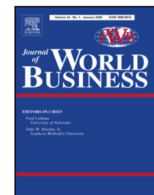
G Model
WORBUS 827 No. of Pages 13
ARTICLE IN PRESS
Journal of World Business xxx (2016) xxx–xxx

Contents lists available at ScienceDirect
Journal of World Business
journal homepage: www.elsevier.com/locate/jwb



# Ownership in cross-border acquisitions and the role of government support

Cláudia Frias Pinto[a], Manuel Portugal Ferreira[b,c,*], Christian Falaster[b], Maria Tereza Leme Fleury[a], Afonso Fleury[d]

[a] FGV/EAESP – Fundação Getúlio Vargas, Doutorado em Administração de Empresas, Av. 9 de Julho, 2029 – Bela Vista, 01313-902 São Paulo, São Paulo, Brazil
[b] UNINOVE – Universidade Nove de Julho, Programa de Pós-Graduação em Administração, Av. Francisco Matarazzo, 612, Prédio C – 2°, 05001-100 São Paulo, São Paulo, Brazil
[c] ESTG – Instituto Politécnico de Leiria, Morro do Lena – Alto Vieiro, 2411-901 Leiria, Portugal
[d] Poli – Universidade São Paulo, Av. Luciano Gualberto, Travessa 3, n° 380, 005508-010 São Paulo, São Paulo, Brazil

ARTICLE INFO

*Article history:*
Received 5 May 2015
Received in revised form 28 July 2016
Accepted 28 August 2016
Available online xxx

*Keywords:*
Cross-border acquisition
Ownership
Institutional distance
Government support
Knowledge in CBAs
Multilatinas

ABSTRACT

We examine the role of government support on the ownership choices by multilatinas in cross-border acquisitions, both directly and in moderating the relationship between institutional distance and knowledge access. We argue that the pro-market reforms and three mechanisms of government support – financing, stock participation, and political ties – can result in higher levels of ownership negotiated by firms, under conditions of greater institutional distance and knowledge access. Our findings contribute to extend the institution-based view by exploring how the unique institutional characteristics of Latin American countries, and especially different types of government support, influence foreign ownership strategies of multilatinas.

© 2016 Published by Elsevier Inc.

## 1. Introduction

Over the past two decades emerging multinationals (EMNCs) have invested in foreign countries mostly using cross-border acquisitions (CBAs) as entry mode (Buckley, Elia, & Kafouros, 2014; Deng & Yang, 2015). Latin American firms (LAFs) – or multilatinas – have followed the trend (Casanova & Kassum, 2013; Malhotra, Lin, & Farrell, 2016) and by means of acquisitions have reached leading positions in their industries; such firms include JBS (meat processing), Vale and Coldelco (metals and mining), Ambev (beverage), Cemex (cement), Bimbo (food) and Tenaris (steel) (Cuervo-Cazurra, 2016; Fleury & Fleury, 2011). To understand LAFs' CBAs we need to understand how multilatinas are different from other EMNCs and how the differences in the home country institutional conditions influence LAFs' internationalization decisions. Cuervo-Cazurra (2016, p. 1965) stated that what makes multilatinas different from firms of other regions is that "they come from Latin American countries, which share similarities in their historical background, political and economic development, geographic characteristics and sociocultural attributes". These idiosyncrasies are what make multilatinas and Latin American countries (LACs) a great research laboratory (Cuervo-Cazurra, 2012, 2016) for international business scholars.

The level of ownership acquired in CBAs is a major strategic consideration (Chen, 2008; Gaffney, Karst, & Clampit, 2016) because of its influence on the transfer of assets and risk exposure (Chari & Chang, 2009; Malhotra et al., 2016), learning (Sun et al., 2012), capability procurement (Chen, 2008), and legitimacy in the host country (Meyer et al., 2014). The received wisdom based on transaction costs (Gatignon & Anderson, 1988; Malhotra et al., 2016) and institutional theory (Luo & Tung, 2007; North, 1990; Scott, 1995) points out that firms are more likely to undertake greater investments when entering proximate and favorable institutional environments (Contractor, Lahiri, Elango, & Kundu, 2014; Gaffney et al., 2016; Lee, Hemmert, & Kim, 2014) – i.e., when institutional distance is low. Similarly, lower levels of ownership would be preferred in order to learn (Williamson et al., 2014) or access novel business- and country-level knowledge (Ferreira, 2008). However, in the context of LAFs, government influence is

* Corresponding author.
*E-mail addresses:* claudia.frias.pinto@gmail.com (C.F. Pinto), manuel.portugal.ferreira@gmail.com (M.P. Ferreira), christianfalaster@gmail.com (C. Falaster), mtereza.fleury@fgv.br (M.T.L. Fleury), acfleury@usp.br (A. Fleury).

http://dx.doi.org/10.1016/j.jwb.2016.08.004
1090-9516/© 2016 Published by Elsevier Inc.

Please cite this article in press as: C.F. Pinto, et al., Ownership in cross-border acquisitions and the role of government support, Journal of World Business (2016), http://dx.doi.org/10.1016/j.jwb.2016.08.004

likely to alter the manner in which LAFs perceive the costs and risks of ownership, perhaps remarkably because the government also seeks to promote its ideology (Murtha & Lenway, 1994; Musacchio & Lazzarini, 2014) and attempts to gain influence in global political affairs (Casanova & Kassum, 2013). Hence, we argue that it is important to understand how governments intervene in LACs and especially to distinguish the different forms of government support. Contrary to the western more institutionally developed countries whose economic systems are essentially based on privately-owned firms, and unlike China where many of the multinationals are actually state-owned (Meyer et al., 2014), in Latin America, the industrialization and pro-market reforms (Cuervo-Cazurra & Dau, 2009; Cuervo-Cazurra, 2008) led to a system based on private firms, but with significant government intervention. Latin American governments have pushed a policy of internationalization (Aggarwal & Agmon, 1990; Cuervo-Cazurra, 2008), supporting the internationalization of selected firms granted privileged access to governments (Pan et al., 2014). For example, the Brazilian government has promoted the internationalization of some Brazilian multinationals through a "national champions" policy (Casanova & Kassum, 2013; Fleury & Fleury, 2011) – these are state-backed firms, protected from competition, that benefit from subsidies, and are vehicles for national industrial policies – through FDI financing (Casanova & Kassum, 2013), and most remarkably through financing CBAs.

In this study, we examine how institutional conditions, especially government support, influence the ownership acquired in CBAs by LAFs, both directly and by moderating the effects of institutional distance and learning in CBAs. Following recent analyses of government-firms' relationships in Latin America (Musacchio & Lazzarini, 2014), we propose that government support operates through three mechanisms: financing, stock participation and political connections (board participation). These mechanisms are substantially different from the more common government ownership and in an institution-based view they impose different challenges. The internationalization of state-owned firms is reasonably well understood (e.g., Cui & Jiang, 2012; Meyer et al., 2014; Pan et al., 2014) but the internationalization of government-supported firms is not well documented in the international business literature. We argue that Latin American governments facilitate CBAs, and have the propensity to take full ownership, by reducing institutional distance between countries, enhancing the ability to take risks across borders, offsetting ownership disadvantages in foreign countries and providing access to an array of resources that are not available to privately-owned firms or firms lacking government support. Moreover, Latin American governments may drive firms to acquire knowledge capabilities by supporting more innovation-based endeavors to push their political and economic objectives.

We test our arguments with a sample of 262 CBAs undertaken by Brazilian multinationals, which took place between 2006 and 2012, using data collected from the SDC Platinum and a unique dataset (compiled for this study) of how firms have benefited from government support. This study provides evidence that LAFs ownership in CBAs is somewhat determined by their home country's institutional conditions (Conti, Parente, & Vasconcelos, 2016; Cuervo-Cazurra, 2016) and the manner in which government supports firms. Our findings show some evidence that private firms, private firms with the government as a shareholder, and government-supported firms seem to deploy different foreign ownership strategies.

The contributions of this study are twofold. We contribute to the international business literature by providing a theoretical understanding of multilatinas and their interaction with the institutional environment. In studying LAFs, we complement extant research on emerging economies' multinationals that has focused especially on Chinese multinationals (e.g., Child & Rodrigues, 2005; Deng, 2009; Hong, Wang, & Kafouros, 2014; Luo, Xue, & Han, 2010; Peng, 2012). We thus answer the call for additional research on the unique context of Latin America, contributing to the extant institutional and internationalization theory (Cuervo-Cazurra, 2012, 2016). Our findings corroborate the suggestion that multilatinas are more aggressive and risk-taking when pursuing strategic assets via internationalization than their counterparts from developed countries (Gaffney et al., 2016; Luo & Tung, 2007). To at least some extent there is also a contribution to foreign entry strategies especially on the equity mode (Brouthers, 2002; Chen & Hennart, 2004; Hennart & Reddy, 2000; Meyer, Wright, & Pruthi, 2009) as a reflection of both firms' and governments' objectives.

We further add to the literature on the institution-based view by delving into the role of government support on the internationalization of firms. The extant research has more often focused on the institutional heterogeneities across countries and the challenges in an institutionally diverse host (Cuervo-Cazurra & Dau, 2009; Deng, 2009; Gaffney et al., 2016). We extend this by focusing on a specific home institutional agent – the government – we treat government support as an endogenous institutional factor, and conceptualize three mechanisms through which government support influences foreign ownership. We go beyond arguments based on gaining host country legitimacy (Meyer et al., 2014) and include the possibility that governments use firms to execute their ideologies and reinforce economic and political power. Governments in emerging economies have a pervasive influence on firms' strategies (Hoskisson, Wright, Filatotchev, & Peng, 2013; Meyer et al., 2014; Wang, Hong, Kafouros, & Wright, 2012), but much of our understanding of the role of government in emerging economies pertains to China. There is a stark contrast between the role of government in centrally planned economies, delving into state-owned firms (Liu, Wang, & Zhang, 2013; Luo et al., 2010), and the largely market-driven economies of Latin America where firms are mostly privately owned (Casanova & Kassum, 2013; Conti et al., 2016). Multilatinas behave differently from other EMNCs due to their specific institutional environment, manners of government intervention, and their need to speed learning and upgrading to compete nationally, regionally and globally.

## 2. Theory development and hypotheses

The choice of ownership acquired in CBAs is a core decision because of the economic, financial and strategic impact on acquirer and target firms (Chen, 2008; Ferreira, 2008; Gaffney et al., 2016), such as the level of control, transfer of assets, investment requirement and risk (Chari & Chang, 2009). The degree of ownership acquired confers on the acquirer a continuum of control and integration options of the target firms' resources (Ferreira, 2008). Moreover, the ownership acquired is not only a matter of control (Malhotra et al., 2016) or of the impact on the financial disbursement involved, but it may also influence the learning potential and the loss of value of the target post acquisition (Dyer, Kale, & Singh, 2004; Ferreira, 2008).

The extant literature has already examined the ownership choices in CBAs made by EMNCs focusing on formal institutional, cultural and industry related determinants (Contractor et al., 2014), economic and knowledge distance (Gaffney et al., 2016), home-country institutional factors and cross-national distance (Lahiri, Elango, & Kundu, 2014; Lee et al., 2014), and resource- and context-specificity of EMNCs' acquisitions (Buckley et al., 2014). Full ownership avoids the hazards and extra costs of shared ownership (Chen, 2008) while granting access to complex and organizational embedded knowledge (Vermeulen & Barkema,

دریافت فوری ← متن کامل مقاله

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات