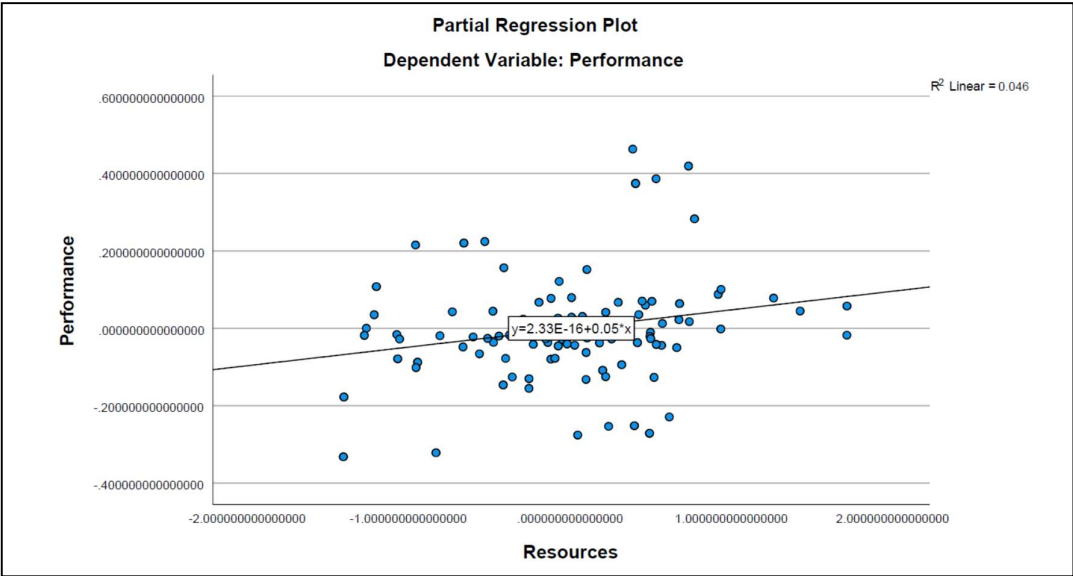
The firm's resources have a moderately positive correlation to the firm's performance. The fitted line shows a linear relationship between the two variables, an indication that the firm's resources can be used to partially explain the performance post the acquisition.

### 5.3.3.4.4. Figure 22: Equity ownership partial regression plot
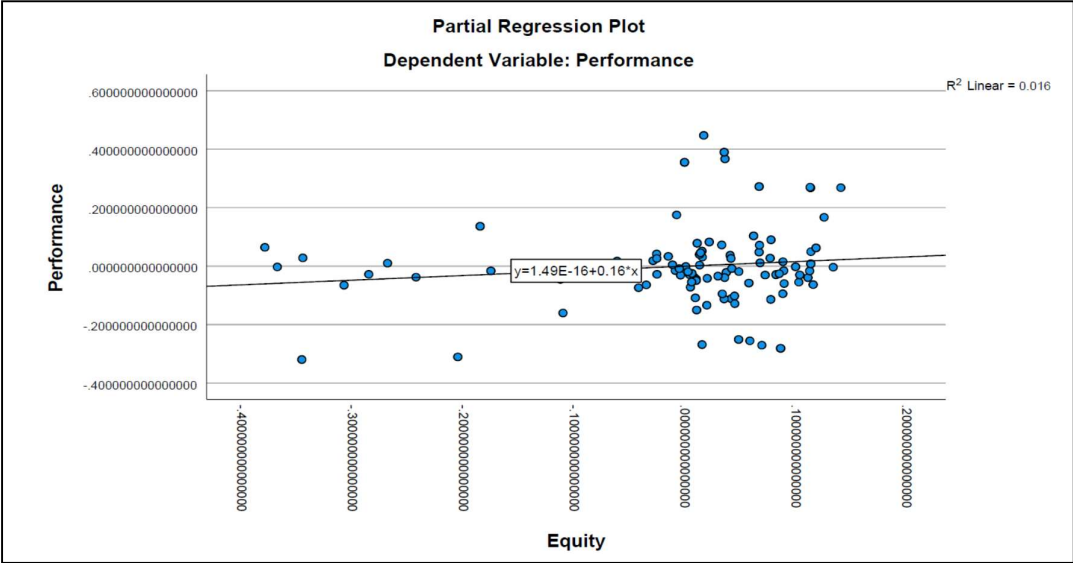
The level of equity the multinational has in the subsidiary has a positive partial correlation to the post-acquisition performance. The two variables also display a linear relationship meaning the predictor variable can be used to explain the predicted variable to an extent.

5.3.3.4.5. Figure 23: GDP growth rate partial regression plot

The predictor (GDP growth rate) and the dependent variable (performance) have a low negative partial correlation and the graph shows the existence of a linear relationship between the two. The relationship however does not make logical sense.

5.3.3.4.6. Figure 23: FDI restrictions partial regression plot

Partial Regression Plot
Dependent Variable: Performance

R^2 Linear = 0.009

y=3E-16+0.4*x
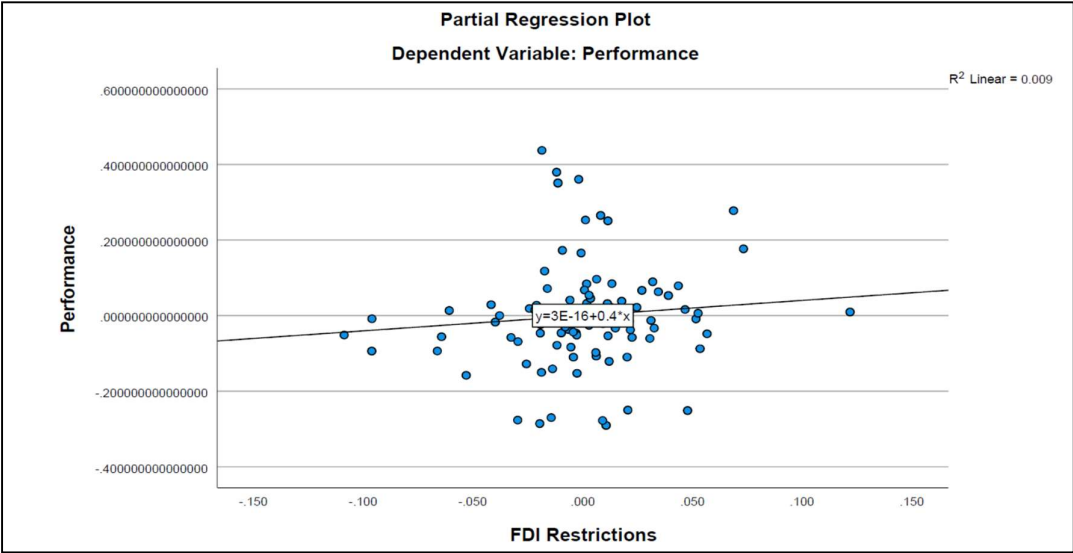
The level of FDI restrictions has a positive partial correlation (low) to the performance of the firm. The line graph shows existence of a linear relationship between the two variables even though the relationship doesn't make logical sense. So, the predictor can be used to explain the predicted variable.

5.3.3.4.7. Figure 24: Colonial ties partial regression plot

Partial Regression Plot
Dependent Variable: Performance
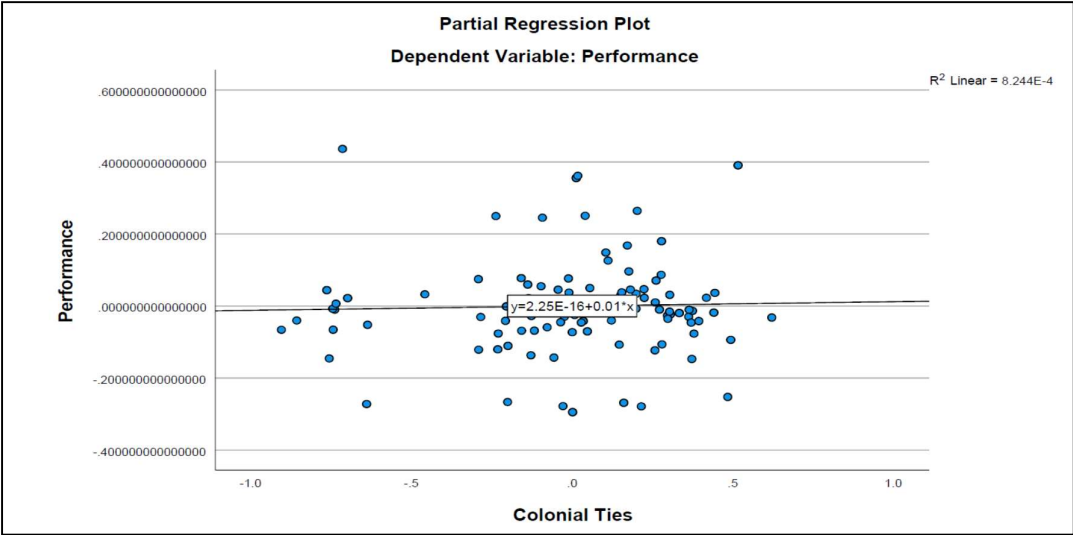
Colonial ties between South Africa and the host country have a marginal partial correlation to the performance of the firm. The two do not know show a significant linear relationship, meaning the predictor is of no or minimal value in explaining the dependent variable.

5.3.3.4.8. Figure 25: Cash deal partial regression plot

Partial Regression Plot
Dependent Variable: Performance
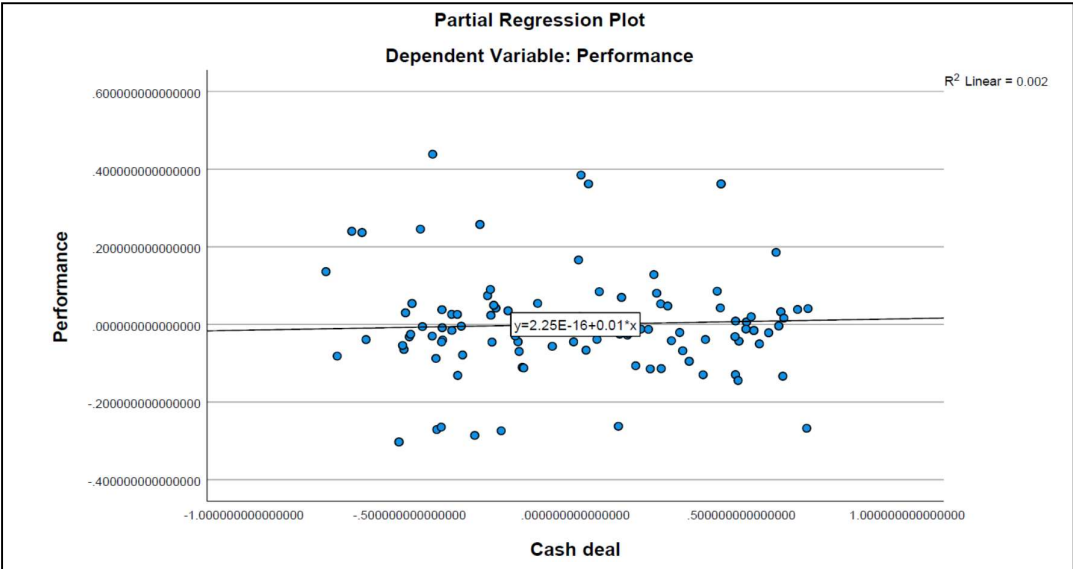
The predictor and the dependent variable have a low positive partial correlation and the graph shows the existence of a marginal linear relationship. As a result, how the deal

was financed (cash or otherwise) has insignificant influence on the post-acquisition performance of the firm.

5.3.3.4.9. Figure 26: Tech sector partial regression plot

Partial Regression Plot
Dependent Variable: Performance
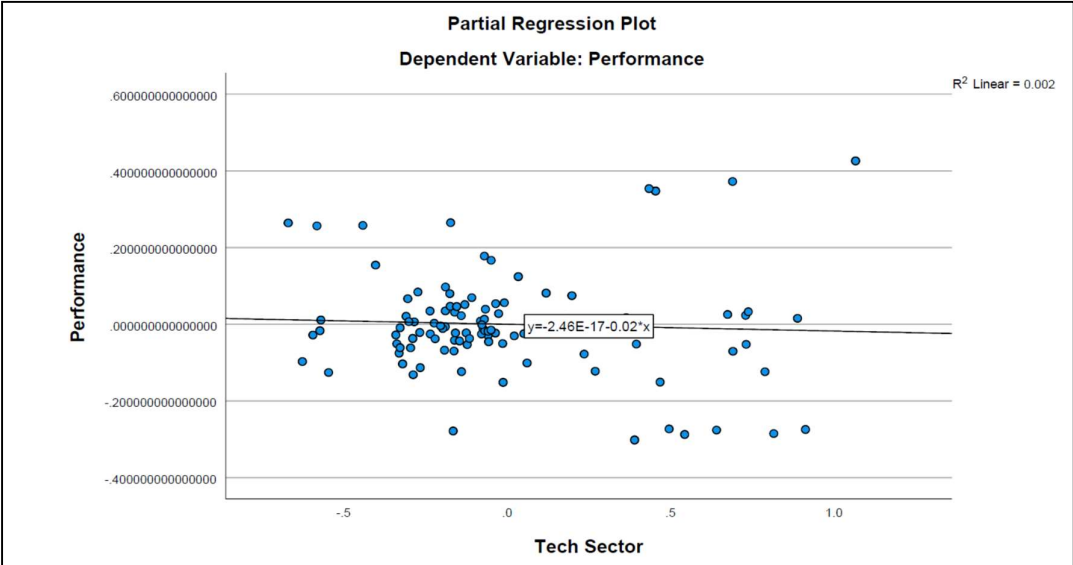
The predictor and the dependent variable have a small negative partial correlation and the graph shows a weak linear relationship. As such the sector of the acquired subsidiary may not be used to explain the performance of the firm in this case.

5.3.3.5. Conclusion

To a certain extent, the data complied with the assumptions of linear regression modelling i.e., homoskedasticity, non-collinearity and linear relationship between the each of the predictor variables and the predicted variable. In addition, even though not an important assumption, the data also resembled a normal distribution. Exceptions were the weak linear relationship between performance and some of the control variables. There was also a moderate (great than 0.5) correlation between the following control variables: FDI restrictions vs GDP growth rate and colonial ties vs FDI restrictions.

6. Discussion

6.1. Post-acquisition performance

The descriptive statistics presented in section 6 show that on average, South African multinational firms that expanded into offshore markets based in developed countries, experienced a performance decline post the transaction. The performance measurement for these multinational firms was based on the firm' return of total average assets in the year the deal was finalised, and the third year post the finalisation of the deal. The performance change attributed to the deal was the difference between the two values which was calculated to be an average negative 1.5%. This position that South African multinationals found themselves is contrary to the rational on why firms go international as well some scholars who have argued that internationalisation by multinationals (mostly from emerging markets) generally leads to improved performance (Cuervo-Cazurra and Ciravegna et al., 2018).

There are several scholars who have supported the view that internationalisation leads to improved performance. To start with, Cui and Xu (2019), Luo and Tung (2017), and Nguyen (2017) have argued that internationalisation leads to diversification of the business which in turn will lead to better performance. This diversification comes in different forms, for example having access to new markets to sell the firm's products, access to new sources of inputs as well as access to strategic assets like brands, technology, and innovation. Such additional resources from diversification are expected to create some competitive advantage which in turn will positively drive performance of the business by increasing revenue (faster than corresponding increase in costs) or reducing the operational costs while keeping sales or achieving both an increase in revenue and reduction in costs. This is supported by Wei and Nguyen (2017) who found internationalisation led to the building of the firm's competitive advantages in the form of economies to scale and scope which helps with lowering the average costs of production as well as reducing the impact of business cycles linked to geography, economy, seasons, and politics to mention but a few, all of which negatively impact the firm's performance. The expansion into developed markets by emerging market multinational firms has been explained as a way of accessing superior or strategic resources that are not available in the home country and their accessibility will assist the firm with creating competitive advantage which translates to better performance (Cuervo-Cazurra & Ciravegna et al., 2018; Gaur et al. 2018; Liou et al., 2018).

In addition, multinational firms will likely experience positive performance from internationalisation if they move from a home country with superior institutions (developed country) to a host country with inferior institutions (emerging country) and vice versa (Konara & Shirodkar, 2018). This expected positive performance when a firm moves from a developed to an emerging country is based on assumption the firm will own superior capabilities that are embedded from the home country's institutions, and which will be transferred to the subsidiary to create a competitive advantage in the host country (Konara & Shirodkar, 2018) leading to better performance. As such, a firm coming from South Africa to invest in a developed country will not be expected to have any superior capabilities embedded from the home country that it can transfer to the subsidiary and as a result the emerging market multinational will not be expected to generate better performance from the international expansion which is what the result of this investigation is showing. However, to the contrary, these emerging market multinationals are expected to be generally the best in their home countries implying they will likely own competitive capabilities which they can also transfer to their subsidiary in the developed country (Cuervo-Cazurra & Ciravegna et al., 2018) to generate performance.

Given the focus of this study is on cultural distance, the argument around firms coming from either superior or inferior country institutions might not hold much weight in this discussion as there is no superior or inferior culture. However, cultural distance might impact how and what resources / capabilities can be shared between the parent and subsidiary companies to create a competitive advantage and improve performance. For example, based on culture some successful products or brands might find it difficult to succeed in a market that is culturally distant from the home country. Where products are negatively impacted by the country of origin for example, multinationals from emerging markets have been observed selling their products in developed markets either at lower prices relative to the quality in comparison to the same quality product sold by a competing firm based in the developed nation or even disguising the country of origin from the marketing or packaging material (Cuervo-Cazurra & Luo et al., 2018) as a way of managing negative home country perceptions. Selling a product at a lower price or tailor making the packaging material for the host country reduces the product's profitability and may lead to the emerging market multinational experiencing negative performance.

According to the transaction cost economics framework, by integrating the subsidiary to the parent multinational, it improves governance while cutting on operational costs for the business and ultimately increasing profitability (Zhao et al., 2017). Therefore, if there is no full integration of the subsidiary, which will likely happen when the parent firm doesn't have ultimate control of the subsidiary, the multinational firm will likely experience less positive performance or even negative performance from internationalisation. However, the sample for this investigation only comprised those deals in which the parent company had a majority shareholding after the transaction. The assumption being that if the parent company has majority equity, it will be able to easily integrate the new subsidiary to benefit from economies of scale and scope. As such, if this assumption on equity holdings and integration is correct, the transaction cost economics-based arguments (Zhao et al., 2017) can't explain the negative performance experienced by South African multinationals firms in this investigation.

There is however a possibility that some of the subsidiaries were not fully integrated even if the parent company had a controlling equity stake and that this might be the reason for the negative performance that the South African multinationals experienced for the period of this investigation. When the emerging market multinational firm lacks the expertise to manage the subsidiary, which will likely be the case in this investigation of firms that went offshore to access strategic assets like technology, innovation, or brands to be used to compete back in home (Estrin et el., 2018; Rao-Nicholson & Khan, 2017), the integration of the subsidiary to South African parent firm might have been delayed or done partially. Under these circumstances, the emerging market multinational will allow the subsidiary to operate with some level of autonomy to retain critical staff and not to interrupt the operations for fear of negatively affecting the multinational's access to the strategic resources behind the acquisition deal (Cuervo-Cazurra and Luo et al., 2018). This might be a possibility here since 25% of the acquisition were in subsidiaries which operated in the high technology sector, a sector that the South African multinationals might not have been strong in and the reason for going offshore was to get access to the technology. The period of investigation (1994 to 2018) starts when South African companies had just come out from economic isolation after the lifting of economic sanctions (Barnard & Luiz, 2018; Liou & Rao-Nicholson, 2019) and as such the firms lacked the experience to manage these subsidiaries which then might have reduced the ability to benefit from the acquisition transactions.

There was also an interesting observation from the summary statistics in section 6. The resources control variable, a measure of the size of the company based on its total assets in the year of acquisition, had a large standard deviation of 75%. This significant variation around the mean can be used to infer that the size of the firms in the sample was diverse, a mixture of both large and small firms. Small firms have been observed to perform well when they expand to countries with a relatively smaller institutional distance while large firms have been seen to perform better when there is large institutional distance (Liou & Rao-Nicholson, 2019). From this argument, the average negative performance by the multinational firms in the sample can possibly be explained by relatively small sized firms driving the offshore acquisitions.

As such contrary to majority view that internationalisation leads to better performance, South African multinationals on average achieved negative performance. Since it was not the objective of this investigation to look at the effect of internationalisation on performance, rather the investigation assumed internationalisation leads to performance, it was not possible in this investigation to point out the actual reasons why these South African multinationals experienced negative post-acquisition performance. However, there are both scholarly arguments which try to support both the negative and positive performance by an emerging market multinational post the merger and acquisition deal. The next sections will analyse the results of testing the two hypotheses.

6.2. Cultural distance

Hypothesis 1: Cultural distance negatively impacts the firm's post-acquisition operating performance. The higher the cultural distant between the home country and the host country, the more cultural distance negatively impact the post-acquisition operating performance.

Cultural distance, the difference in cultural institutions of the home and host countries, was one of the independent variables in this investigation. To understand the influence of cultural distance on firm performance, both the direction and strength of the relationship must be looked at. From the regression modelling results, cultural distance

had a low correlation coefficient to performance of negative 0.091. In addition, cultural distance had a standardised coefficient beta (i.e., a measure of the change in performance (dependent variable) explained by cultural distance) of negative 11.2%. This means the post-acquisition performance of South African multinational firms, that invested in developed markets during the period under investigation, decreased with increasing cultural distance (Liou & Rao-Nicholson, 2017). To add rigour, the regression model was also run with independent variables only (i.e., excluding the control variables) to determine the explanatory power of the independent variables alone (Yan & Su, 2009). For this scenario, the influence of cultural distance on post-acquisition performance deteriorated to a standardised coefficient beta of negative 7.7%. Annexure 2 provides a summary of the results from this additional regression analysis.

When cultural distance is large, multinationals have been observed to take a cautious approach in entering the market which involves low equity ownership (partnership with a local investor) or giving the subsidiary some level of autonomy even when the multinational is the majority shareholding (Cuervo-Cazurra & Luo et al., 2018). This is because, like any other informal institutions, culture is not a written down set of rules that's clear, explicit, and easy to comply with. Culture is embedded in the society (in both people and organisations) based on life experiences which include among other religion, and the history of the country and thus defining the socially accepted norms within the country. By holding less equity or allowing the subsidiary to have some autonomy, the multinational will lose out on the benefits of integration which build scale and scope allowing the firm to be competitive (Wei & Nguyen, 2017). The firm on the other hand reduces the costs related with the liability of foreignness, positively influencing performance. In this scenario, the net performance effective will depend on the net benefits of reducing liability of foreignness against the lost benefits from limited integration. However, by looking at the equity ownership of firms in this investigation, this argument may partially not hold because only entities with majority shareholding (50% +) were included in the sample and the average equity holding was about 95% implying on average the parent company had almost total control of the subsidiary. As such, these South African multinationals had the ability to integrate to create scope and scale. However, the investigation did not check whether there was full integration or if the acquired subsidiaries were allowed to operate with some level autonomy.

Similarly, to address the liability of foreignness emanating from difference in cultural institutions, the multinational firm will need to spend a significant amount of resources in adaptation costs (Bhaumik et al., 2018). These costs will be for learning the new cultural institutions related to the host country while unlearning some of the already embedded cultures from the home country (South Africa) that will not be acceptable in the host country (Bhaumik et al., 2018). Given culture is embedded, the process to adapt will impact both the organisation and its employees because of the need to change the way they conduct business specifically in the new host country. To learn the new culture, these South African multinational firms mostly likely had to undertook physical interventions which may include among others hiring locals without much experience or hiring experienced executives who understand the country (Estrin et el., 2018). This might also require adjusting some of the head office's policies, based on South African experience, to allow the subsidiary to conduct the business within the socially accepted norms of the host country. Since culture influences how people conduct themselves in business, when companies expand to culturally distance countries, they must invest more in learning and unlearning for both the parent and subsidiary firms. As a result, the impact of culture distance on the multinational's performance in this scenario will likely be negative the higher the cultural distance.

The liability of foreignness can be put forward as the main driver of the negative relationship between cultural distance and firm performance of these South African multinationals (Cuervo-Cazurra & Luo et al., 2018). When there is liability of foreignness and when the emerging market multinational lacks the know how to run subsidiaries in advanced countries, emerging market multinationals might let their subsidiary operate autonomously as a way of maintaining stability and continuity in the subsidiary (Cuervo-Cazurra & Luo et al., 2018). This might have been the case for these South African multinationals that had just been admitted into the international economy after the lifting of economic sanctions (Liou & Rao-Nicholson, 2019). This approach to internationalisation will likely increase the business operational costs as the parent firm will need to enhance (tailor make) its governance processes to cater for the needs of the autonomous subsidiary. This might mean more people need to be hired to oversee the subsidiary as well as putting in place additional systems, procedures and processes which will be required to support the subsidiary. Customisation increases costs and contrasts with the principles of economies of scale and scope which are meant to improve efficiency by standardising business processes (Wei & Nguyen, 2017). Tailor

making processes for the subsidiary because of the significant cultural distance will create operational inefficiencies that will in turn reduce the performance of the firm after the deal has been finalised.

There is a contrasting view to the negative interaction that's known to exist between cultural distance and performance based on firm capabilities. Scholars argued that emerging market multinationals that come from emerging markets which have relatively corrupt systems and / or have political instability, are likely to increase their profitability when they move to countries that have higher institutional distance (Cuervo-Cazurra & Ciravegna et al., 2018). The tough home institutions will help these multinationals in building capabilities to manage volatile environments which can later be deployed when they move to countries that have different institutions (like a culturally distant host country) to manage the uncertainty brought about by the big institutional distance (Cuervo-Cazurra & Ciravegna et al., 2018). As a result, these multinationals will be expected to have a positive correlation of cultural distance to performance. This contrasts the view that is seen for the South African firms that spread their wings to developed nations.

By looking at the results of the cultural distance calculations, it can be pointed out that the cultural distance that exists between South Africa and each of the host nations in the sample was almost similar. The average cultural distance from the sample was 7.9% with a standard deviation of 1.2%. The low variation around the mean is an indication that the data points were clustered closer to the mean (Bell et al., 2019), implying there was minimum variation across the subjects of the study from a cultural distance perspective. In addition, 75% of the deals in the sample were executed in United Kingdom (38%), United States (20%) and Australia (17%) and these countries have almost similar cultural distances from South Africa as can be seen in the results section above or the detailed view of the cultural dimensions in Annexure 1.

Similarly, South Africa like most African countries was once colonised and as result its culture was influenced by both its former colonisers Netherlands and the United Kingdom (Liou & Rao-Nicholson, 2017; Liou & Rao-Nicholson, 2019). As such the cultural distance between South Africa and its former colonisers will not be expected to be significant.

Netherlands and United Kingdom accounted for 42% of the deal count, this reduced the diversity of cultural distance in the sample. Thus, the similarity of the destination countries and the concentration of deals in a few similar countries resulted in an almost homogenous sample group from a cultural distance perspective making it difficult to infer the strength of cultural distance relationship based on the sample.

In conclusion, based on the t-test results of the coefficient of cultural distance in the regression equation, there was no statistical evidence in support of H1 and therefore the hypothesis can be rejected. The direction of the relationship was as expected and in line with majority of current academic literature, however the research could not establish the strength of the relationship most probably because of the homogenous nature of the sample from a cultural distance perspective.

6.3. International experience

Hypothesis 2: A firm's international experience has a positive impact on its post-acquisition operating performance. Holding other things constant, emerging market multinationals with some international experience at the time of acquisition, will have higher post-acquisition operating performance compared to those with no experience.

An emerging market multinational firm's international experience was the second independent variable of the investigation. It was measured using a dummy variable, i.e., one indicated the presence of international experience as at the time the acquisition deal was executed and zero otherwise. Based on the linear regression analysis results, international experience had a positive correlation coefficient to performance of 0.138 and a standardised coefficient beta (i.e., a measure of the change in performance that can be explained by international experience) of 1.4%. The change in post-acquisition performance experienced by South African multinational firms that invested in developed markets is positively correlated to the firm's international experience. In addition, international experience marginally explains the change in the performance of the firm. As indicated before, the regression model was also run with independent variables only and the results showed an increase in the strength of the relationship between international experience and performance as reflected by the standardised coefficient

beta of 12.9%. Annexure 2 provides a summary of some of the results from this additional regression model run.

The direction of the relationship (a positive correlation) between international experience and the post-acquisition performance of South African multinational firms is line with expectations. As an example, older firms which are assumed to have more experience and resources at their disposal, have been seen to perform better than younger firms in markets with high institutional distance and younger firms were more successful internationally if they move to markets like the home country (Liou & Rao-Nicholson, 2019). This is because the older / larger firms can leverage their experience and resources as a competitive advantage to overcome the liability of foreignness.

Some emerging market multinational firms were also found to prefer holding lower equity in subsidiaries that are based in countries with higher institutional distance to allow themselves time to learn and accumulate the experience required to overcome the liability of foreignness before taking full control of the subsidiary (Gammeltoft & Cuervo-Cazurra, 2021; Holtbru¨gge & Berning, 2018; Rao-Nicholson & Khan, 2017). Similarly, to allow the parent company to gain experience, there are instances where the subsidiaries are allowed to operate with some level of autonomy before being fully integrated into the parent company (Estrin et el., 2018; Rao-Nicholson & Khan, 2017). To compensate for the lack of international experience, multinationals will go to and hire executives who have international experience or understand the targeted market (Cuervo-Cazurra & Luo et al., 2018). Hiring experienced executives is a strategy the firm uses to short circuit the time and effort required to accumulate the necessary experience before it can comfortably take control of the subsidiary business in the host country without worrying about disrupting the business operations. In some instances, the existence of a significant expatriate pool in the host country who are originally from the multinational's home country has been observed to help with the learning process through relationships and thus helping with closing the lack of experience in the host market (Estrin et el., 2018). These expatriates can provide a ready market for the company's products while it learns the host market as well as sources of market intelligence that would have been sourced by participating in the market implying an extended time frame of learning and becoming comfortable operating in the host market.

Another way that emerging market firms have been seen to close the experience gap is by working with established firms in the potential targeted countries through global value chains. Participation in global value chain allows emerging market firms that lack international experience to initially partner with experienced global firms by participating in some activities (mainly downstream) of the value chain while learning the potential market (Gammeltoft & Cuervo-Cazurra, 2021). Once the firm has acquired enough experience in the target markets it will start to move upstream of the value chain which will culminate in the emerging market multinational setting operations in the developed country to directly compete with the established global players. To further support the need for international experience, multinationals from emerging markets have also been observed to initially expand into markets that are like the home country from an institutional perspective thus allowing for the learning process and accumulation of the required experience before moving into markets with higher institutional distance (Estrin et al., 2018; Holtbru¨gge & Berning, 2018; Yan et al., 2020).

In some emerging countries, the support from home country institutions plays a significant role in determining the internationalisation strategy (where and how) of their multinationals (Holtbru¨gge & Berning, 2018; Nuruzzaman et al., 2019) and as such international experience will have less weight placed on it in determining the strategy. A case in point is China which has been encouraging its companies to grow by going international using a carrot in the form of cheaper capital to fund the business' expansion and providing access to information about the host country both of which helps with bridging the liability of foreignness (Buckley, 2018; Gammeltoft & Cuervo-Cazurra, 2021); Gaur et al., 2018; Holtbru¨gge & Berning, 2018; Tian, 2017) as well as firms aggressively moving to markets with high institutional distance. However, to support the importance of experience even when governments offer incentives, evidence show that firms that internationalise based of such incentives only are unlikely to be successful in the international markets because they lack the capabilities and experience required for them to be able to cope with the uncertainties encountered by entering the host country (Wei & Nguyen, 2017; Yan et al., 2020).

Research done on emerging market multinationals from Latin America, found that multinationals from countries riddled with corruption and political instability are likely perform well when they move to countries with high institutional distance as they leverage the capabilities to manage uncertainty which were built at home based on the

home institutional voids (Cuervo-Cazurra and Ciravegna et al., 2018). Such a view contrasts with those that emphasise the need for international experience for an emerging market multinational to be successful when it moves to a country that has high institutional distance. In addition, in these high technology times the world is now interconnected allowing companies the ability to service markets without being physically present and thus significantly reducing the impact of institutional distance. There are multiple examples of born global firms which have achieved great performance on international markets even though they didn't have any previous international experience (Gammeltoft & Cuervo-Cazurra, 2021). Adding to the above, the ability of firms to use different entry modes into a market makes it easier for those without previous international experience to choose the right entry mode which can support their success. Some firms have successfully participated in international markets by exporting their products to new markets without necessarily setting up operations (Gaur et al., 2018; Holtbru¨gge & Berning, 2018). This mode of entry is cost effective since it doesn't require the setting up of a business in the host country and will likely result in better performance of the multinational. Similarly, by taking part in the global value chains, the contrary view is firms without international experience can participate in offshore markets through leveraging the resources of well-established companies, mainly from the developed markets (Gammeltoft & Cuervo-Cazurra, 2021) and achieve better performance than those that have physical operations in the host country.

Based on the t-test results of the coefficient of international experience in the regression equation, there was no statistical evidence in support of H2 and therefore the hypothesis can be rejected. The direction of the relationship was as expected and generally in line with current academic literature even there are some contrasting views. The strength of the relationship was weak and as such based on this investigation, international experience cannot be used to explain the post-acquisition performance of the multinational in the sample.

6.4. Control variables

The regression analysis made use of a couple control variables to ensure there was rigour in the investigation. This would ensure that the research minimises the risk of accepting a false hypothesis. To recap, below is the post-acquisition performance

standardised equation. The standardised equation tells the direction and strength of the relationship between each predictor variable and the predicted variable (performance).

Performance = - 0.112*CultureDistance* + 0.014*InternationalExperience* + 0.241*Resources* + 0.130*Equity* - 0.122*GDPGrowth* + 0.131*FDIRestrictions* + 0.045*CashDeal* + 0.039*ColonialTies* - 0.051*TechSector*

In addition, the linear regression model was run with the control variables only to check the influence of these variables on performance without the influence of the independent variables. The results of this additional model run are included in Annexure 3 for reference. However, looking at the results of the model with control variables only, the model's predictive accuracy of performance (dependent variable) was 10% i.e., the change in performance that can be explained by the control variables. This section discusses in summary the results of the control variables and implications on the hypothesis under investigation by focusing on the direction and strength of the relation between the control variable and the dependent variable (sections of the standardised equation highlighted in blue).

6.4.1. Resources

The control variable which measures the amount of assets that a firm owns had a standardised coefficient beta of positive 24% which was the highest among all predictor variables (independent and control variables). As such, this control variable had more influence on performance and the relationship with performance was in the expected direction. In addition, the coefficient of this variable had a significant p-value of 3.5%, meaning the null hypothesis that the coefficient is zero should be rejected. Big multinationals can better manage the effects of institutional distance compared to smaller firms and as such they have been seen to adapt and achieve higher performance in markets that are institutionally distant (Estrin et el., 2018; Liou & Rao-Nicholson, 2019; Wang & Ma, 2018). These firms normally have strategic resources that small firms would like to tap into (Mathews, 2017; Tian, 2017) and so even if they partner with a local to manage the liability of foreignness, they will have control in the relationship based on the resources that they will bring to the table (Cui & Xu, 2019).

6.4.2. Equity

The level of equity holdings had a positive relationship to the post-acquisition performance of emerging market multinational firms, which was as expected. Even though it had the third highest standardised coefficient beta of 13%, the p-value of the coefficient was insignificant meaning the null hypothesis (coefficient equal to zero) could not be rejected. The success of internationalisation is influenced by the ability of the parent firm to successfully integrate the subsidiary to access or share the strategic resources and in the process building economies of scale and scope (Nguyen, 2017; Shin et al., 2017; Wei & Nguyen, 2017; Zhao et al., 2017). So even though statistically this variable was not significant, it had better explanatory power of performance compared to the independent variables.

6.4.3. GDP growth

This control variable had a negative relationship with the post-acquisition performance of the firm. The standardised coefficient beta was -12% with an insignificant p-value. This control variable measured the impact of the host country's GDP growth rate on the performance of the emerging multinational and the direction of the relationship was not in line with expectations. Generally, firms operating in countries experiencing high GDP growth rate are expected to experience high performance as well even if the firm doesn't possess any peculiar capabilities (Konara & Shirodkar, 2018). The contrary argument might be that because of the emergence of a middle-income class normally associated with high economic growth environments, big multinationals with competitive advantages will be attracted (Cui & Xu, 2019; Gaur et al., 2018) which might make it difficult for an emerging market multinational that has just entered and is still trying to address the liability of foreignness. Competition is likely to be high in high growth markets pushing prices down and costs up as firms pursue different marketing initiatives to attract clients.

6.4.4. FDI restrictions

The control variable had a standardised coefficient beta of 13% which was also statistically insignificant and therefore the acceptance of the null hypothesis that the coefficient is zero. The direction of the relation (positive) was not as expected i.e., the

more the restrictions the more the transactions costs, the less the flow of resources to support economic growth and ultimately the less the expected performance from business (Alon et al., 2022; Liou et al., 2016).

6.4.5. Financing of the transaction

The way the deal was financed has been seen to have an impact on post-acquisition performance of the firm. Deals that are cash financed have been seen to result in better positive performance (Liou & Rao-Nicholson, 2019). The control variable had a standardised coefficient beta of 5% which was statistically insignificant. The direction of the relationship between cash financing and performance as this in line with expectations.

6.4.6. Colonial ties

This control variable measured the relationship between past colonial ties and the performance of the firm post the acquisition deal of the emerging market multinational. The variable had a standardised coefficient beta of 4% and a p-value that was statistically insignificant, as such it has minimal explanatory power on the dependent variable. The relationship with performance was positive, which was aligned to expectations that colonial ties help with reducing the liability of foreignness and should thus have a positive impact on performance (Liou and Rao-Nicholson, 2017; Liou & Rao-Nicholson, 2019). An alternative view is a negative relationship based on the complexity of integrating businesses whose home and host countries' people lack trust based on the previous colonial relationship (Liou & Rao-Nicholson, 2019).

6.4.7. Sector of the subsidiary

This control variable had a standardised coefficient beta of negative 5%. Multinational firms in the technology sector have been observed to leverage their innovativeness to easily integrate the subsidiary and thus benefiting from sharing resources and economies of scale (Cuervo-Cazurra & Luo et al., 2018; Liou & Rao-Nicholson, 2019).

The negative relationship in the regression results can be explained by most of the multinational firms being in sectors other than technology.

Combining the above discussion on control variables to the partial regression plots of each control variable against the dependent variable in the results section, the resources of the multinational, the equity holding of the multinational in the subsidiary, GDP growth rate of the host country and the FDI restrictions of the host had more explanatory power on the dependent variable. These controls variables exhibited a good linear relationship to the dependant variable and as such were more suitable for the linear regression exercise.

6.5.   Summary

The South African multinational firms that invested developed markets experienced negative post-acquisition performance on average. The hypotheses of this investigation were based on the independent variables' influence on posts acquisition performance. From the linear regression analysis results, there was no evidence to support either of the hypotheses and thus they were both rejected. However, the investigation confirmed the directional impact of both cultural distance and international experience on post-acquisition firm performance. The relational strength of each of the independent variables on performance was not as strong as would have been expected, more so when compared relative to impact of some control variables.

The control variables resources, equity, GDP growth rate and FDI restrictions provided more explanatory power to post-acquisition performance more than the independent variables as reflected by the standardised coefficient beta of each of the variable. As a result, to check the robustness of the model, it was run under three scenarios i.e., with control variables alone, then independent variables and last with both control and independent variables (Yan & Su, 2009). The below table, Figure 27, is a high-level summary of the model results for the three scenarios.

Figure 27: Comparison of regression model results

	Model		
	Independent variables only	Control variables only	Independent & control variables
R Square	2.50%	9.80%	10.80%
Adjusted R Square	0.60%	3.40%	2.40%
P-value	27.40%	16.80%	25.50%

As can be seen, the R Square value improved as more variables were added. However, the significant drop in the adjusted R Square was a cause of concern on the validity of the model. The p-values were insignificant across the three scenarios, implying there was not enough evidence to support that the predictor variables (independent and control) could explain the performance of the firm.

7. Conclusion

7.1. Theoretical conclusions

Emerging market multinational companies have been seen to follow a rapid internationalisation strategy even into markets with significant cultural distance, in their quest to source strategic assets (Cui & Xu, 2019; Gaur et al., 2018) as well as a way of escaping the voids from home country institutions. This is in sharp contrast to the approach followed by their counterparts from the developed markets which is more incremental as the firm learns the new markets. However, the post-acquisition performance of these emerging market multinational firms is not well understood and has generated some debate in current international business research (Cui & Xu, 2019; Liou & Rao-Nicholson, 2019). This investigation aimed to unpack the impact of cultural distance and international experience on the post-acquisition performance of emerging market multinationals from South Africa that expanded into developed countries. Based on the institution-based view framework (Estrin et al., 2018; Yan et al., 2020), the home market institutions play a critical role in determining the internationalisation strategy of emerging market multinationals and ultimately their operational performance. Below are some of the theoretical conclusions from the investigation.

To start with, the investigation found out that internationalisation by emerging market multinational firms into developed markets does not necessarily result in improved operational performance for these firms post the merger or acquisition. Previous research has argued that emerging market firms move into developed markets in search of strategic assets that can be used to create competitive advantages to compete in the home market (Cuervo-Cazurra & Ciravegna et al., 2018; Gaur et al. 2018; Liou et al., 2018). The average negative performance experienced by South African multinationals post their acquisitions suggests the firms either failed to leverage the strategic assets from internationalisation or there were no benefits in that business strategy. The transactions might have been pursued for other reasons other than improving operational performance (Liou & Rao-Nicholson, 2017). Failure to leverage the assets might have been because of the firms' lack of know how regarding how to manage the subsidiaries based in developed markets (Cuervo-Cazurra & Luo et al., 2018). Alternatively, the liability of origin ((Estrin et al. 2018; Marano et al., 2017), based on South Africa's weak institutions and the cultural distance, might have made it difficult for the parent

companies to integrate the acquired subsidiaries easily and quickly resulting in delays to reap the benefits of integrating the businesses in the form of economies of scale.

Secondly, even though cultural distance was negatively related to the post-acquisition performance, there was no concrete evidence that it is a major driver or contributor to the performance of multinational firms from emerging markets as they expanded into developed markets. As South African based multinational companies moved to countries perceived to be culturally distant, most of the deals were in a few countries and the impact of culture distance was quite low. The cultural distance between South Africa and the different host nations was almost similar. This makes sense in the current globalised world where people move around (Estrin et el., 2018; Holtbru¨gge & Berning, 2018), and technology reduces the cultural distances (Gammeltoft & Cuervo-Cazurra, 2021; Luo & Tung, 2017) as firms can leverage on it to expand into other markets with less worry about cultural distance. In addition, there is a strong possibility that cultural distance was factored into the international strategy of these firms resulting in them moving to countries that have almost similar distance from South African from a cultural perspective. As a result, even though the influence of cultural distance on performance was not statistically supported, the negative relationship means that cultural distance should always be a factor to consider in the process of crafting the international strategy of an emerging market multinational (Buckley, 2018; Yan et al., 2020).

In addition, as much as the investigation found a positive relationship between international experience and the post-acquisition performance of South African multinational firms, the relationship was weak and thus international experience is not a driver of performance for these multinational firms expanding into developed markets. International experience is not a sufficient condition for emerging market multinationals to succeed in the international strategy as can be seen with born global that leverage technology and existing resources to springboard their expansion (Luo & Tung, 2017; Mathews, 2017) and have done so is a short space of time. This is so because multinationals from emerging markets have been seen to succeed by partnering with established companies as proposed articulated by the linkage, leverage and learning model to internationalization (Tian, 2017; Mathews, 2017). Also, developed markets have well developed institutions which reduces transactions costs of operating in those markets while at the same time reducing the liability of foreignness.

Finally, from the investigation it can be concluded that the more the assets an emerging market multinational firm owns the more likely for it to achieve better performance when it expands into developed markets i.e., markets with high cultural distance (Estrin et el., 2018; Wang & Ma, 2018). The size of assets the firm owned had more impact on performance compared to cultural distance or international experience. As a result, big multinational firms from emerging markets stand a better chance to generate positive performance as they have the resources to manage the liability of foreignness.

7.2.   Research contribution

Most of the current academic literature on international business has zoomed on multinationals from emerging markets like Asia (Buckley, 2018; Estrin et el., 2018) and Latin America (Cuervo-Cazurra & Luo et al., 2018) with minimum work having been done on African multinationals in general. This research paper has focused on the multinational companies from South Africa. South Africa offers a unique case as it is a young democracy with institutions like culture having been shaped or influenced by its former colonisers United Kingdom and Netherlands (Liou & Rao-Nicholson, 2019) which are among the host nations in this investigation. As such, this investigation adds to the current body of academic literature the African experience of emerging market multinationals. Given most of the multinationals from South Africa have operations in Africa, the performance of its multinationals can be used as a proxy to understanding the performance of multinationals from Africa in general.

7.3.   Recommendations for management

The results of the investigation show that internationalisation by emerging market multinationals does not always lead to better performance (Konara & Shirodkar, 2018; Wei & Nguyen, 2020; Yan et al., 2020). This was the case in this investigation when the host were developed countries with better institutions than the home country (South Africa) as well as some cultural distance between the host and home countries. Thus, managers should always factor the impact of cultural distance in determining the mode of entry as well as the destination of their international strategy. When managers decide to expand into markets that have a significant cultural distance, they need to ensure the

organisation has the necessary resources required in addressing the liability of foreignness. Firms with more resources have been found to perform better in markets that have high cultural distance as they have the resources to close the liability of foreignness (Estrin et el., 2018; Wang & Ma, 2018).

7.4. Limitations and opportunities for future research

This section highlights some of the limitations of the investigation as these will have an impact of the ability to generalise the results and which creates opportunities for further research. This investigation was carried out on mergers and acquisitions deals that were done by publicly listed multinational South African companies based on ease accessibility of the financial data for listed companies. This means the sample was not a full representation of all South African multinationals since deals executed by private or delisted companies were not covered in the investigation. Future studies can expand the investigation to also included deals done by South African private companies. Its likely private companies experience different dynamics when dealing with home institutions compared to public companies that receive a lot of scrutiny (Tang & Buckley, 2022). Such an investigation might require the collection of primary data which will help in the creation of comprehensive databases for the benefit of future studies.

The data sample used in the investigation was for South African multinationals companies. Most of these companies will likely have operations in different countries across the African continent and as a result South Africa can be seen as a proxy to the African continent. However, based on the rich cultural heritage in the continent as well as the different experiences of colonisations for each country (Liou & Rao-Nicholson, 2017), each country will have its nuisances. The development of institutions in African countries has not been uniform with South Africa having built better institutions some of which compare to those of developed countries (Liou & Rao-Nicholson, 2019). The influence of former colonisers has been different for each country and these former colonial relationships have been seen to have influenced cultural development in the former colony ((Liou & Rao-Nicholson, 2017; Liou & Rao-Nicholson, 2019). There is a lack of data in Africa and such an investigation will also require the collection of new information helping in the building of databases for the African continent. Thus, further studies of multinationals from other African countries will add to the deeper

understanding of multinationals from these countries while also creating data for use in future academic research as well as policy making by governments.

The post-acquisition performance was measured as the difference in the return on total average assets of the multinational between the year of the deal and year three after the completion of the deal. Firstly, other company operating performance measures like return on equity or profit margin can be used in future research. In addition, different time periods can be used to measure the change in performance for example looking at the return five years after the deal as different multinationals will take different time periods to embed the benefits of the acquisition. The results from these can be compared to the findings of this research to see if there is consistence.

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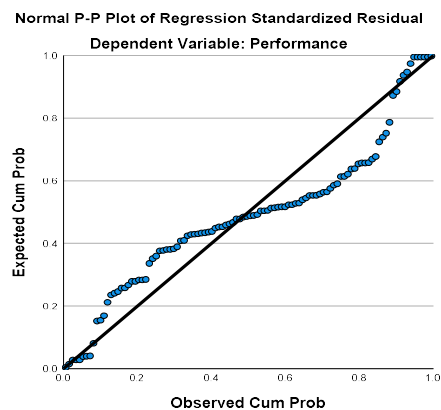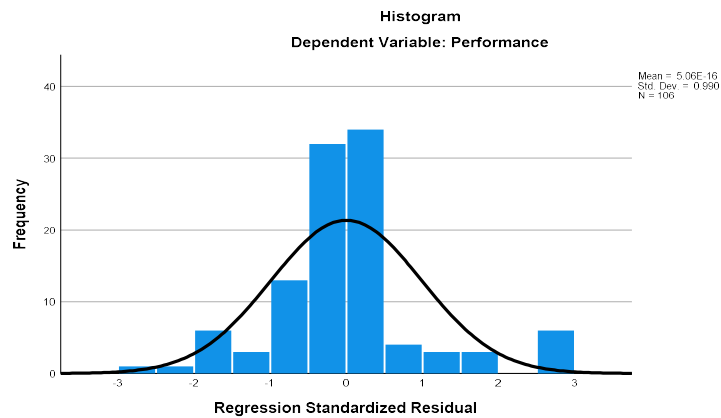
Annexure 1: Country cultural distances

	Hofstede cultural dimensions country scores						
Country	Power Distance	Individualism	Masculinity	Uncertainty Avoidance	Long Term Orientation	Indulgence	Culture Distance Index [a]
Australia	38	90	61	51	21	71	7.99161181%
Austria	11	55	79	70	60	63	7.95863098%
Belgium	65	75	54	94	82	57	8.25504826%
Canada	39	80	52	48	36	68	7.87336847%
Chile	63	23	28	86	31	68	8.09415886%
Czech Republic	57	58	57	74	70	29	7.96908079%
Finland	33	63	26	59	38	57	8.18645611%
France	68	71	43	86	63	48	8.03456270%
Germany	35	67	66	65	83	40	7.97065464%
Ireland	28	70	68	35	24	65	7.91554087%
Italy	50	76	70	75	61	30	8.05643813%
Luxembourg	40	60	50	70	64	56	8.12426239%
Netherlands	38	80	14	53	67	68	7.83100468%
New Zealand	22	79	58	49	33	75	7.90437373%
Poland	68	60	64	93	38	29	7.90896603%
South Africa	49	65	63	49	34	63	0.00000000%

Switzerland	34	68	70	58	74	66	7.636 82409 %
Turkey	66	37	45	85	46	49	7.814 60656 %
United Kingdom	35	89	66	35	51	69	8.012 84709 %
United States	40	91	62	46	26	68	7.730 48154 %
[a] Calculated using Mahalanobis formula						

Annexure 2: Regression results of model run with independent variables only

Model Summary				
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.158	0.025	0.006	0.150121806	1.488

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.059	2	0.030	1.311	0.274
Residual	2.321	103	0.023		
Total	2.380	105			

Histogram

Dependent Variable: Performance

Mean = 5.06E-16
Std. Dev. = 0.990
N = 106

Frequency

Regression Standardized Residual

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Performance

Expected Cum Prob

Observed Cum Prob

Coefficients												
	Unstandardized		Standardized	t	Sig.	95% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	0.685	0.946		0.724	0.471	-1.192	2.562					
Cultural Distance	-9.307	11.872	-0.077	-0.784	0.435	-32.853	14.239	-0.091	-0.077	-0.076	0.987	1.013
International Experience	0.049	0.037	0.129	1.319	0.19	-0.024	0.122	0.138	0.129	0.128	0.987	1.013

Scatterplot

Dependent Variable: Performance
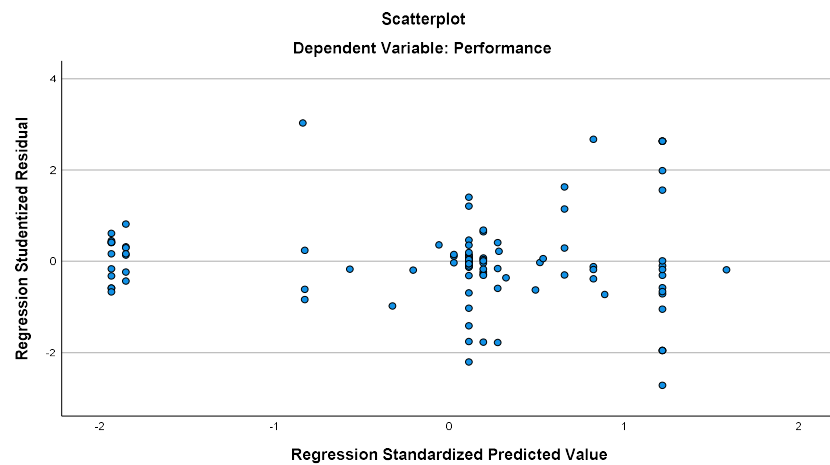
Annexure 3: Regression results of model run with control variables only

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.313	0.098	0.034	0.14800514133	1.679

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.234	7	0.033	1.524	0.168
	Residual	2.147	98	0.022		
	Total	2.380	105			

Histogram
Dependent Variable: Performance

Mean = -2.75E-16
Std. Dev. = 0.966
N = 106

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Performance

Coefficients												
	Unstandardized		Standardized	t	Sig.	95% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
Constant	-0.268	0.154		-1.746	0.084	-0.574	0.037					
Resources	0.049	0.021	0.245	2.382	0.019	0.008	0.09	0.25	0.234	0.229	0.871	1.147
Equity	0.146	0.126	0.119	1.157	0.25	-0.104	0.396	0.118	0.116	0.111	0.873	1.145
GDP growth	-2.824	2.564	-0.128	-1.101	0.273	-7.913	2.265	-0.05	-0.111	-0.106	0.684	1.462
FDI Restrictions	0.399	0.43	0.13	0.928	0.356	-0.455	1.254	0.069	0.093	0.089	0.47	2.127
Cash deal	0.016	0.036	0.047	0.437	0.663	-0.056	0.087	0.161	0.044	0.042	0.779	1.284
Colonial Ties	0	0.041	0.001	0.005	0.996	-0.08	0.081	-0.076	0	0	0.516	1.936
Tech Sector	-0.004	0.035	-0.012	-0.12	0.904	-0.074	0.066	-0.014	-0.012	-0.012	0.879	1.137

Scatterplot

Dependent Variable: Performance