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The Effects of Cultural Distance and International Experience on CEO Departure in Cross-Border Acquisitions

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The Effects of Cultural Distance and International Experience on CEO Departure in Cross-Border Acquisitions

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Abstract

In meno di venti anni, il numero di acquisizioni cross-border, ossia acquisizioni tra imprese i cui rispettivi quartier generali hanno sede in diversi paesi, è più che triplicato. Questa tesi cerca di capire l’impatto che la distanza culturale e l’esperienza internazionale degli amministratori delegati hanno in queste acquisizioni e, in particolare, i loro effetti sulla decisione dell’impresa acquirente di mantenere o meno l'amministratore delegato dell’impresa acquisita. Abbiamo studiato 197 acquisizioni di piccole imprese operanti in settori ad alta tecnologia in cui le conoscenze tacite, le caratteristiche e le capacità del management e dei dirigenti sono un’importante fonte di vantaggio competitivo e in cui il fatto che l’amministratore delegato dell’impresa acquisita lasci il suo incarico può portare al fallimento dell’acquisizione.

Basandoci sulla letteratura sul tema, discutiamo teoricamente e mostriamo empiricamente che, maggiore è la distanza culturale tra il paese dell’impresa acquirente e quello dell’impresa acquisita, più alta è la probabilità che l’amministratore delegato dell’impresa acquisita lasci il suo incarico, mentre l'esperienza internazionale di tali amministratori delegati è negativamente correlata alla loro partenza. In particolare, abbiamo diviso l'esperienza internazionale degli amministratori in *generale* e specifica al paese dell’acquirente (*country-specific*). L’esperienza generale è calcolata come la somma delle esperienze lavorative maturate in un paese straniero, mentre quella specifica è l'esperienza che l’amministratore delegato dell’impresa acquisita ha maturato in imprese il cui quartier generale ha sede nel paese dell'acquirente. Inoltre, la tesi discute e mostra che questi due tipi di esperienza internazionale possono indebolire l'effetto positivo della distanza culturale sulla probabilità che l’amministratore delegato dell’impresa acquisita lasci il suo incarico in seguito a una operazione di acquisizione cross-border.

Parole chiave: CEO Departure, Distanza Culturale, Esperienza Internazionale, M&A, Acquisizioni Cross-Border.

Abstract

In less than twenty years, the number of cross-border acquisitions, i.e. acquisitions between firms whose respective headquarters are based in different countries, has more than tripled. This thesis tries to understand the impact of cultural distance and international experience of CEOs have in these acquisitions and, in particular, their effects on the decision of the acquiring company to whether maintain or not the CEO of the acquired one. We studied 197 acquisitions of small high tech firms in which the tacit knowledge, the characteristics and capabilities of management and managers are an important source of competitive advantage and where the departure of the CEO of the acquired company can lead to the failure of the acquisition.

Based on the literature on the topic, we discuss theoretically and empirically show that the greater the cultural distance between the country of the acquiring and the acquired firm, the higher is the probability that the CEO of the acquired company leaves the company, while the international experience of these CEOs is negatively related to their departure. In particular, we have divided the international experience of the CEOs in *general* and specific to the buyer's country (*country-specific*). The general experience is computed as the sum of work experiences gained in a foreign country, while the specific is the experience that the CEO of the acquired company has gained in companies whose headquarters is based in the buyer's country. In addition, the thesis discusses and shows that these two types of international experience may weaken the positive effect of cultural distance on the probability that the CEO of the acquired company will leave his role following a cross-border acquisition.

Key words: Target CEO Departure, Cultural Distance, International Experience, M&A, Cross-Border Acquisitions.

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Chapter 1: Introduction

Mergers and acquisitions (M&As) have attracted largely scholar attention. Indeed, if one types the word “M&As” on Scopus’ search engine (the world's largest abstract and citations database) the response is “*currently we cannot handle this search because it generates too many results*”. Indeed, there are an extremely large number of papers studying M&As. The reason is that M&As is a vast topic and that there are many possible sources of debate and investigations in such a wide area.

However, among all the possible M&As topics, the ones that most captured our attention is the role of the cultural distance and target CEO’s international experience in cross-border M&As.

Specifically, the main objective of this thesis is to prove that, in a cross-border M&As, a target CEO with high international experience is less likely to be replaced than a target CEO with low international experience. In addition, we prove that international experience influences the relationship between the cultural distance between the country of the acquirer and the target and the likelihood of target CEO’s departure following a cross-border M&As.

We decided to treat this topic because until now, although a lot has been said regarding the effects of cultural distance in M&As, to the best of our knowledge nobody has thoroughly analysed the impact of the target CEO’s international experience on the relationship between the cultural distance and the target CEO’s departure.

We cannot deny that being the first to show something that other scholars have not yet demonstrate is a source of personal satisfaction and it has been a source of motivation that drove us throughout our studies.

In order to investigate the target CEO’s experience, we had to analyse the micro-foundations of executives’ turnover after an M&As. In other words, we focus our attention to the individual characteristics of the target CEO, like the working and the educational experience. Analysing working and educational target CEO's experience means answering questions like the following: where did he or she work? Has he or she worked abroad? For how long? Which role did he or she hold in the company? In which industries did he or she work? Where did he or she get their master or bachelor degree? We got information to answer to all these questions from the biographies of target CEO, see the methodological part for further details.

Our studies consists of four main phases: literature review, data collection, econometric models specification and results, and, finally, discussion of the results. Data collection was undoubtedly the longest and the toughest phase, in which we analysed and classified the biographies of target CEOs of cross-border M&As in our sample. In defining the econometric specification and analysing the results, we collaborated with the research group of Applied Economics of the DIG (Dipartimento di Ingegneria Gestionale) of the Politecnico di Milano. Thanks to this collaboration, which proved to be extremely productive, our willingness to work and our keenness to be part of an important project were combined with the experience and know-how of the Applied Economics research group. Consequently, we have been able to obtain detailed result and, hence, to prove all the hypotheses we derived from the analysis of the literature. Finally, working with at DIG, we were able to quickly bridge the lack of knowledge that was not part present in our course curriculum and further developed our general know-how related to topic of the thesis.

Chapter 2: Literature review

The literature review consists of several steps. Our research deals with CEOs departure in cross-border acquisitions (CBAs) in relation to their national culture and individual characteristics, which only recently has become an interest for researchers. Accordingly, it is not easy to find papers related to this topic. Because of that, we have figured out five areas of research in order to build a proper literature base: *Mergers and Acquisitions, cross-border acquisitions, cultural distances in organizations, CEOs retention versus CEOs replacement in acquisitions and CEOs and executive expertise*.

2.1. Methodology of the literature review

The first step of our literature review consisted of a keyword[1] research through Scopus (world's largest abstract and citation database). We used the following keywords: CEO, executive, top management team, tmt, M&A, acquisition, cross-border acquisition and their synonymous, which are combined in different queries (all the queries, with their respective results, have been summarized in the appendix).

This research led to 680 papers that, later, have been marked as “relevant” or “not relevant” through an analysis of their abstracts. Only the relevant papers have been read and analysed in details.

[1] For a scheme of the keywords see table A1 in the appendix

Then an upstream and downstream research have been conducted through an analysis of the references of these papers and also looking to those papers that have cited them (this has been possible using Scopus database).
Even if this approach was quite efficient, there were the risk to miss some other noteworthy papers. For this reason, we decided to select a paper that in our opinion is a milestone paper concerning the literature regarding the role of culture in mergers and acquisitions and we performed again an analysis of the paper's references. The selected paper was "Do cultural differences matter in mergers and acquisitions? A tentative model and examination" written by Stahl and Voigt in 2008.
All the analysed papers were selected because they are part of one of the aforementioned areas of interest.

2.2. Mergers and Acquisitions

We decided just to briefly introduce M&As in order to provide an overview to the reader. Moreover, we would like to stress the point that all the information included in the whole paragraph (1.2) are taken from the lectures of the course of "Corporate finance" held by the Professor Samuele Murtino at the Politecnico of Milan and from the book "Fundamentals of Corporate Finance" (Berk, DeMarzo, Harford). In line with the objective of the thesis, we will discuss in greater details a particular type of M&As, i.e., cross-border M&As, because it is more pertinent with our topic.
M&As refers to an aspect of corporate strategy that deals with the combination and/or acquisition of other companies and other assets. The decision to carry out a merger or an acquisition is an economic one, which specifically involves an

investment decision with the hope of obtaining future revenues sufficient to recover the funds invested and achieve a certain benefit.

Merger: A merger is the union of two (or more) legally independent organization, which decide to pool their assets and form a new company. If one of the two companies absorb the assets of the other one, we are facing a merger.

Acquisition: An acquisition occurs when a company (the acquirer) purchases a stake of another company (the target).

In particular:

i. *Horizontal merger*: M&As occurring between companies (the target and the acquirer) in the same industry. Horizontal merger is a business consolidation that occurs between firms who operate in the same industry, often as competitors offering the same good or service (the one which has characterised the 2000s merger wave);
ii. *Vertical merger*: M&As between two companies producing different goods or services for one specific finished product. A vertical merger occurs when two or more firms, operating at different levels within an industry's supply chain, merge operations.
iii. *Conglomerate merger*: M&As between firms that are involved in totally unrelated business activities (common in the 1960s merger wave).

2.2.1. Background and historical trends

As the reader can see from the following graph, firms' M&As activity is characterized by an increasing trend and by a strong cyclicality. Since the 1990s, the average number of transactions per year has increased four times ("IMAA", Institute of mergers, acquisitions and alliances).

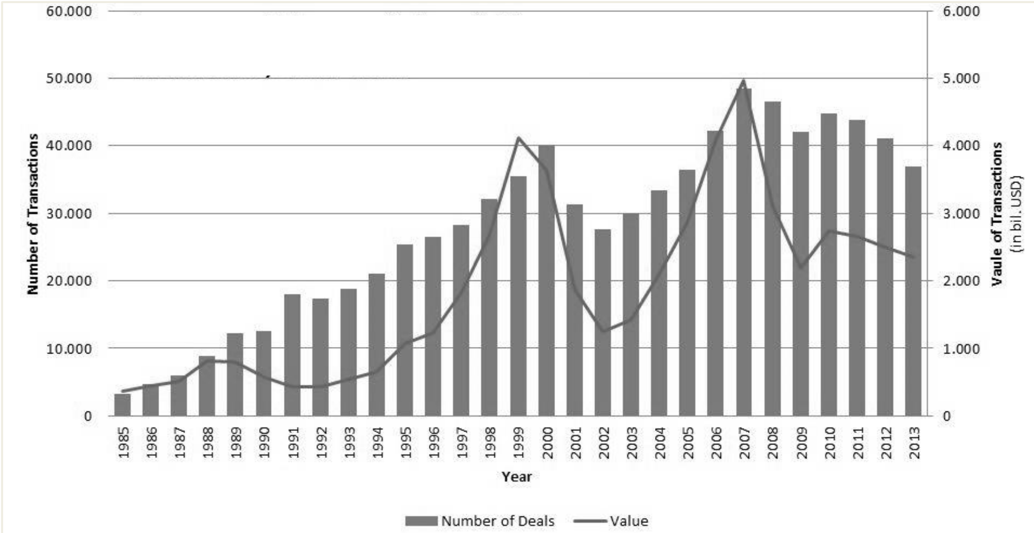

Figure 1: Worldwide announcements of M&A (1985 - 2013)

(Source: http://www.imaa-institute.org/statistics-mergers-acquisitions.html)

The greatest takeover activities (*merger waves*) began in the 1965, 1984, 1992, and 2004 ("Mergers, Acquisitions, and Corporate Restructurings", Gaughan, 2007).

The 1960s merger wave is known as the "conglomerate wave": its distinctive characteristic is the strong diversification strategy, where a large percentage of M&As consisted of unrelated acquisitions (acquisitions that involve two firms belonging to different and unrelated industries). The main objective of those acquisitions was to reduce corporate risks through a diversification of the corporate portfolios.

While it can be stated that conglomeration and diversification were the dominant trends of the 1960s, in the 1980s the focus switched on specialization and consolidation. The unique characteristics of this wave were the significant role of hostile takeovers: hostile mergers had become an acceptable form of corporate expansion by the 1980s, and the corporate raid had gained status as a highly profitable speculative activity. Consequently, corporations and speculative partnerships played the takeover game as a means of obtaining very high profits in a short time.

The merger wave of the 90s became famous for the "strategic" or global "deals". The great difference with the previous one was the focus on strategic deals (long-term view) rather than on quick financial gains (short-term view). These deals were not the debt-financed bust-up transactions of the 1980s merger wave. Rather, they were financed through the increased use of equity, which resulted in less heavily leveraged combinations.

Finally, the merger wave of the 2000s is marked by consolidation in many industries. An example of this is Mittal, which has used M&As across the world to acquire many steel companies in order to become the largest steel company in the world.

2.2.2. Determinants of M&As

While some possible benefits of M&As are directly linked to the different types of M&As we discussed in section 2.2 (horizontal, vertical and conglomerate M&As) other benefits are common to all the deals ("Fundamentals of Corporate Finance",Berk, DeMarzo, Harford):. Benefits shared by horizontal and vertical mergers are the following:

- *Synergies*: large synergies are by far the most common justification that bidder give for the premium they pay for a target. Such synergies usually fall into two categories: cost reduction (elimination of redundant resource and layoff of overlapping employees) and revenue-enhancement synergies (harder to predict);
- *Expertise*: firms often need expertise in particular areas to compete more efficiently. Particularly with new technologies, hiring experienced workers

directly may be difficult, therefore it may be more efficient to acquire talented individuals as an already functioning unit by acquiring an existing firm;

- *Efficiency gains*: they can be achieved through an elimination of duplication, like duplication of functional units, organizational processes, and also of personnel that occur when two companies decide to pool their assets.

Benefits related only to horizontal merger:

- *Economies of scale*: a larger company can save costs by producing goods in higher volumes;
- *Monopoly gains*: merging with or acquiring a major rival enables a firm to substantially reduce competition within the industry and thereby increase profits.

Benefits related only to vertical merger:

- *Economies of scope*: merged companies can realize savings that come from combining the production, marketing and distribution of different types of related products. The average total cost of managing more stages of the supply chain (or of producing different goods) decreases as a result of increasing the number of stages managed (or of different goods produced);
- *Vertical integration advantages:* like improved supply chain coordination, capture upstream and downstream margins, higher opportunities to differentiate by means of increased control over inputs.

Benefits related only to conglomerate merger

- *Risk reduction*: the larger is the firm's portfolio, the lower is the corporate risk because a success in a business can offset failures in another one;

- *Tax savings from operating losses*: a conglomerate may have a tax advantage over a single-product firm because losses in one division can offset profits in another division.

2.3. Cross-border acquisitions: trends and evolution

Since the multinational companies in the '90s have started to M&As to become more and more international, 'globalization' has become the word under which most of those companies have started these policies of internationalization. The number of CBAs deals has increased in the last years: if in 1997 the worldwide acquisition activity was $1.6 trillion, the following years it doubled, reaching $3.3 trillion in 1999. The activity continued to grow in 2000s, reaching $4.5 trillion in 2007: of these 4.5 trillion dollar, 2.16 comes from CBAs deals (47%) (Platt, 2008). Also the total value of cross-border deals has doubled in the last years, from the 23% in 1995 to 45% in 2007. These acquisitions are likely to become even more important in the future because of the increasing integration of the world's economies. Nowadays, one third of worldwide mergers combine firms from two different countries (Erel, Liao and Weisbach, 2012).The following figures provide a graphical representation of the relevance of cross-border deals, both in terms of absolute numbers (Figure 2)[2] and dollar value (Figure 3)[3] (Erel

[2] *Figure 2:* The figure plots the number of cross-border deals with deal value larger than $1 million between 1990 and 2007. Bars represent numbers in a given year while solid lines represent the fraction of CBAs relative to the total number of all acquisitions in a given year, including domestic ones.
[3] *Figure 3:* The figure plots the value of cross-border deals with deal value larger than $1 million between 1990 and 2007. Bars represent the values in a given year while solid lines represent the fraction of CBAs relative to the total deal value of all acquisitions in a given year, including domestic ones.

et al., 2012) related to the period 1990-2007. Both the two graphs (Figure 2 and Figure 3) show similar patterns. The volume of cross-border deals increases throughout the 1990s, declines after the stock market crash of 2000, and then increases again from 2002 until 2007.

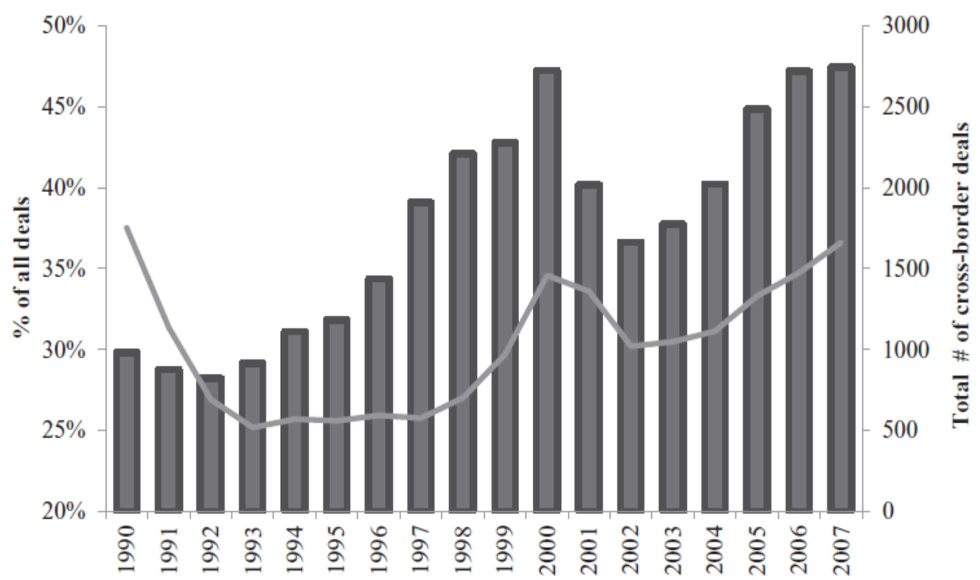

Figure 2: Volume of cross-border deals

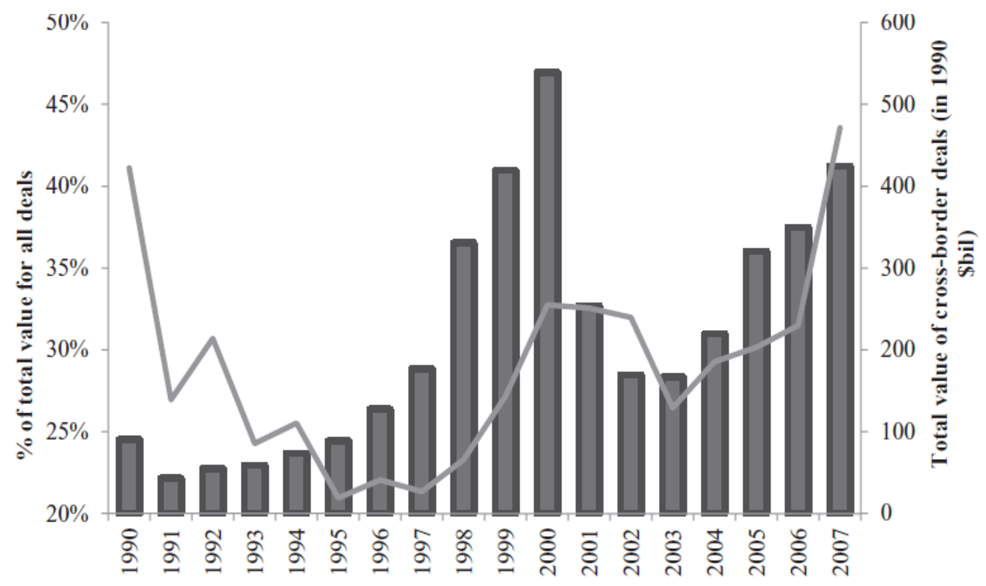

Figure 3: Total value of cross-border deals

As a fraction of the total value of worldwide mergers, cross-border deals typically amount to between 20% and 40%. The fraction of cross-border deals follows the overall level of the stock market: it drops in the early 1990s, increases in the later 1990s to a peak in 2000, and then increases with the stock market again between 2004 and 2007.

2.3.1. Determinants of CBAs

In this paragraph, we briefly discuss why CBAs occur and analyse the factors that are relevant in cross-border deals[4], but are not present to the same extent in domestic acquisitions, such as geographic differences, differences in firms' values, currency movements, and international tax effects (Erel et al., 2012). Cultural differences will be deeply discussed in section 2.4: "Cultural distances and differences in national culture".

Holding other things constant, as the geographical distance between two countries decreases, it becomes more likely to observe acquisitions between them. Furthermore, mergers and acquisitions are likely to occur between firms of countries that trade more commonly with one another, since they are expected to have synergies and a common cultural background (Ahern, Daminelli, and Fracassi, 2012).

As we said before, also taxes affect CBAs decisions, since acquirers are more likely to come from a country with a higher corporate income tax rates policy than the countries in which targets are located.

Firms' value can change in relation of both firm specific (like firm performance and stock value) and country-specific factors (like exchange rate) and these variations in value are a potential source of M&As (Erel et al., 2012).

[4]As we said earlier, since M&As is a very vast topic we consider worthwhile to focus this section on the M&As executive turnover, a topic that is aligned with out thesis.

In particular, if valuation differences are momentary, managers of an overvalued acquirer have incentives to issue shares at inflated prices to buy assets of an undervalued or at least a less overvalued target (Shleifer and Vishny, 2003).
This transaction transfers value to the shareholders of the acquiring firm by arbitraging the price difference between the firm's stock prices. If the valuations differences are permanent, CBAs can occur because either expected earnings are higher or the cost of capital is lower, allowing foreign acquirers to bid more aggressively for domestic assets than domestic rival bidders.
Anyway, cross-border mergers should not be thought of as a pure financial arbitrage: currency movements affect them also, for example, (especially when firms are located in countries that are geographically close to each other or when the acquiring firm's country is wealthier than that of the target firm). Short-term movements between two countries' currencies increase the likelihood that firms in the country with the appreciating currency purchase firms in the country with the depreciating currency. For example if a domestic firm produces goods to be sold overseas or to compete in its domestic market with overseas competitors, then the domestic firm profits potentially increase following permanent currency depreciations and making that firm attractive to potential foreign acquirers. Because the relation between currency movements and cross-border mergers is based on asymmetric information, it is likely to be particularly relevant in the case of private targets, for which asymmetric information tends to be high relative to otherwise similar public targets.

2.3.2. Executives' turnover in CBAs

Although a lot of researchers had focused their studies on the domestic acquisitions, documenting abnormally high turnover rates of executives in the post-acquisition phase (Walsh, 1988, 1989; Walsh and Ellwood, 1991; Hambrick and Cannella, 1993), studies about executives' turnover in CBAs are comparatively less numerous. The first studies are by Krug and Hegarty (1997) and Krugh and Nigh (1998) and have demonstrated that the turnover of acquired executives is higher in CBAs than in domestic acquisitions.

According to Krug and Hegarty (1997), three main perspectives explain this phenomenon.

First, the market perspective: a major motivation that leads to the CBAs is to gain the foreign technological, commercial and managerial know-how. Therefore, the acquired managers can play a very important role at least in the short-run in order to enable the process through which the acquirer assimilates the acquired company's critical resources. In the long run, after the end of this process, acquirer company's managers can replace them (especially when the performances are lower than the expectations).

Second, the organizational perspective: acquired managers may choose to leave the organization when they are unwilling or unable to adapt to organizational changes made by the acquirer. In specific case of CBAs, those changes can be greater due to the higher large differences in organizational culture and structure.

Third, the individual perspective: this perspective focuses on "micro-level factors dealing with the individual decision-maker. The instability that follows an acquisition, both in domestic or cross-border deals generates uncertainty among target companies' managers concerning their future role in the organization. This uncertainty boosts stress and decreases job satisfaction, trust in and commitment to the organization and, lastly, increases probability to leave the merged entity. Again, those effects are even stronger in the case of CBAs.

A very interesting finding of Krug and Hegarty (1997) is that beyond the third year, differently to what happens in the domestic acquisitions, managers' turnover in firms acquired by a foreign company continues to rise at a significantly higher rate until the fifth year following the acquisition. This suggest that the effects of

CBAs lasts more than the effects of a domestic acquisition. This is consistent to the market perspective: after critical resources are embedded, acquired managers can be replaced and therefore, turnover continues to be high.

Another possible explanation of the higher turnover in CBAs is given by Krug and Nigh (1998). Acquirers often impose their systems and practices in order to overcome high costs of governance. These actions can lower target executives' perception of their status and that, according to the findings of Hambrick and Cannella (1993), causes them to quit. In CBAs, the selection of the appropriate governance mechanism is even more complicate, due to the existence of cultural distances.

The acquirer's experience in cross-border M&As significantly moderates the turnover of the managers of the target company. This experience can be both international (general experience in cross-border M&As) and specific to the country of the target company (acquirer's experience in the country of origin of the target company) (Krugh and Nigh, 1998). Experience can improve the acquirer's ability to successfully integrate a foreign target company and to minimize unwanted top management turnover.

As firms expand internationally, they acquire knowledge and know-how that could be leveraged in subsequent foreign investments and they build internal capabilities to manage subsidiaries abroad.

Indeed, it has been demonstrated that while in the short run the negative effect of cultural difference is reduced when the foreign firm has international experience, in the intermediate/long-run it is reduced when the foreign firm has made previous acquisitions in the target company's country. In sum, country-specific experience matters in the long run.

2.4. Cultural distance and differences in national cultures

2.4.1. Differences between National and Organizational culture

Culture is defined as the ideas, customs, and social behaviour of a particular people or society[5]. It is a set of intellectual knowledge acquired through study, reading, experience, the influence of the environment and reworked in a subjective way, which become the constitutive elements of our personality, helping to enrich the spirit, to develop or improve individual faculties, especially the judgment. Individuals are rarely conscious of their own culture as they take it for granted. Culture is a constitutive part not only of individuals, but also of social institutions (political and economic ones), scientific and artistic activities, spiritual and religious manifestations that characterize the life of a society at a given historical moment.

Said that, it is now easy to understand that organizations develop their own culture, according to the individuals that are working in them and the nation in which they operate.

Hofstede (1980) in his seminal works on culture distances and differences within organizations distinguished between two different type of culture: national and organizational cultures.

[5] Oxford dictionaries (http://www.oxforddictionaries.com/definition/english/culture)

National culture. Hofstede describes the national culture as what define people living in a specific country, what defines their deep and core values helping them to understand the difference between good and bad, rational and irrational, safe and dangerous. National values are with them since their birth and it builds their personality and character. They are shaped by laws, history, religion, set of norms, behaviours, beliefs and customs that exist within the population of a sovereign nation. Another characteristic is that national culture changes very slowly over different generations.

In order to measure the cultural distance at national level (i.e., between two diverse countries), two models have been developed: the Hofstede's (1980) cultural distance model (CD) and the Dow and Karunaratna's (2006) psychic distance model (PD). We will discuss the two models later on in this chapter.

Organizational culture. According to Hofstede, organizational culture can be defined as *"the collective programming of the mind that distinguishes the members of one organization from others."* In his studies, Hofstede explains that diverse organizational cultures differ at the level of practice, which means that they differ in the application or use of an idea, method and habits. It has also found that individuals are much more open to discussion when it came to this type of culture than the national one. This is because organizational values are much more superficial and easily learned.

Another explanation is that national culture helps in shaping the organizational one, along with other factors such as the personality of founders and leaders, technology, expectations of stakeholder, etc. That is the reason why in a country it is not so unusual to find similar principles and values in different organizations. Because of this, the two models used for the national culture distances (PD and CD) cannot be applied to analyse the culture of organizations within the same country.

2.4.2. Importance of cultural distances in cross-border M&As

In the last years, various researchers have started to focus on the importance of cultural distance (that is, the distance between two countries in term of languages, religion, education level, industrial development and political system) and its impact on the business world and financial markets. It has been proved that both foreign direct investments (Guiso, Sapienza and Zingales 2009) and equity investments (Huang, 2014) are influenced by cultural factors. Giannetti and Yafeh (2012) have found that interest rates are lower when the cultural values of the actors involved (i.e., the borrowers and the lenders) are close to each other.

Cultural aspects are likely to be important also in CBAs. Several problems of integration and intragroup relation occurs because of the interaction between two different companies, with different organizational cultures, in an acquisition deal (Hakansson and Sharma, 1996).

2.4.3. Impacts of cultural distance in CBAs

Ahern et al (2012) describe how cultural distances can affect CBAs.

First, cultural distance between the country of the acquirer and the target may reduce the probability of an acquisition operation: the greater the distance, the higher are the number of problems that the companies are going to face. An acquisition deal requires a lot of coordination between the employees of the two firms and in a cross-border deals cultural distance can throw the employees of the companies in mistrust and misunderstanding or, even worst, in mismatching goals. For example, the level of tolerance related to "questioning the management" (how much an employee can challenge the management) changes according to each national culture. In the same way, for some countries, teams are more important than the single individual is. These examples of differences can lead to coordination problems among employees' of different companies.

Second, higher cultural distance can lead to great M&As deals if in the post-acquisition (post-merger) period cultural diversity enables a process of innovation and helps in the development of new problem solving methodologies and techniques (Page 2007).

Third, the effects of cultural distances can be reduced through the use of new technologies, or because of market forces and organizational arrangements. As to this last aspect, for example, an acquired firm can be either absorbed (*structural integration*) or leaved independent (*structural separation*) by the acquirer. In the first case, the companies will face more cultural problems than in the second one. In 1999, a KPMG report stated that one third of the executives claim that cultural distances are the main reason why acquisition deals fail. In addition, the literature and the research on CBAs stress the role of cultural distances (Page, 2007; Ahern et al, 2012).

However, the relation between cultural distance and post- acquisition performance is far from clear. In other words, there is a great variance in international post-acquisition performances and the related literature is not consistent. According to Sthal and Voigt (2005, page 73) *empirical evidence indicates that national and organizational cultural differences are often associated with negative outcomes at the socio-cultural level, such as increased top management turnover, reduced employee commitment, and acculturative stress. However, the impact of cultural differences on post-acquisition financial performance is less clear. While some studies found cultural differences to be negatively associated with accounting- or stock market-based performance measures, others observed a positive relationship or found cultural differences to be unrelated to post-acquisition performance".*

Some researchers have found that cultural differences have a negative effect on performances (Datta and Puia, 1995), while other have found a positive effect (Morosini, Shane and Singh, 1998). The commonality in all those findings is that a primary role is played by the integration capabilities of the interacting firms. Integration capabilities are those organizational operations needed in order to manage the post-acquisition integration process (Zollo and Singh, 2004).

Integration capabilities. Reus and Lamont (2009) suggest that in order to better understand the relation between cultural distances and post-acquisition performances, integration capabilities have to be better analysed. They found that cultural distance negatively affects the performance of a company in a post-acquisition deal because of its effects on the integration capabilities of the two companies. However, it can also boost the performances thanks to the diversity of the integration capabilities and the awareness of those capabilities by the management team and the "managers of change".
The authors distinguished among three integration capabilities: understandability, communication and key employee retention.

Understandability: the ability of the employees of one firm to understand, codify and learn processes, habits and practices of other firms. This is a key capability in acquisition deals. An acquisitions let two companies share resources and technologies, but to obtain good performances you really have to know how to use these resources and technologies.

Communication: is the ability of both the acquirer and target to broke the firm boundary and communicate. Rich communication channels through which the two companies can communicate are the basics to improve performances, because those channels enable the exploration and exploitation of synergies. Even if knowledge has been well codified and it is easy to understand, communication is important because of the volatility of the context created by an acquisition deal.

Key employee retention: retention of top management teams or executives will be extensively discussed later (see chapter 2.5). In brief, during an integration process between two firms some resources can be really exploited only by key individuals. Accordingly, how to identify these individuals acquirer is a key priority for the.

Those three abilities help in explaining why there are three different thesis that have been already proven (Positive, negative and null effects of cultural distances on performances). Stahl and Voigt (2008) have found that the bigger is the sample of acquisition deals the higher is the probability that the effect of cultural distances do not affects performances. A bigger sample has also higher variance and the greater level of variance is strictly related to different levels of awareness and abilities to exploit the three integration capabilities (Reus and Lamont, 2009).
It is important to stress what Ghoshal (1987, page 432) has already said: *"The mere existence of diversity, however, does not enhance learning. It only creates the potential for learning. To exploit this potential, the organization must consider learning as an explicit objective, and must create mechanisms and systems for such learning to take place".* It is only through the awareness of both the possibilities and how to deal with cultural differences that an acquisition deal can be turned in a good one in terms of new knowledge creation, innovation and performances. It is a conscious and active process.

2.4.4. Psychic distance versus Hofstede's cultural distance

The first question when speaking about national cultural distances is "How can it be measured?" As we have already said, culture moves and defines individuals across more than just one dimension: it is the result of the interaction between individual with the environment in which they are immerse.

The concept of cultural distance in not far away from the nation geographic distance, but in this case the distances are not measured with a metric system but in culture units. Basic proxies that have always been used are religions and/or languages. Historically speaking distant societies have always developed different languages and cultures, while religions usually had a strong impact in the way of living of a society. In reality, it is more complex.

Over time, in order to study, analyse and measure the cultural distance, two main theories have been employed: the theory of *national cultural distance* developed by Hofstede in the 80s, and the construct of *psychic distance*, which is emerged in the 1970s as one of the corner stones of the Uppsala internationalization process model. These two related concepts have enjoyed substantial prominence in the international business literature over several decades. The national cultural distance, especially in the last decade of the nineteenth century and in the beginning of the second millennium, has been widely adopted by the researchers as a consequence of the Kogut and Singh’s (1988) studies. Their work is an extension of Hofstede’s studies on culture that presented the cultural distance index, a measure of the cultural distance between two given countries. This index is based on the deviation along each of the four cultural dimensions (i.e., power distance, uncertainty avoidance, masculinity/femininity, and individualism) of each country from the United States scores. Indeed, the vast majority of researchers have chosen simply to employ the Kogut and Singh index (also called Hofstede’s cultural index) as their sole indicator of distance. This is especially surprising given the consistent stream of ambiguous and weak empirical results, which have caused commentators to call for a broader conceptualization and measurement of the distance, construct (Harzing, 2003; Shenkar, 2001; Tihanyi, Griffith, and Russel, 2005).

One promising response to the call for better measures of the distance construct has been a set of the psychic distance scales published eight years ago by Dow and Karunaratna (2006). The major criticism of the two authors to the Hofestede's cultural index is that it is only a narrow component of the psychic distance and that an effective model should cover a much broader range of factors potentially disturbing the flow of information between firm and market, namely differences in language, religion, industrial development, education and political system. This thesis in confirmed by Dow and Larimo (2008), which work is aimed at verifying the robustness of the psychic distance model using a different plot of data. Indeed, according to their findings, when researchers use the Kogut and Singh's index as their sole measure of psychic distance, they only capture approximately one quarter of the full effect (that is, they are missing roughly 75% of the effect size). Moreover, most of the effect captured is already reflected in the other psychic distance dimensions; thus, the Kogut and Singh's index may possibly be redundant.

After having introduced the reader to the concept of national cultural distance and of psychic distance stimuli, in the following two paragraphs we are going to describe deeply both the models.

2.4.5. The psychic distance model

Beckerman (1956) coined the term "psychic distance" in the concluding paragraph to his empirical research on intra-European trade flow. In this paper, the author states that it is more likely to have trades between two close countries than between two far countries because in the first case the two countries are "nearer" from both a psychic point of view (fewer language, cultural difficulties, etc.) and an economic point of view (i.e. less transportation costs and time).

Over the subsequent decades, the psychic distance construct was generally referred to the international trade flow research, but the development of the construct in terms of a broadly accepted definition or in empirical measurement has been limited.

It was within the international business literature that psychic distance finally gained prominence and began to be seriously developed as a construct.

Johanson and Vahlne (1977, page 24), researchers at the University of Uppsala, defined psychic distance as *the sum of factors preventing the flow of information to and from the market. Examples are differences in language, education, culture and industrial development.*

However, the right response to the call of broader conceptualization and measurement of the psychic distance is the model defined by Dow and Karunaratra (2006). According the authors, the psychic distance between two countries is a function of five main dimensions: differences in languages, education levels, industrial development, political systems, and religions. Below we have provided a definition of each dimension:

Difference in languages: Language is a key component of psychic distance. Tushman (1978) has demonstrated that similarities in languages present efficiencies in communication, while Welch D., Welch L., and Marschan-Piekkari (2001) proved that there is a tendency for firms to remain within their language groups during their initial expansion as a mean of containing risk. For these reason we can assert that differences in languages have the effect of increasing both the costs and the risk of a transaction.

Educational level. The education system influences the way in which people communicate and interpret information. Large differences in education levels between countries increase the risk and the uncertainty of a manager understanding and communicating within those countries.

Industrial development. The theoretical linkage between the psychic distance and the industrial development of a country is that the industrial development is likely to influence the nature of the people's employment. As the education levels, also nature of the people's employment shape how people communicate and interpret information. In addition to that, the norms of business-to-business communication and interactions are also likely to be heavily influenced by the nature of the economy, and thus by the level of the economic development. For example, the communication and business norms in a subsistence agrarian economy are likely to be dramatically different from those of a highly industrialised economy with a large service sector. These differences introduce extra costs and uncertainty into transactions.

Political systems. Differences in political systems can potentially affect managers at two levels. First, most industries involve a substantial amount of business-to-government and government-to-business communication. Dramatic differences in political systems will tend to increase the costs and uncertainty of such communications. Governments also clearly affects, through the mean of the policies, the business-to-business and business-to-consumer interactions, such as the enforcement of contracts and the monitoring of anti-competitive behaviour. As a result, differences in political systems increase the risk that foreign firms might misjudge how a government is likely to react in specific situations, and how other firms are likely to react in light of any potential government intervention. Both of these phenomena have the potential to increase the costs and risks of doing business in a foreign country, thus influencing market selection decisions.

Religions. Finally, also differences in religions play a very important role affecting the psychic distance. Religion is considered a major causes of conflict between different cultural groupings because it is closely associated with culture, attitudes and norms. At the individual level, religion define whether certain behaviours are desirable and acceptable or not. As a result, religion plays a major role in the way people communicate and interact and, therefore, differences in religion will increase the cost of a transaction and the risk of misunderstandings.

2.4.6. Hofstede's model of national cultural differences

Greet Hofstede in 1980 published a book entitled *"Culture's consequences"* after seventeen years of surveys and research upon national culture differences. In this book, the author divided culture in four dimensions: Power distance (PDI), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS) and Uncertainty Avoidance (UAI). Hofstede on his academic website[6] explains that the dimensions are related to *"four anthropological problem areas that different national societies handle differently: ways of coping with inequality, ways of coping with uncertainty, the relationship of the individual with her or his primary group, and the emotional implications of having been born as a girl or as a boy "*. In 1991, in a research of Michael Harris Bond and Hofstede, a fifth dimension was added: Long Term Orientation (LTO). In 2010, another researcher called Michael Minkov, always collaborating with Hofstede, added a sixth dimension called Indulgence versus Restraint (IND) and slightly modified the one found by Bond (Long Term Orientation) renaming it Pragmatic versus Normative (PRA).
Below we have reported the definition of each dimension[7] and a brief and simple explanation:

Power Distance Index. *This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The fundamental issue here is how a society handles inequalities*

[6] http://geert-hofstede.com/national-culture.html
[7] Definitions of the six dimensions have been taken from Hofstede's personal site (http://geert-hofstede.com/national-culture.html)

among people. People in societies exhibiting a large degree of power distance accept a hierarchical order in which everybody has a place and which needs no further justification. In societies with low power distance, people strive to equalise the distribution of power and demand justification for inequalities of power.

Briefly, the lower the Power Distance the more a society thinks at power relations as more democratic.

Individualism versus Collectivism (IDV). *The high side of this dimension, called individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families. Its opposite, collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty. A society's position on this dimension is reflected in whether people's self-image is defined in terms of "I" or "we."*

Briefly, the higher the individualism the more a society is focused on single individuals, on the contrary the higher the collectivism the more a society thinks as itself as a group.

Masculinity versus Femininity (MAS). *The masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material rewards for success. Society at large is more competitive. Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented.*

Briefly, gender-role are more defined in a masculine society, while in a more feminine the role are more equal and balanced.

Uncertainty Avoidance Index (UAI). *The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? Countries exhibiting strong UAI maintain rigid codes of belief and behaviour and are intolerant of unorthodox behaviour and ideas. Weak UAI societies maintain a more relaxed attitude in which practice counts more than principles.*

Briefly, the higher the UAI the more the people in a society are emotional and consequently more prone to uncertainty. They implement laws and regulations in order to cope with it. On the other hand, people with lower level of UAI accept more unstructured situations.

Pragmatic versus Normative (PRA). Hofstede definition: *This dimension describes how people in the past, as well as today, relate to the fact that so much that happens around us cannot be explained.*
In societies with a normative orientation, most people have a strong desire to explain as much as possible. People in such societies have a strong concern with establishing the absolute Truth and a need for personal stability. They exhibit great respect for social conventions and traditions, a relatively small propensity to save for the future and a focus on achieving quick results.
In societies with a pragmatic orientation, most people do not have a need to explain everything, as they believe that it is impossible to understand fully the complexity of life. The challenge is not to know the truth but to live a virtuous life. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to accept contradictions, adapt according to the circumstances, a strong propensity to save and invest, thriftiness and perseverance in achieving results.

Briefly, it refers to how a society cope with the concept of life and his complexity. Normative people try to find an answer to everything while the pragmatic one accept that there can be no answer to some questions and, because of that, are able to live their life in an easier way.

Indulgence versus Restraint (IND). Hofstede definition: *Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms.*

Briefly, it is how much a society tries to control emotions like desires and impulses.

The score system. A score has been given to each dimension by Hofstede (obviously, the scores are country specific) from a minimum of 1 to a maximum of 120. How the author explains in his findings *"culture exist only by comparison".* What he means is that the scores on each dimension are relative because every human being, even under the same culture, is different from the others[8].

Some considerations must be done upon Hofstede's work. In his initial findings (until 1991), Hofstede studied 76 countries along with the first four dimension (PDI, IDV, MAS and UAI). In the following ones (1991 with Bond and 2010 with Minkov), he developed other two dimensions (PRA and IND) and studied 93 countries, but only for this two new dimensions. Therefore, because of the difference in the number of countries studied some of them do not have all the scores for the first four dimensions.

[8] To determine the scores Hofstede has analyzed 116000 questionnaires that he has distributed to IBM employees in 72 countries. In the questionnaire there were multiple questions related to the four dimension.

Another problem is that the author first considered some geographical areas as countries (East Africa, West Africa, Arabic countries), but for the study of the PRA and IND indexes he has decided to split those areas in proper countries.
Finally, in the studies with Bond and Minkov, the authors decided to drop six countries (Costa Rica, Ecuador, Guatemala, Jamaica, Panama and Suriname). Also for these countries, the values for PRA and IND are not available.
We also know that Hofstede's model is not free from criticism, but it has become the standard in order to evaluate and compare national cultural distances. We also think that it is consistent with our empirical approach to evaluate this type of distances.
Table A2 in the appendix reports the scores for all of the Hofstede's dimensions.

2.4.7. Why we choose the psychic distance model

Hofstede's distance compares national culture norms, habits, and values of different countries trying to analyse the differences and it has been defined as the degree to which these countries differ in their cultural value. This distance can be computed through the use of Kogut and Singh's (1988) composite index which measure the Euclidean distance on the four dimension defined by Hofstede in 1980. This model (and related approach) has been criticized in different findings (Shenkar, 2001, Harzing, 2002). The main objection are as follow. First, Kogut and Singh's index reduces the complexity and differences between cultures to a score, which is stable and numeric, calculated as the difference between similar cultural dimensions. Consequently, we can obtain (given the countries A, B, C, D):

a. $Cultural\ distance(A \rightarrow B) = Cultural\ distance(B \rightarrow A)$
b. $Cultural\ distance(A \rightarrow B) = \ Cultural\ distance(C \rightarrow D)$

The problem with those relations (a and b) is that all the four dimension are country specific and as a consequence it is highly probable that each dimension differ from a country to another, which makes highly improbable that equations a and b are verified. Reducing the cultural distance to a single composite score underestimate the value of the score of each singular dimension. Second, Hofestede's cultural index is considered only a component of the psychic distance: cultural distance influences psychic distance. The definition of psychic distance is "the individual's perception of the differences between the home country and the foreign country": that means that is measured in terms of individual's perception. National culture (the one to Hofstede used to build the scores) helps in shaping individuals and their perception of culture (the psychic distance).

Given these objections, in our empirical model, we have chosen to apply the Psychic distance framework to test our hypotheses.

2.5. CEOs turnover in CBAs

In an effort to explain why acquisitions often fail, scholars have focused attention on the top executives of the acquired company as they are intimately involved in implementation of the acquisition, one of the key factor that influences the success of acquisition strategy. Consequently, this chapter is aimed at analysing deeply the figure of the executives turnover in cross border-acquisition, focusing especially on the CEO turnover. The most discussed topics are the degree of target firm's top executive turnover following an acquisition, the determinants of this turnover and, last, the effects of the turnover on post-acquisitions performances of the acquired / merged firm. We are going to cover all these topics focusing in particular, as we already said above on the turnover of the most important of the executives of the target, i.e., the Chief Executive Officer (CEO). Accordingly, we will discuss target CEO departure v. retention after an acquisition

2.5.1. Target firm's top executives turnover following M&As

The following table summarizes the results of studies that measured the cumulative rates of turnover among incumbent target executives after the acquisition.

Table 1: Executives' turnover rates in the literature

	Sample	Period	Year Following Acquisition				
			1	2	3	4	5
Walsh, 1988							
Acquired firm	50	1975-1979	25,0	37,0	46,0	52,0	59,0
Non-acquired firm	30	1975-1979	2,0	13,0	21,0	31,0	33,0
Walsh, 1989							
Acquired firm	102	1975-1979	21,1	38,6	48,9	54,9	61,1
Walsh and Ellwood, 1991							
Acquired firm	102	1975-1979	26,1	38,6	48,9	54,9	61,1
Non-acquired firm	75	1975-1979	7,1	15,0	24,3	29,2	33,5
Hambrick and Cannella, 1993							
Acquired firm	97	1980-1984	27,0	45,0	55,0	67,0	
Krishnan, Miller, and Judge, 1997							
Acquired firm	146	1986-1988			47,0		
Krug and Hegarty, 1997							
Acquired firm	270	1986-1988	21,2	40,5	59,9	68,4	74,8
Non-acquired firm	120	1986-1988	8,1	16,3	23,6	31,6	36,9
Average Turnover Rates							
Acquired firm			24,1	39,9	51,0	59,4	64,0

Non-acquired firm	5,7	14,8	23,0	30,6	34,5
Average Increasing Rate					
Acquired firm		15,9	11,0	8,5	4,6
Non-acquired firm		9,0	8,2	7,6	3,9

Note: Cumulative top management turnover rates calculated by dividing the number of executives employed at time of acquisition (incumbent top management team) leaving the firm through year being reported divided by the number of executives employed at time of acquisition.
Source: Krug and Aguilera 2005

The objective of these studies was to understand the full effects on the target top management team and when those effects returned to normal. Studies found that the turnover rate of acquired firms is decisively higher than the turnover rate of non-acquired ones, especially in the first year following the acquisition, when an average of 24% of the top management team departs (more than four times the normal turnover rate: 5.7%). By the end of the third year, almost one-half of the original top management team is gone, while more than the sixty percent is gone by the end of the fifth year.

Analysing the turnover increasing rate (that is, the difference between the turnover in the year "*t*" and the turnover in the year "*t-1*") we can notice that both acquired and non-acquired company's increasing rate are almost equivalent. Only in the first two years, it appears to be higher for the acquired firms rather than for non-acquired firms, but the phenomenon tends to level off to the increase rate of non-acquired ones over the years.

According to Krug and Aguilera's (2005) findings, not only the turnover of incumbent top management team is higher after an acquisition, but also turnover of executives who join target company after the acquisition rates up. This suggests that acquisitions create long-term leadership instability in acquired firms.

Turnover can be divided between the incumbent managers who depart voluntarily and who depart involuntarily (Krug and Hegarty, 2001; Krug and Nigh, 2001). The two studies interviewed a sample of target executives in order to understand the reasons of their departure. According to the findings, one third of the executives who departed after the acquisition left the firm voluntarily for reasons that had nothing to do with the acquisition (e.g. retirement or family reasons), another one third was voluntarily terminated and the last one third left because they felt alienated from the new management team or from the new merged company.

These studies suggest that acquisitions may have negative consequences for up to two-thirds of the target top management team, thus confirming the higher acquired executives' turnover rate.

2.5.2. Determinants of target firm's top executives turnover

In this section, we are going to analyse the determinants of the target firm's executive turnover in domestic acquisitions. We decided to adopt the same categories defined by Krug and Aguilera (Krug and Aguilera, 2005), that are situational (target company, merger, industry, individual and management team characteristics) and dispositional (how executives perceive the merger) determinants, and to take into account those aspects that have been debated the most by the researchers over the years.

Situational determinants

Target Company's pre-acquisition performance: the agency theory and the "market for corporate control". Based on the agency theory, there is a separation between who manage the firm (executives) and who owns the firm (shareholders). Consequently, managers are acting as agents for shareholders. Given this contest, problems arise when managers act in their own interests rather than in the interest of shareholders. For example, managers may be most interest in firm performance for the time period over which they are employed, that is the short-term, rather than in the long-term. Therefore, the clear task for shareholders is to minimize the losses from these agency costs or conflict of interests. If top managers engage self-interested behaviour, their company's performance should diverge from its maximum potential. This underperformance is reflected in the value of the company's stock. In such circumstances, other management teams are likely to offer themselves to the shareholders as alternative to the incumbent management team.

Therefore, "market for corporate control" represents the scenario in which management teams vie for the right to manage organizational resources.

Although the agency theory has received widespread currency, nobody has empirically demonstrated it until the 1991, that is, the publication year of Walsh and Ellwood's studies.

According to the agency theory, therefore, there should be a positive correlation between the poor pre-acquisition performance of the target company and its subsequent top management turnover. Unfortunately, the findings of Walsh and Ellwood (1991) did not support this hypothesis. Moreover, these findings are consistent to Krugh and Nigh's studies (1998) and to Hambrick and Cannella's studies (1993), so we can conclude that pre-acquisition performance is not a determinant of the turnover and that approach this phenomenon with the agency theory might be potentially wrong.

Negotiation characteristics. In early attempts to understand the causes of post-acquisition executive turnover in target firms, Walsh (1989) examined the aspects of the merger negotiation process. His analysis included pre-acquisition interest in the target company, tender offer versus merger proposal, negotiations marked by numerous counteroffers, the amount of time required to negotiate the deal, buyer's public assurance that they would retain target management, hostile versus friendly negotiations, type of payment (i.e. cash or stock), and the premium paid for the target company. His findings suggest that merger characteristics appear to be a poor predictor of future target company's turnover. Among all the examined merger characteristics, only the hostility of the merger explained high turnover rates in the first year after the acquisition indeed.

Industry relatedness**.** Many researchers tested the hypothesis that the target top management turnover is likely to be higher following a related merger or acquisition than following an unrelated merger or acquisition (Walsh, 1988; Hambrick and Cannella, 1991). At the basis of this hypothesis there is the fact that in related acquisition the risk of redundancy of the managerial resources is high, as the chances that the acquiring company's top management has the required knowledge and skills to manage the acquired firm. Walsh found no relationship between relatedness and turnover, while Hambrick and Cannella found a lower level of turnover in related acquisitions than in unrelated ones in the first month after the acquisition (after the first month no relationships have been found). Hambrick and Cannella argue that the lack of relatedness may generate cultural gaps that lead to communication problems and create incentives for executives to leave. Once again, those findings suggest that relatedness is a weak predictor of turnover.

Individual and top management team characteristics**.** Individual characteristics and top management team are important determinants of the organizational success after M&As. Walsh proved that there is a relationship between the organizational rank of the executives and the turnover following the acquisition. According to his studies (Walsh, 1988), the 39% of the target senior managers (CEO, president, chairs) left the company within five years after the acquisition while the 27% of lower level executives depart during the same period.
The departure of the senior manager has a negative impact on the post-acquisition success, especially because of the tacit knowledge that they own. Wedeeply analyse this topic in the following sections.

While Walsh focused his studies on the individual characteristics of the top management, Krishnan et al (1997) examined the top management team complementarity, defined as differences in functional backgrounds between the acquiring and acquired firm managers.
Their findings (Krishnan et al., 1997) suggest that there is a negative relationship between the complementarity and the target firm's top management turnover, providing empirical support to the arguments that complementarity has the potential to create a unique value and that differences in functional backgrounds are more easily integrated into the new organization.

In conclusion, we can assert that the target executives are more likely to depart when their rank is high (senior manager) or when the functional background of the two top management teams are similar.

Dispositional determinants

The low predictive power of most situational characteristics led researchers to examine dispositional characteristics such the concepts of relative status and autonomy removal and the perceptions of the merger process.

The relative standing. This theory describes the importance of individuals' feelings of status (like role and worth), in relation to others in a proximate social setting or relative to the evolution of a context. Acquired executives compare their own prior situation to the new one. Researchers have argued that each acquisition results in a new relative standing (a new social setting). Therefore, acquired executives have to face a brand-new context in the newly combined company. *"If the acquirers feel dominant or superior, and they reveal those feelings in their interactions with, and policies toward, the acquired executives, the departure rate of acquired executives will be affected. Similarly, if the acquired executives feel inferior, they will tend to depart.[…] Individuals evaluate their situations relative to what others have, to how others treat them, or to what they themselves once* *experienced"* (Hambrick and Cannella, 1993, page 735). They found that executives are more likely to stay after an acquisition when they are given a greater degree of autonomy and a greater sense of status and importance in the newly merged firm.

Perceptions of the merger process. Krug and Hegarty (2001) examined how executives' perceptions regarding merger events determine whether to stay or leave the company after the merger. Their results indicate that executives' perceptions of the merger announcement, interactions with the acquiring firm's top managers following the merger and long-term effects of the merger significantly influenced their decision to stay or leave. Moreover, these perceptions could be used to correctly distinguish between stayers and leavers in almost 80 percent of the cases. These findings increase the difficulty to make accurate predictions about an executive's behaviour following an acquisition, because each executive has his own personal subjective interpretation of the events that, therefore, cannot be empirically predicted by a model.

Cultural distance. We address cultural distance separately from the other determinants because it has a very important role in our research. Now we are only going to reintroduce the topic; the section "Cultural distances and differences in national culture" (chapter 2.4) is completely dedicated to the cultural distance indeed.

There are two layers about cultural distance: the organizational perspective and the national one. The organizational perspective focuses on "macro" factors (such as differences in organizational culture and structure) while the national perspective focuses on "micro" factors (as individual attitudes, values, and behaviours that differ across national boundaries) (Hofstede, 1980; Shrivastava, 1986). Because national culture has a relevant role in shaping the organizational

one, the perspective that should be taken into account in domestic acquisition is the organizational culture, while the national one in CBAs.
It has been shown that cultural distance has a positive impact on target firm's top management team turnover following M&As (the higher the cultural distances, the higher turnover) while the impact of cultural differences on post-acquisition financial performance is less clear. According to Krug and Nigh (1998), it undermines communication and the level of cooperation between merging top management team. These findings are consistent to the ones of Very, Lubatkin, and Calori (1996) and Weber and Schweiger (1992).

2.5.3. Effects of turnover on post-acquisition performances

In this section, we describe first the effects of turnover on post-acquisition performance, then to explain the causes of the effects and, finally, provide some insights about how to optimize the turnover impact on post-acquisition performance.

Post-acquisition performance. Many researcher have investigated the effects of acquired executives' turnover on post-acquisition performances, trying also to explain this phenomenon.
The studies that provides the most important insights to this topic are the one of Hambrick and Cannella (1991), Bergh (2001), Krishnan, Miller and Judge (1997), and, lastly, Ranft and Lord (2000). All of them agree to the same conclusion: target firm's top management turnover following an acquisition is negatively related to the post-acquisition performance.
Cannella and Hambrick found that performance was affected the most when most senior managers (CEO, presidents, chairs and executives) left. Their explanation

is that senior acquired executives' departure has two main consequences. First, it corresponds to a loss firm-specific skills and specific-knowledge that is not easy to recover in the short-term. Secondly, it has a symbolic impact, both inside and outside the firm, because it is very unsettling to organization members and to external shareholders.

Krishnan et al (1997) examined the impact of complementarity top management teams on post-acquisition performances, proving that it is negatively related to top management team turnover among acquired managers. Two management teams are complementary when there are differences in their functional backgrounds and skills that can offset one another. Such offsetting differences create value and improve post-acquisition performance because functional weaknesses in one organization's management team can be offset by corresponding strengths in the other organization's team. Moreover, their findings are consistent to the thesis that TMT turnover is negatively related to post-acquisition performance. Furthermore, they demonstrated that turnover and complementarity have a separate and unrelated impact on performance.

Executive turnover and the role of the tacit knowledge on the acquisition outcomes. Bergh's studies are an empirical demonstration about the resource based view (hereafter: RBV). The RBV posits that firm are bundles of tangible and intangible resources that affect their strategies and performances (Barney, 1991). According to this theory, keeping the top executives of the acquired company would lead to more successful acquisition outcomes, as those executives own tacit knowledge of the company. This is an *"idiosyncratic and non-transferable knowledge of the acquired company's history, its culture, relationship with significant others (suppliers, buyers, competitors, etc.) and an understanding of the underlying political structure of the organization which would be valuable for the effective implementation of the acquisition"* (Bergh, 2001, page 604).

Acquired top executives retention. Both Bergh, and Ranft and Lord's studies tried to answer to the question following question: *which organizational members should acquiring company try hardest to retain?*

On one hand, Bergh's studies, according to the RBV theory, suggest to retain those top executives with the longest organizational tenure, because it appears that their perspectives and knowledge bases offer more unique value after the acquisition that may have been expected. On the other hand, Ranft and Lord (2000) argue that top management could be useful because it may be acting as a highly correlated proxy for departure of other key employees.

Consequently, according to Ranft and Lord, top executives are not the most critical portion of the acquired firm's human capital, but only part of it. Confirming this, they submitted a survey to 187 managers of high-technology firms that have been involved in acquisitions with the role of acquirer, asking them to identify the location of valuable knowledge-based resources within the acquired firm. The results suggest that middle managers, rather than top managers, act as a more important repository of the knowledge that acquirers seek to acquire.

Despite their findings, Ranft and Lord sustain that top management retention may be important because it provides some stability and continuity for the acquired organization through a transition period in order to gain loyalty of the real key employees, like R&D, engineering, sales and middle management employees.

In conclusion, even if led by different reasons, Berg, Ranft and Lord agree to the retention (at least in the short time) of the long-tenured top management team.

The following table summarizes the key arguments, findings and variables considered in the studies just reviewed.

Table 2: Key arguments, findings and variables considered		
Authors	**Arguments/Main Ideas/Main Findings**	**Relevant Variables[9]**
	Departure of acquired executives	
Walsh, 1988; Walsh, 1989.	High rates of executives' turnover following an acquisition.	None found to be significant.
Walsh and Ellwood, 1991.	No relationship between post-acquisition target turnover and poor pre-acquisition target performance. Managers with the best performance histories tended to depart early.	Manager performance.
Hambrick and Cannella, 1993.	Lower relative status may lead to a high rate of acquired executives' departures. Loss of autonomy and status result in a higher rate of acquired executives' departure.	Performance, autonomy, executives' age, relatedness, and size of acquired company
Hambrick and Cannella, 1993.	Top executives departure (especially highest-ranking executives as CEO, president and chairs) is negatively related to post-acquisition performance. Top executives status bestowal is positively related to post-acquisition performance. Target company's pre-acquisition performance and relatedness are not related to post-acquisition performance.	Target firm's top executives' turnover and their status bestowal.
Krug and Aguilera, 2005.	Acquisitions create a long-term instability in the target company, in terms of both post-acquisition performance and executives' turnover. Turnover of executives hired after the acquisition is also higher than the normal turnover rate.	Turnover of newly hired top executives' target firm, level of integration between the involved firms.
	Executives retention	
Bergh, 2001.	Retention of long tenured target firm's top executives leads to more successful outcome than retention of short tenured top executives. Top executives organizational tenure means non-transferable knowledge of the acquired company's history, culture, relationship with third parties and knowledge of the structure of the organization.	Organizational tenure of retained acquired company's top executives.

[9] Independent variables considered through the study that have been demonstrated to have significant impact on the dependent variable.

Child, Duarte, Tanure, and Rodrigues, 2012.	Knowledge plays a critical role in acquirer's decision to retain or release owners and top executives after an acquisition.	Characteristics of the acquired top executives knowledge
Ranft and Lord, 2000.	Critical knowledge is distributed throughput the company, top executives own only part of it. In turn, top executive retention has a very high symbolic value: it ensure stability and continuity to key employees, therefore it could be useful in the short time because it may act as a highly correlated proxy for departure of other key employees.	Human capital
Top management team complementarity		
Krishnan et al, 1997.	Top management team complementarity is positively related to post-acquisition performance and negatively related to turnover. Complementarity can offset one another strengths and weaknesses, create value and avoid redundant skills.	Functional backgrounds, between the acquiring and acquired firm managers

2.6. CEOs and executives expertise

CEOs', executives' and/or top management teams' expertise and experiences are key characteristics that affect their strategies, choices and behaviours. Moreover, during M&As deals are relevant determinants in deciding whether or not to keep a manager of an acquired firm. We introduce the reader to this concepts because we think that experiences and expertise, especially the international one, can moderate the effects of cultural distance in CBAs, as we will discuss and try to demonstrate later on.

2.6.1. The dimensions of experience

Herrmann and Datta (2006) have studied and examined the impacts of executives' experience on their strategic choices and how it changes the perception of the environment. In their findings, they understood that CEOs' background and experience are correlated to the diversification and competitive strategies of their firms. This is due to the fact that CEOs are central decision-makers and with their decision they influence the course of the companies, their management and employees.

In order to evaluate the experience, four dimension have been developed over the years (Herrmann and Datta, 2006; Rodenbach and Brettel, 2012): Age, Firm experience, International experience and Functional experience.

Age. Age has always been seen (also in other findings: Wiersema and Bantel, 1992; Herrmann and Datta, 2006; Rodenbach and Brettel, 2012) as an indicator of experience, but also as the proxy to understand a person aversion to risks and changes. Older executives are usually more cautious of their younger colleagues when speaking about risks, changes and strategies (Herrmann and Datta, 2006). They also have more problems in recognizing opportunities or in learning new trends and behaviours. Child (1974) has found that on average, the lower is the age the grater is the processing information capacity of people. This helps younger executives in being more effective in responding to an increase in competition or to better manage market and technological turbulences.

Firm experience. In previous researches, it has been found that a greater firm experience, like longer tenure for example, leads CEOs (and executives more in general) to be more risk adverse and to use strategies that are aimed at maintaining the status quo (Hambrick and Cannella., 1993). Usually executive with longer tenure aim at implementing strategies that are focused at consolidating existing market and to improve internal processes (Rodenbach and Brettel, 2012). In addition, more tenured executives gradually lose their ability to take important decisions that are required to make the company move and evolve over time because they use to lose touch with the environment of their organizations. On the other hand, less tenured executives tend to take more risky strategies with a strong focus on the development and implementation of new technologies and with the aim of fostering innovation and markets (Miller, 1991). In their findings Finkelstein and Hambrick (1990, p. 488) state *"Executives with short tenures have fresh, diverse information and are willing to take risks. As tenure increases, perceptions become very restricted and risk taking is avoided."*

International experience. Lots of articles and findings stress the importance of the international experience for CEOs and executives. It is the result of the strong orientation of the markets to globalization and cross-border M&As, especially in the last twenty years. It has also been stressed how important is international experience for managers in order to run international companies. Studying in foreign universities, working in foreign companies, working abroad or traveling helps those executives in building this kind of experience. Their knowledge about different cultures, languages and business practices helps them in be more aware of international opportunity and makes them more comfortable in dealing with different business environment (Herrmann and Datta, 2006).
International experienced executives perceive international operation as less risky if compared to their colleagues with no such experience. This type of experience helps also in managing teams (or companies) that are composed by employees coming from different countries, maybe with really different cultures (Herrmann and Datta, 2006).

This experience in particular is a crucial element for our research and we will be studied and deeply discussed later on in the results (Chapter 5) and discussion (chapter 6).

Functional experience. Functional experience has a main role in defining the executives' characteristics like knowledge, formation and skills. It is not unusual for top executive to have experience in more than one function but they usually build their careers just in one of them (e.g. marketing, finance, human resources). Strategic decisions taken by those executives are highly influenced by this kind of experience because they apply problems setting and solving techniques in relation to their functional backgrounds (Rodenbach and Brettel, 2012). In their finding Hambrick and Mason (1984) have done a further classification: throughput functional experience and output functional experience. The first one is referred to function as production, operation, finance, administration and legal. Executives with this type of career and experience are more oriented in optimizing the company. Research & development and Marketing are the key function of the output one. Executives with this background are more focused on innovation strategies aiming at growth through the implementation of new products or entering new markets.

Chapter 3: Hypotheses

As previously mentioned, CEO and executives turnover following M&As deal has been widely analysed by scholars (Walsh, 1988 and 1989; Walsh and Ellwood, 1991; Hambrick and Cannella, 1993; Krishnan et al, 1997; Krug and Hegarty 1997). In general, prior studies found that the target companies' turnover rates are higher in the period following an acquisition. These studies also extensively discussed the reasons behind these higher rates: TMT turnover is not due only to acquisitions, but also to personal reasons. Executives that leave the company specifically because of an acquisition are two third of the sample (Krug and Hegarty, 2001; Krug and Nigh, 2001) and in particular because of terminations by the acquirers or as a result of alienation from the new management team.

In the literature review, we also discussed the phenomenon of executives' turnover in CBAs. It has been demonstrated that turnover rates are higher in CBAs rather than in domestic acquisitions and that there are three main reason that can explain this phenomenon: market, organizational and individual perspectives (see chapter 2.3.2). It has also been proven that the effects of CBAs on turnover rates lasts more than the effects of a domestic acquisition.

For our study, we have decided to focus only on those targets' CEOs coming from the small high-tech industry who played an important role in the post-acquisition period. That is because those figures are essential in helping the acquirer in integration and assimilation of technologies, competencies, and know how. They can also play a fundamental role in leading the change-management because they know their company; they have the specific knowledge and have a motivating role. As we will see, they can be key figures in overcoming those problems deriving from cultural diversity, which are inevitable in CBAs.

3.1. Cultural distance and CEOs departure in CBAs

We argue that cultural distance plays a relevant role in departure of key executives in CBAs. Namely, the higher is the cultural distance (measured in terms of psychic distance), the higher is the probability of target CEOs departure.

Other studies have been proven that turnover rates of executives are higher in acquisitions in which the acquirer's and the target's headquarter are located in different countries. In M&As operation, coordination between the two companies become fundamental: cultural distance can lead to mistrust, misunderstanding and mismatching goals. This is why the likelihood of target CEO departure increases in the post-acquisition period.

To overcome problems and costs and in order to reduce uncertainty and variability acquirers usually impose their systems, philosophies and practice to the acquired companies (Krug and Nigh, 1998). These practices increase the likelihood of the target CEO departure both directly and indirectly. In particular, they increase the probability of the substitution of the target CEO of the acquired firm with people coming from the acquirer. Moreover, target CEO departure may be a consequence of the organizational changes imposed by the acquirer. Accordingly, acquired managers may choose to leave the organization because they are unwilling or unable to adapt to organizational changes made by the acquirer; or the organizational changes are so remarkable that create an overall instability within the whole company. This instability creates uncertainty among target companies' managers concerning their future role in the organization that, consequently, boosts stress, lowers job satisfaction, decreases trust in and commitment to the organization and, lastly, increases intent to turnover. (Krug and Hegarty, 1997).

Moving from the above discussion, we put forward hypothesis H1:

H1: *In cross-border acquisition, cultural distance between the acquirer and the target is positively related to CEO departure in the post-acquisition period.*

3.2. CEO's international experience and CEOs departure in CBAs

In our literature review, we discussed the role of *integration capabilities* (understandability, communication and key employee retention) and the importance of CEOs' (and more in general of executives) individual characteristics (Reus and Lamont, 2009). What argue here is that some CEOs can have some capabilities and characteristics that can be useful to the acquirer company in order to better integrate with the target one, especially on issues related to cultural distance, language, etc. Put differently, some CEOs can provide those abilities that can help the acquirer to better move in an international context (and in particular in a specific country) and overcoming the problems deriving from the cultural distance.

The question now is: how can CEOs and executives find or acquire those capabilities? We think that a relevant role is played by the individual international work-experience gained during CEOs' careers.

As explained in the literature review, international experience is the result of the strong orientation of the markets to globalization and cross-border M&As, especially in the last twenty years. Other studies have already been discussed and proved the important role that this kind of experience plays, especially when we are referring to companies, which have to deal with different cultures. Studying in foreign universities, working in foreign companies, working abroad or just traveling helps those executives in building this kind of experience. The knowledge about different cultures, languages and business practices that they are able to acquire in international contexts helps them feeling more comfortable in dealing with different business environments (Herrmann and Datta, 2006).

A CEO with this type of experience becomes more valuable for the acquirer in comparison to colleagues without international experience. Accordingly, it is also more important for the acquirer to keep those international experienced CEOs. Also the target CEO himself/herself will be less motivated to leave the company as she/he possess the abilities that can help him/her in facing all the problems coming from cultural differences between the two organizations. Therefore, we think that International experience has negative effects on CEOs departure. Basing on the above arguments, our second hypothesis states:

H2: *In cross-border acquisition, target CEO's international experience is negatively related to CEO departure in the post-acquisition phase.*

3.3. CEOs' country-specific international experience and CEOs departure in CBAs

To deepen our analysis, we focus also on the (country)-specific international experience. What we mean with *county-specific international experience* is that experience which it has been gained by the CEO of the target company in the country of the acquirer one.

Working or studying in a specific country allows those CEOs to acquire capabilities and skills that fit perfectly in some particular situation. For example, it is more likely that a Chinese CEO of a Chinese company acquired by an American one will remain in charge if she has gained international experience in the United States because of her familiarity with the American culture. In addition, the acquirer company will be more interested in this particular CEO because it is more likely that she possess those capabilities and characteristics that are necessary to follow and manage the integration between two cultures that she knows. Another aspect that cannot be underestimated (and that the acquirer will consider) is that the target CEO with a specific international experience knows how to interact and relate with persons/individual of the other culture. A new CEO, imposed to the target company by the acquirer, will certainly have no problem to report to the management of the acquirer company, but she can have problem in relating with the management of the company to which she is assigned (the target company), due to the cultural diversity. Hence, our third hypothesis is as follow:

> ***H3:*** *In cross-border acquisitions, target CEO's country-specific international experience is negatively related to CEO departure in the post-acquisition phase.*

3.4. International experience, cultural distance and CEOs departure in CBAs

Once demonstrated that target CEO departure in CBAs is positively related to cultural distance and negatively related to CEOs international experience, we argue that international experience can weaken the effects of cultural distance on CEO departure. In other words, international experience moderates the effect of cultural distance: it means that as the psychic distance increases, target CEO international experience decreases the effects of the psychic distance on *CEO_departure.*

As mentioned above, we think that working in foreign companies and working abroad helps managers to develop those abilities that are necessary to deal with and understand different culture. We think that for those managers with higher levels of CEO international work experience, turnover rates within the first year after the acquisition are significantly lower if compared to the ones with a low level of this experience. Indeed, this kind of experience helps CEOs in developing skills and capabilities that are useful in managing cross-boundary situations, which are fundamental to overcome problems generated by the cultural distance.

At the same time, as already discussed for *H2* and *H3,* the acquirer will be more interested and motivated in keeping a target CEO with higher level of international experience, despite the ample cultural distance between the two countries.

Finally, target CEO himself/herself will be less motivated to leave the company as she/he possess the abilities that can help him/her in facing all the problems coming from cultural differences between the two organizations. Hence, our fourth hypothesis states as follow:

H4: *In cross borer acquisitions, target CEO's international work experience weakens the (positive) effect of cultural distance on target CEO departure in post-acquisition phase.*

Following the reasoning of the moderating effect of CEO international experience, we argue that also CEO's country-specific international experience can weaken the positive effect of cultural distance on target CEO departure following CBAs. Having a specific experience in the country of the acquirer helps the executives to relate with people coming from that specific country and, therefore, with the employees (at all levels) coming from the acquirer and to overcome problems due to the cultural diversity. Our fifth hypothesis states:

H5: *In cross-borer acquisitions, target CEO's country-specific international work experience weakens the (positive) effect of cultural distance on target CEO departure in post-acquisition phase.*

Chapter 4: Data collection & Methodology

4.1. The sample

4.1.1. Acquisition deals included in the sample

The sample that we have created contains only on CBAs deals, namely acquisitions involving a target and an acquirer whose headquarters are located in two different countries. All the data about the acquisitions have been gathered from two databases, Zephyr[10] (a database recording various types of inter-firm deal including M&As activity, IPOs, joint ventures, and private equity deals) and SDC Platinum[11] (a database which provides detailed information on new issues, M&As, syndicated loans, private equity, and more for the global financial marketplace).

In order to create a sample of acquisitions, we have established and followed these criteria:

i) The acquisitions must have occurred between 2001 and 2005;

ii) The acquirers had to be a public company at the time of the acquisition;

iii) The target companies can be both public or private;

iv) The primary activity of target companies have to be in the high-tech industry[12];

[10] https://zephyr.bvdinfo.com/version-2014730/Home.serv?product=zephyrneo

[11] http://thomsonreuters.com/sdc-platinum/

[12] With the purpose of defining a firm as a high-tech one, the definition that has been applied to this database is the one offered by (OECD, 1997), with the exclusion of aerospace and defense as few firms in Europe operate in this industry. The definition offered by (OECD, 1997) is based on SIC codes (Standard Industrial Classification; a system for classifying industries by a four-digit code established in the United States in 1937): each industry has its own reference code. Accordingly, a firm actively operates in one of the following sectors, are considered to be high-tech: Drugs (283),

v) The headquarters of the acquirer and the target has to be in the United States or in Europe;

vi) Only deals in which the acquirers own 100% of the target after the focal acquisition;

vii) To define the size of the companies to be included in the sample we considered the number of employees (Damanpour, 1992). Consequently, only targets and acquirers that employ respectively less than 500 and more than 1000 persons at the time of acquisition have been taken into account.

4.1.2. The analysis of the biographies of target CEOs to collect individual-level information

The data about the international experience of CEOs of the target companies have been gathered from their biographies and from two other databases: LexisNexis[13] (a database providing computer-assisted business and legal research and findings) and Orbis[14] (a database that provides public and private company information). Interviews and public statement (taken from LexisNexis) has been used to identify the CEO of the target companies and three different databases have been used to gather their biographies: LinkedIn[15], Capital IQ[16] and Bloomberg[17]. Using three sources it has been possible to do a triangulation to verify the data and to complete possible missing fields. The biographies have been used to create a database with all the information regarding CEOs' international experience: Transaction code, Target code, Person code, Name, Surname, CBA, Bachelor nationality, Acquirer

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Computer and office equipment (357), Electronic and other electrical equipment and components except computer equipment (36), Instruments (38) and Software programming (737).

[13] http://academic.lexisnexis.eu/

[14] https://orbis.bvdinfo.com/

[15] https://www.linkedin.com/

[16] https://www.capitaliq.com/

[17] http://www.bloomberg.com/

country, Target county, Transaction year, Target SIC, Acquirer SIC, Employer name, Employer SIC, Employer nationality, Start, End, work-experience (years), Function, CEO, Board of directors, Officer, Founder, Advisor, Pre-deal, Bachelor nationality pre-deal, International general work-experience, International country-specific work-experience, Education completeness, Work-experience completeness and Total completeness.

Because for some CEOs we found more than one biography (maximum of three résumés, one per source), a priority order have been given to curriculums' sources: first CVs obtained from LinkedIn, then from Capital IQ and as last from Bloomberg. A further step was to classify all the companies in CEOs experiences by industry using SIC codes: this has been possible using LexisNexis and Orbis databases.

To see an example of CEO biography and its codification see figure A1 and tables A3.1 and A3.2

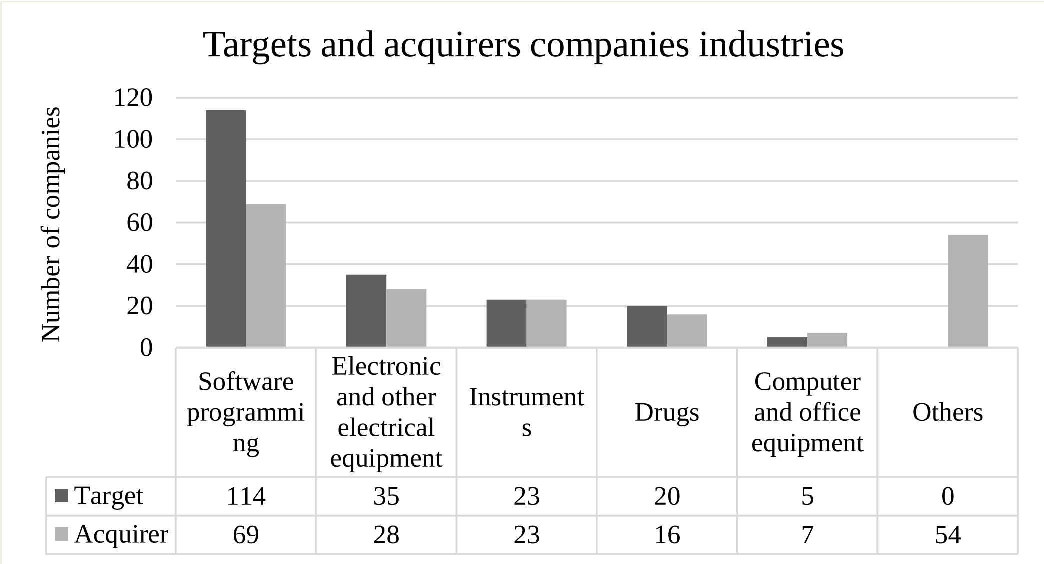
At the end, the sample obtained following all this criteria is composed by 197 acquisitions and CEOs.

4.1.3. Descriptive statistics of the sample

The following graphs and tables have been introduced in order to provide to the reader a wider and clearer idea of how our restricted sample of 197 observations is structured.

Acquisitions and companies characteristics

While all of the target companies considered come from the small high tech industries (it is one of the criteria used to build the sample), only the 72.6% of the acquirers comes from that industry. It is also noteworthy to highlight that the 46.5% of the companies, considering both the acquirers and the targets, come from the Software Programming industry (SIC 737) and that that percentage rises to 57.9% if we consider only the targets companies, which indicates an high level of activity in that industry. In the following graph (Figure 4) the reader can see how our sample is divided between the five industries considered (Drugs, Computer and office equipments, Electronic and other electrical equipments and components except computer equipment, Instruments and Software programming) and also making the distinction between targets and acquiring companies.



	Software programming	Electronic and other electrical equipment	Instruments	Drugs	Computer and office equipment	Others
Target	114	35	23	20	5	0
Acquirer	69	28	23	16	7	54

Figure 4: Targets and acquirers companies industries

If we look at the year in which the acquisition was announced, we see how the sample is unbalanced toward the last two years that we considered (2004 and 2005, 65.5% of the total sample). That is in line with what we have illustrated in the literature review: 2004 was the starting year of the merger waves that has characterised the second part of the 2000s, which lasted until the 2008 financial crisis ("Mergers, Acquisitions, and Corporate Restructurings", Gaughan, 2007). The following figure (Figure 5) shows the numbers of acquisition per year.

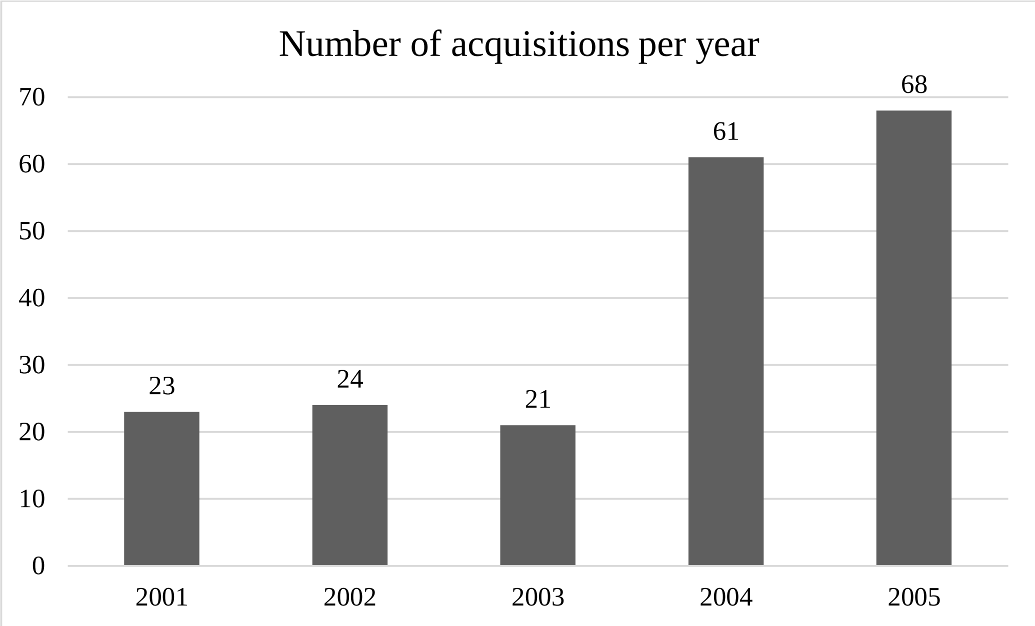


Figure 5: Number of acquisitions per year

As can be seen in the following table, 117 acquisition are transoceanic operations, which means that one between the target and the acquirer has the HQ in the United States while the other in Europe. The 20.8% of the total acquisition deal are intended for exploration, while only the 16.2 for integration that means that on average acquirers are more interested in target companies technologies and knowledge. Comparing acquiring and targets companies, the first thing that stands out is the huge difference in dimensions: if we consider the number of employees, on average the acquirer is 200.1 times bigger than the acquired company (on average, an acquirer has 27011 employees, while a target company only 135). The range of the sample in terms of size considering the numbers of employees between the acquiring companies is wide (the minimum are the 1000 employees of the American company RealNetworks to the 362000 of Siemens) while considering the targets the range is smaller (also because of the criteria followed in building the sample, see section 4.1.1.). Acquired companies have on average 17.37 years at the time of the acquisition; the youngest was 2 years old while the oldest was 142 years old.

Table 3: Other data on acquisitions		
Type of acquisition	**#**	**%**
Transoceanic operations	117	59.4%
Integrative acquisitions	32	16.2%
Explorative acquisitions	41	20.8%
Companies characteristics		
Target age	(Avg)	17.37
	(Max)	142
	(Min)	2
Employees (Acquirers)	(Avg)	27011
	(Max)	362000
	(Min)	1000
Employees (Targets)	(Avg)	135
	(Max)	500
	(Min)	1

Target CEOs characteristics

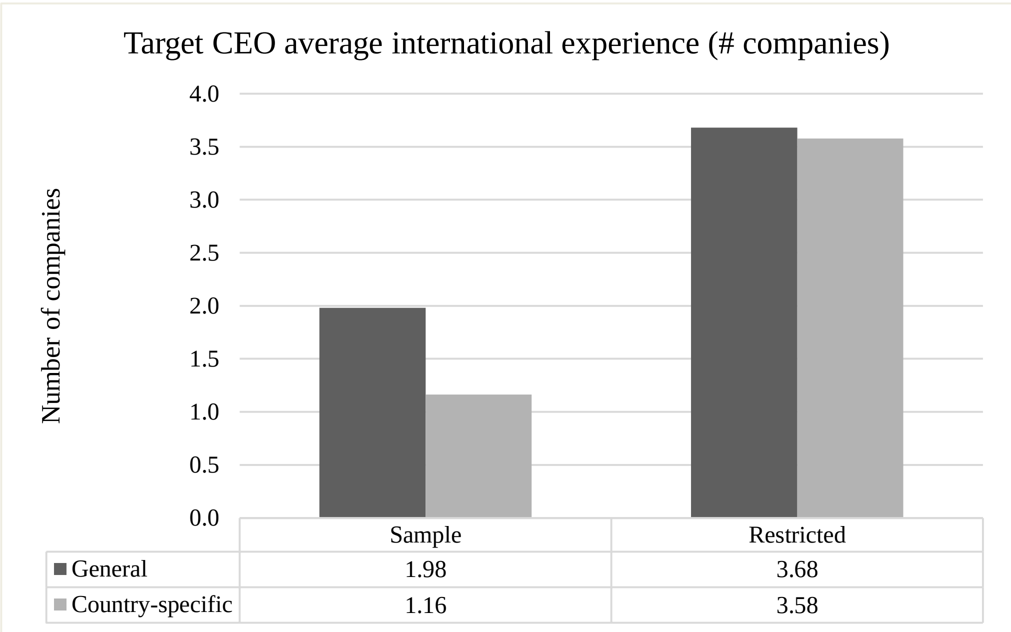
The following table provides information about the CEO gender, average age at the time of the acquisition, type of experience owned, CEO departure percentage both within the first and the third year following the acquisition and, finally, whether the CEO is also founder of the target company or not.

It is very interesting to point out the very low percentage of female CEO (5.1%) (that is, 10 female CEO and 187 male CEO). The table highlights also the impact of M&As on the target CEO departure: in the first year following the acquisition the turnover is about the 23%, while within the third year following an acquisition more than half of the CEOs has been replaced (51.8%).

The number of CEOs with general international experience (106) is higher than the number of CEOs with country-specific experience (64). There is an univocal correspondence between the two variables: a CEO with general international experience may also have country-specific experience related to the country of the acquirer, while a CEO without general international experience will also lack for sure also the country specific experience.

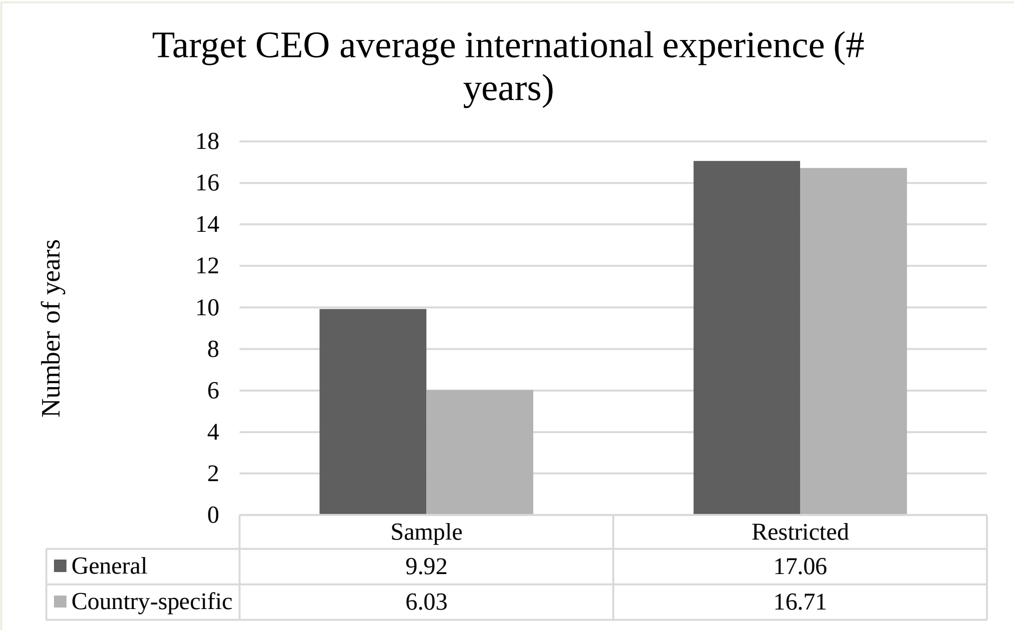
Table 4: General data on Target CEOs		
Average age	42y 5m 19d	
	#	%
CEOs also founders	57	28.9%
Female	10	5.1%
With international experience	106	53.8%
With country-specific experience	64	32.5%
Replaced within 1 year	46	23.4%
Replaced within 3 year	102	51.8%

The following two graphs are focused on the international experience of the target CEO.



Sample: average of all the 197 observations. Restricted: average experience of CEOs with international experience different from zero.

Figure 6: Target CEOs average international experience (# companies)



Sample: average of all the 197 observations. Restricted: average experience of CEOs with international experience different from zero.

Figure 7: Target CEOs average international experience (# years)

The main difference between the two graphs is that in the first one the experience is computed in terms of working experiences, which is the total number of foreign companies where the CEO has been employed, while in the second graph the experience is computed as the total years in which the CEO has worked abroad. It is also interesting to notice that on average the one with general international experience have done more experiences if compared to the one with the country specific one, while there is no significant difference between the numbers of years. On average, target CEOs with international experience (in the graph: "restricted") have worked abroad almost 17 years and in three or four companies (both for general and country-specific).

The last graph concerning the target CEO is focused on their education path. We have defined different categories: CEOs that got only the bachelor and CEOs that, besides the bachelor, got also either the master, or the PhD, or an MBA or both master and PhD. It is noteworthy to highlight that more than half of the CEOs has more than just a bachelor (53.3%).

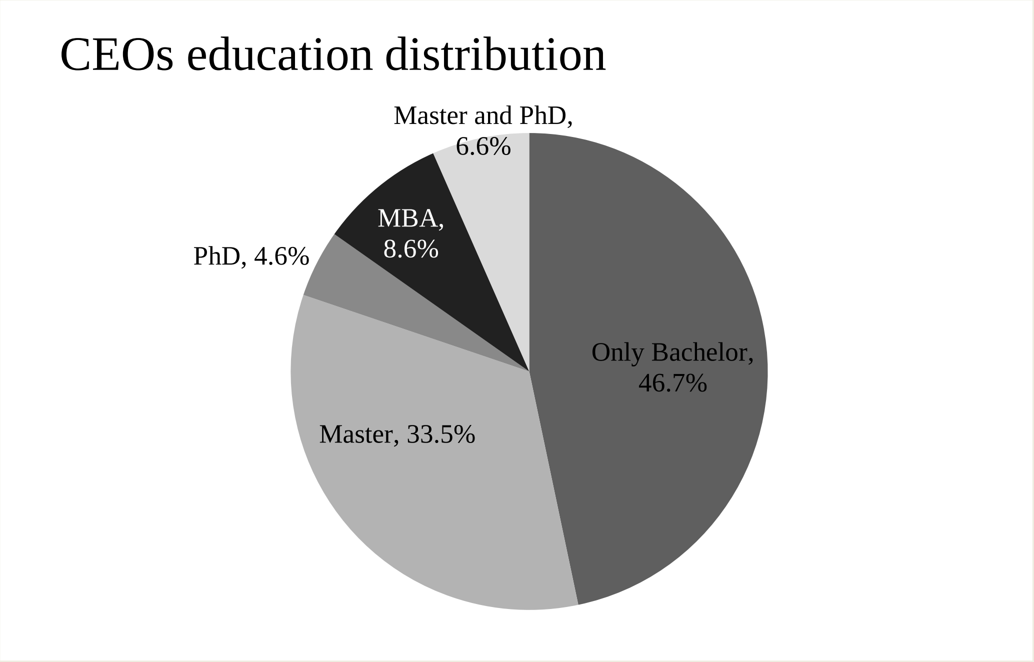


Figure 8: CEOs education distribution.

4.2. Description of the variables used in the economic models

In order to develop our research, we had to integrate a database of acquisitions available to the group of "Entrepreneurship & Innovation" of the Dipartimento di Ingegneria Gestionale of Politecnico di Milano, integrating it with information concerning the individual level of CEOs.

4.2.1. Dependent variable

CEO departure. The overarching objective of this work is to understand the impact of both cultural distance and the target CEO's international experience (both generic and country specific) on the likelihood that she leaves the merged entity within one year since the acquisition, taking also into account the moderating effect of the target CEO international experience on the cultural distance. We decided to use the expression "CEO departure" as it suggests both the voluntary (the target CEO decide to leave the company for whatever reason: mismatching goals, cultural distance, loss of motivations etc.) and the involuntary (the acquirer fires the target CEO for whatever reason) departure of the target CEO. Accordingly, the variable *CEO_Departure* has been set as the dependent variable in our models. This variable is a dummy variable, which assumes the value 1 when the CEO of the target company leaves within one year since the acquisition and 0 otherwise. As aforementioned, this information has been retrieved from the target CEOs' CVs, which have been obtained using different sources (i.e. LinkedIn, Capital IQ, and Bloomberg) or from the announcements of acquisition deals available from Lexis Nexis.

4.2.2. Independent variables

Premise on the cultural distance variable

As we said in the literature review, there are two possible ways to evaluate the cultural distance: the first one is a scale based on Hofstede's four dimensions designed by Kogut and Singh (1988). The second one is a scale based on the construct of Physic Distance by Dow and Karunaratna (2006). After having analysed both the models, we have decided to refer to psychic distance. We have taken this decision because according to some researchers (Dow and Karunaratna, 2006; Dow and Larimo, 2008), the Kogut and Singh's index (Hofstede's distance) does not cover all the components that should be taken into account analysing the effects of the cultural distance (for an extensive explanation of our choice, see Chapter 2.4.7). From now on, the terms *psychic distance* and *cultural distance* will be used as synonymous.

Psychic distance. Accordingly, we define the variable *Psychic_Distance*. This variable describes the psychic distance between the acquirer and target's country and it is operationalized through the scales developed by Dow and Karunaratna (2006). Scales account for distances in languages, education levels, industrial development, political system and religions. Following Dow and Ferencikova (2010), a single score is defined:

$$Psychic\ distance = \frac{1}{5}\sum_{k=1}^{5}\frac{\left(\Delta I_{ijk}\right)^2}{Var(k)}$$

Where:

- I_{ijk} is the distance between countries *i* and country *j* for the *k-th* dimension of psychic distance.
- *Var(k)* is the variance of the *k-th* dimension of psychic distance. It normalizes for scale and variability heterogeneity across dimensions.
- The specific scores for the five dimensions are publicly available on D. Dow's research web-page[18].

Target CEO's international experience. We compute target CEO's international experience in term of the work experience that she has gained by working in international contexts. The variable is the count of all the foreign working experiences of the target CEO before joining the focal target. A problem of our database is that the nationality of the target CEO is rarely available, for this

[18] https://sites.google.com/site/ddowresearch/home

reason, we proxy it with the country where the target CEO gained his bachelor. Accordingly, we label the work experience as international, if the employer is located in a country different from the country where the target CEO gained her bachelor. Since every CEO in the data set has a degree, no sample bias emerges by employing this proxy for target CEO's nationality. It is worth noting that, in case of multinational companies, we consider as the country of the employer the one of the employer headquarters. For instance, if the target CEO had previously worked in a subsidiary of a foreign company, this is considered a work experience in the country where the headquarters of the multinational company is located. Thus, we consider this experience as international if the CEO has gained her bachelor in another country. The reason for this choice is twofold. First, it is often impossible to know in which subsidiary of a multinational company an individual had worked just looking at her biography. More importantly, when an individual has worked for a foreign company, even if it is a domestic subsidiary, he/she has been exposed to the culture of the employer's home country, which is in turn embedded in the organization's own culture.

Target CEO country-specific international experience. This variable is similar to the previous one; the only difference is that it measures the number of working experiences that the target CEO has gained in companies with the HQ in the acquirer's country and not the general international experience as a whole. It proxies how much the target CEO is knowledgeable of the culture of that specific country.

4.2.3. Control variables

According to the relevant empirical literature (for a recent exhaustive study see, e.g., Bauer and Matzler, 2014), we also inserted a wide array of control variables both at individual and deal-level.

Target CEO total years of experience. This variable measures the target CEO's work experience, both domestic and international, in term of total number of years of her work experience (not in term of number of experiences as it is computed by the two previous variables). Since the presence of outliers, the variable has been winsorized at the second percentile in order to reduce the influence of the outliers to the econometric estimations.

Male. This is a dummy variable that takes value 1 when the CEO is male and 0 otherwise. It is aimed at controlling the propensity to leave the merged entity between male and female CEOs. We expect it to be negatively related to CEO departure because turnover rates of female executives are generally higher in companies if compared to ones of the opposite gender (Stroh, Brett, and Stroh, 1996).

CEO tenure. It is the number of years the CEO has worked for the target firm at the deal's date. Conventional wisdom suggest that the knowledge of the target's dynamics increases with the CEO's tenure (Bergh, 2001). Tenure is fundamental because helps to gain loyalty of target's key employees who own critical knowledge about the target company (Ranft and Lord, 2000). Accordingly, we expect CEO tenure is negatively related to the CEO departure.

CV education completeness[19]. As we said before, CEO education is used as a proxy for determining CEO's nationality. Thus, we control the completeness of this information in the target CEO's CV in order to avoid potential bias in our sample. To this purpose, we define a dummy variable that takes the value of 1 if the educational experience CV of a CEO is complete, and 0 otherwise.

[19] A CV, in order to be considered complete form an educational point of view, has to provide the following information: name, degree level (e.g. Bachelor, Master, PhD, MBA etc.) type of course followed (e.g. Management, engineering, social science, etc.), starting and finishing years (example in appendix, table A5).

CV work experience completeness[20]. This variable controls the completeness of the target CEO's work experience CV. It is a dummy variable that assumes the value of 1 if his work experience CV is complete, and 0 otherwise.

Exploration. An acquisition is explorative when the acquirer is aimed at exploiting a technology, a patent, a license owned by the target company in order to explore new technological fields and, after that, he probably sells the company or dismiss it. Accordingly, this is a dummy variable that takes value 1 when the acquisition is explorative; otherwise, it assumes value 0. We gather information about deals' rationales from Lexis-Nexis press releases related to the acquisition. The probability of departure of the target CEO should be lower in case of explorative acquisition.

Integration. It is a dummy variable that assumes the value 1 when the target firm has been integrated within the acquirer, and 0 otherwise. Information is retrieved from both the acquirer's official announcements, and the deal description in Lexis-Nexis. The probability of departure of the target CEO should be lower when the target company is integrated.

Hi-tech experience. It is the acquirer's acquisition experience in high tech industries. We assume that, acquisition after acquisition, an acquirer improves its capabilities about how to conduct the post-acquisition re-organization process. Accordingly, hi-tech experience is operationalized with the number of target companies acquired in high tech industries at the deal's date.

Relative size. It is the ratio between the numbers of the target's employees to the acquirer's employees, at the time of the acquisition. Relatively bigger acquirers

[20] A CV, in order to be considered complete form a work experience point of view, has to provide the following information for every company: name of the company, starting and finishing years of the experience and employee role (CEO/Not CEO) and overall time continuity within the CV (example in appendix, table A4).

should depend less from the target CEO, since this decreases the marginal impact of the latter on the combined entity (Wulf and Singh, 2011).

Product relatedness. It is calculated as the number of 3-digit SIC codes common to both the acquirer and the target company, divided by the total number of 3-digit SIC code of the sole target.

Industry dummies. We add a set of industry dummy variables to control for differences across the 5 industries considered (*Drugs*, *Computer and office equipments*, *Electronic and other electrical equipments and components except computer equipment*, *Instruments* and *Software programming*).

The correlation matrix (see table 5 below) and VIF analysis confirm that multicollinearity is not a serious issue here[21]. In particular, the maximum VIF is 1.88, which is well below of the threshold of 10.
The high value of correlation between the variables CEO international experience and CEO country-specific international experience (0.63) has led us to develop two separate models in order to study them.

[21] It is worth noting that right-skewed variables (i.e., hi-tech experience and relative size) have been transformed in logarithm in order to normalize them.

Table 5: Correlation matrix

		CEO total years of experience	Male	CEO tenure	CV education completeness	CV work experience completeness	Exploration	Integration	Hi-tech experience	Relative size	Product relatedness	Psychic distance	CEO international experience	CEO international specific experience
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1)	CEO total years of experience	1												
(2)	Male	-0.004	1											
(3)	CEO tenure	0.248	0.155	1										
(4)	CV education completeness	0.059	0.011	-0.222	1									
(5)	CV work experience completeness	0.204	0.091	-0.022	**0.424**[22]	1								
(6)	Exploration	-0.090	0.119	0.038	-0.011	-0.019	1							
(7)	Integration	0.065	-0.024	-0.147	-0.020	0.039	0.147	1						
(8)	Hi-tech experience	-0.040	-0.046	-0.032	0.059	-0.047	0.219	0.113	1					
(9)	Relative size	0.062	-0.021	0.123	-0.123	-0.032	0.021	-0.071	-0.177	1				
(10)	Product relatedness	-0.026	-0.040	-0.087	-0.008	-0.115	0.079	0.067	0.189	0.139	1			
(11)	Psychic distance	0.099	0.139	0.007	-0.038	-0.008	0.024	0.089	0.019	0.120	0.045	1		
(12)	CEO international experience	0.191	-0.114	-0.245	0.194	-0.037	0.045	0.059	0.176	0.060	0.047	-0.098	1	
(13)	CEO international specific experience	0.191	0.042	-0.193	0.203	-0.014	0.114	0.019	0.119	0.037	0.011	-0.032	**0.630**	1

Note: Correlation coefficients with absolute value higher than 0.183 are significant at 1% level; in BOLD coefficient with absolute value > 0.4.

[22] The high level of correlation between CV education completeness and CV work experience completeness is because usually complete CVs have both the parts (educational and work experience) complete with all the informations.

In the following table we are providing the reader with the descriptive statistics of the variables.

Table 6: Descriptive statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
CEO departure	197	0.234	0.424	0	1
Psychic distance	197	1.173	1.158	0.079	3.416
CEO international experience	197	1.980	2.478	0	13
CEO international specific experience	197	1.162	2.021	0	9
CEO total years of experience	197	19.299	10.889	0	51
Male	197	0.949	0.220	0	1
CEO tenure	197	11.107	6.900	1	37
CV education completeness	197	0.523	0.501	0	1
CV work experience completeness	197	0.843	0.365	0	1
Exploration	197	0.208	0.407	0	1
Integration	197	0.162	0.370	0	1
Hi-tech experience	197	10.883	14.639	0	114
Relative size	197	0.033	0.060	0	0.401
Product relatedness	197	0.625	0.435	0	1

Chapter 5: Results

In order to test our hypothesis, we use Probit models with robust standard errors. This decision is the natural consequence of the binary nature of our dependent variable (*CEO_Departure*). Moreover, we need a model in which the dependant variable can takes only two value and not continuous as in a linear regression (Ceo_Departure: yes or no), and also in which the relationship between the probability and the independent variables is non-linear. Accordingly, the Probit model fits our requisites (Cameron and Trivedi, 2005). Instead, the choice of the clustered standard errors is a consequence of the heteroscedasticity nature of the Probit model. Since we expect that companies belonging to the same country behave with a similar approach, clusters are defined according to the acquirer's country. This choice allows relaxing hypothesis of independence of choices made by company from the same country, as well as the hypothesis of identical distribution of observation.

Table 7: Probit models and results (Dependent variable: CEO departure)

Variables	(1)	(2)	(3)
Psychic distance [a]	-	0.177*	0.190**
	-	(0.091)	(0.096)
CEO international experience [a]	-	-0.069***	-
	-	(0.022)	-
CEO international specific experience [a]	-	-	-0.094***
	-	-	(0.032)
Male	-0.646	-0.862**	-0.772**
	(0.414)	(0.394)	(0.386)
CEO tenure	-0.125***	-0.139***	-0.139***
	(0.027)	(0.026)	(0.026)
CV education completeness	-0.427***	-0.358**	-0.325*
	(0.131)	(0.144)	(0.180)
CV work experience completeness	-0.480	-0.479*	-0.516*
	(0.301)	(0.290)	(0.303)

Exploration	-0.569*	-0.638*	-0.632*
	(0.325)	(0.341)	(0.341)
Integration	0.325	0.291	0.248
	(0.388)	(0.460)	(0.431)
Hi-tech experience (log)	-0.168	-0.143	-0.152
	(0.120)	(0.119)	(0.118)
Relative size (log)	-0.009	-0.029	-0.03
	(0.053)	(0.044)	(0.046)
Product relatedness	-0.687***	-0.770***	-0.761***
	(0.150)	(0.169)	(0.165)
Industry dummies	Yes	Yes	Yes
Constant	-2.487	-2.619	-2.853
	(0.464)	(0.580)	(0.614)
Number of observations	197	197	197
Efron's R^2		0.358	0.365
Wald test [b]		27.67***	11.82***
(degree of freedom)		(2)	(2)

Clustered robust standard errors in parentheses. Clusters are defined according to acquirers' country. Significance level: * p<0.1, ** p<0.05, *** p<0.01; [a] Demeaned variable; [b] Baseline model is (1); BIC is the Bayesian Information Criterion.

Table 7 reports the results of the estimates. In particular, the first column contains the baseline model (1), which incorporates only the control variables. From the baseline model results, we can verify (with a high significance level) that *CEO_tenure* (-, p < 0.01), product relatedness (-, p < 0.01) and *exploration* (-, p < 0.01) decrease the likelihood of the *CEO_departure*. This is in line whit our expectations, the tacit knowledge owned by the tenured CEOs plays a very important role in the decision to whether retain the target CEO or not. The importance of this knowledge is confirmed also by the negative relationship between the dependent variable and the explorative acquisition. The non-transferable knowledge of the acquired company's history, culture, strategic relationship and understanding of the political structure of the organization are valuable for the effective implementation of the acquisition. The negative relationship with the product relatedness removes the doubts risen by Walsh

(1989) and Hambrick and Cannella (1993) concerning the impact of the last mentioned variable on the target CEO departure in related acquisition. When two companies operate in related fields, the acquirer instead of replacing the target CEO because of the possible overlapping competences may tries to retain the target CEO. This can happen because target CEOs' industry experience, related capabilities and knowledge can be exploited, also stressing the role of the CEO as a soft coordinator making it more valuable. Even if with a lower significance level, it is noteworthy to highlight that the gender of the target CEO influences the likelihood of the CEO departure. In particular, is less likely that a male CEO (-, $p > 0.1$) will leave the target company after the acquisition if compared to a female one, which is a result in line with literature, which states that in companies women have higher turnover rates (Stroh, Brett, and Reilly, 1996).

Finally, again with a lower significance level (+, $p > 0.1$), the acquirer's decision to integrate the target company seems to be positively related to the target CEO departure. This is in line with our expectations: when the acquirer decides to integrate the target company, the level of collaboration and the number of interactions between the two companies are higher. In addition, communication, collaboration costs and risk of the transaction increase. Consequently, the acquirer may decide to replace the incumbent target CEO with someone that possesses the required knowledge about the acquirer to integrate successfully the organizational processes of the two companies.

In the second model (2), we added the variable measuring the *psychic_distance* (+, $p < 0.05$, marginal effect 0.045). The aim of this model is to test the first hypothesis. Psychic distance is positively related to the target CEO departure. Namely, the higher is the cultural distance between the target CEO's country of origin and the acquirer, the higher is the likelihood that the target CEO is replaced within one year from the acquisition. Hence, results corroborate our first hypothesis (with a significance level of 5%).

In the same model (2) we tested the second hypothesis, for this reason the *CEO_international_experience* (-, $p < 0.01$, marginal effect -0.014) variable has been added. Target CEO international experience is negatively related (with a significance level higher than 99%) to the target CEO departure. That is, the higher is the international experience of the target CEO, the lower is the likelihood that the target CEO is replaced. Again, results corroborate our hypothesis 2.

Because of the high correlation (0.6) between the variables *CEO_international_experience* and *CEO_international_specific_experience* we created another model to study the effects of the country-specific international experience. In this third model (3), we have tested the *CEO_international_specific_experience* (-, $p < 0.01$, marginal effect -0.019). Given the results concerning the general international experience, it seems reasonable expecting similar results also concerning the country-specific international experience. Indeed, it is negatively related to the CEO departure (with a significance level higher than 99%); that is, the higher is the country-specific international experience of the target CEO, the lower is the likelihood that the target CEO is replaced. Hence, the third hypothesis has been confirmed.

In table 8, we have summarized the marginal effects of the independent variables on the CEO departure. Studying the marginal effect means analyse the percentage change of the target CEO departure rate when the independent variable moves one standard deviation above its means.

Table 8: Marginal effects on CEO departure

Model	Variable added	Variation
(2)	Psychic distance	0.045
(3)	CEO international experience	-0.014
(4)	CEO international specific experience	-0.019

The results of the marginal effects analysis are the following:

- ❖ When *psychic_distance* (σ = 1.158, μ=1.173) moves one standard deviation above its mean, the likelihood that the CEO departs within one year increases by the 4.5%;
- ❖ When the *CEO_international_experience* (σ = 2.478, μ=1.98) moves one standard deviation above its mean, the likelihood that the CEO departs within one year decreases by the 1.4%;
- ❖ When the *CEO_international_specific_experience* (σ = 2.021, μ=1.162) moves one standard deviation above its mean, the likelihood that the CEO departs within one year decreases by the 1.9%;

The last two models (4 and 5, Table 9), have been introduced in order to test the moderating effects of respectively the international (4) and the country-specific target CEO experience (5) between the target CEO departure and the psychic distance. Studying the moderating effect means analyse the impact that a third variable (in this case, either international or country-specific target CEO experience) has on the relationship between the dependent variable (in this case, CEO departure) and an independent variable (in this case, psychic distance). The aforementioned impact consists on the direction and/or strength of the relation between the dependent and independent variables. It is noteworthy to say that, in order to avoid multicollinearity (that is, the phenomenon in which two or more predictor variables are highly correlated), we de-meaned[23] the interaction term. According to Ai and Norton (2003), the magnitude of the interaction effect in nonlinear models does not equal the marginal effect of the interaction term and may be even of opposite sign. Therefore, looking at the coefficient of the interaction term between the two independent does not provide information about the marginal effect on the dependent variable.

[23] Demeaning a variable: the mean of a variable is subtracted from the observed value of the variable.

Table 9: Probit models and results (Moderating effects)		
Variables	**(4)**	**(5)**
Psychic distance [a]	0.215**	0.186**
	(0.095)	(0.093)
CEO international experience [a]	-0.079***	-
	(0.022)	-
CEO international specific experience [a]	-	-0.091***
	-	(0.034)
Psychic distance x CEO international experience [a]	-0.055***	-
	(0.021)	-
Psychic distance x CEO international specific experience [a]	-	-0.022**
	-	(0.014)
CEO total years of experience	-0.005	-0.006
	(0.010)	(0.010)
Male	-0.804**	-0.768**
	(0.409)	(0.387)
CEO tenure	-0.140**	-0.139***
	(0.024)	(0.026)
CV education completeness	-0.350**	-0.318*
	(0.144)	(0.184)
CV work experience completeness	-0.468	-0.514*
	(0.290)	(0.305)
Exploration	-0.662*	-0.640*
	(0.357)	(0.348)
Integration	0.294	0.267
	(0.466)	(0.422)
Hi-tech experience (log)	-0.136	-0.151
	(0.119)	(0.118)
Relative size (log)	-0.023	-0.026
	(0.046)	(0.049)
Product relatedness	-0.772***	-0.754***
	-0.176	-0.168
Industry dummies	Yes	Yes
Constant	-2.705	-2.849
	(0.515)	(0.612)
Number of observations	197	197
Efron's R^2	0.368	0.367
Wald test [b]	227.03***	22.69***
(degree of freedom)	-3	-3

Clustered robust standard errors in parentheses. Clusters are defined according to acquirers' country. Significance level: * p<0.1, ** p<0.05, *** p<0.01; [a] Demeaned variable; [b] Baseline model is (1); BIC is the Bayesian Information Criterion.

Accordingly, we follow Hoetker (2007) and resort to test H4 and H5.

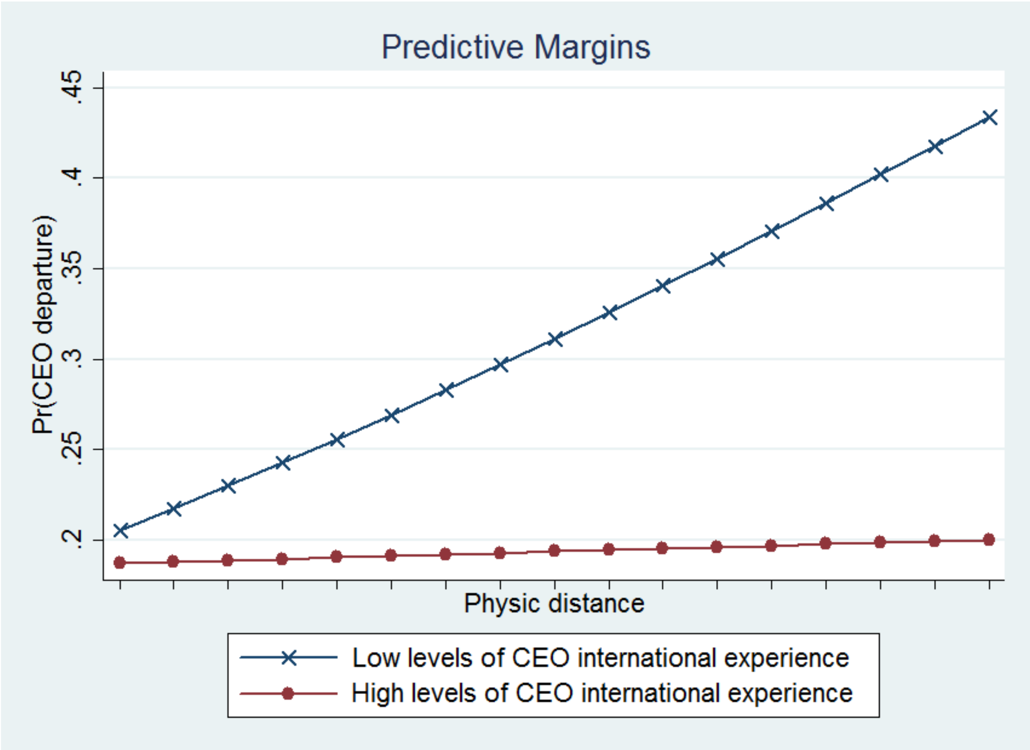


Figure 9: Effects of psychic distance on the probability of target CEO departure, at low and high levels of target CEO's international experience

In figure 9, we report the effect of psychic distance on the probability of target CEO departure, at low and high levels of target CEO's international experience. Low and high levels of international experience represent one standard deviation below and above the mean, respectively. The objective of the test is to analyse the probabilities of target CEO departure between target CEOs with low international experience and target CEOs with high international experience. The results of the graphic analysis confirms that as the psychic distance increases, target CEO international experience decreases the effects of the psychic distance on *CEO_departure*: international experience has a strong moderator effect on the cultural distance. In particular, target CEOs with low levels of international experience witness a remarkable rise in the departure likelihood, while high-experienced CEOs are marginally affected by the higher psychic distance. It can be verified by considering the difference in the slopes of the two line represented in the graph. This difference is equal to 0.2148 and it is significant at the 99%. Hence, we can conclude that result corroborate H4: that is, international work experience weakens the (positive) effect of cultural distance on target CEO departure in CBAs.

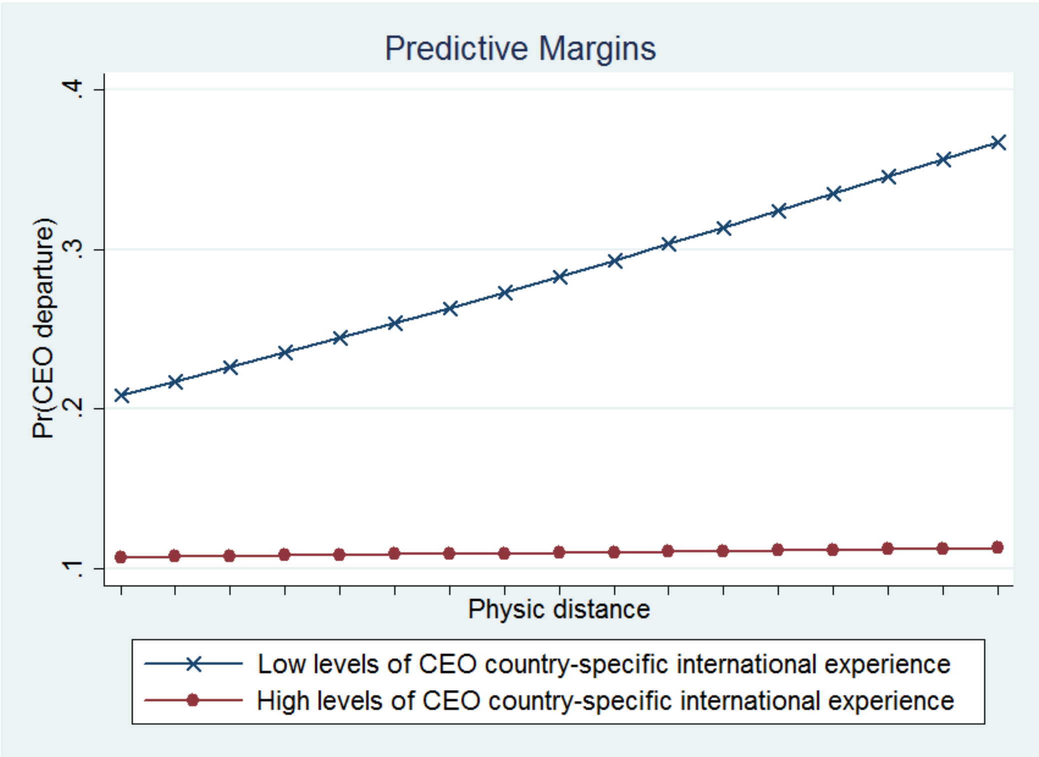


Figure 10: Effects of psychic distance on the probability of target CEO departure, at low and high levels of target CEO's country-specific international experience

In Figure 10, we report the effect of psychic distance on the probability of target CEO departure, at low and high levels of target CEO's country-specific international experience. With no surprise, given the results of the previous graph analysis, it shows target CEO country-specific international experience having a strong moderator effect on the likelihood of the target CEO departure. In particular, target CEOs with low levels of country-specific international experience witness a remarkable rise in the departure likelihood, while high-experienced CEOs are marginally affected by the higher psychic distance. This difference is equal to 0.1524 and it is significant at the 95%. Hence, we can conclude that results corroborate H5: that is, country-specific international work experience weakens the (positive) effect of cultural distance on target CEO departure in CBAs.

Finally, it is noteworthy to highlight the score of the Wald test of both the model 4 and 5. The Wald test is used in order to verify whether one or more independent variables have a significant statistical relationship with the dependent variable. Said differently, it suggests whether removing the independent variables from the model will substantially harm the fit of the model. It is interesting to analyse the Wald index of both the model 4 and 5 because, taken together, they provide an exhaustive test of the fit of all the three independent variables (i.e. psychic distance, target CEO international experience and target CEO country-specific experience) and of the moderator effects of both the international and country-specific target CEO experience on the psychic distance. In table 9, the reader can verify that the scores of the tests are 227.03 (4) and 22.69 (5), with a significance level higher than the 99%. Consequently, because including statistically significant predictors should lead to better prediction (i.e., better model fit) we can conclude that including both the chosen three independent variables and the two moderator effects results in a statistically significant improvement in the fit of the model.

Chapter 6: Discussion and conclusions

6.1. Discussion

6.1.1. Summary of the results

This study contributes to fill a relevant gap in the extant literature on CBAs. Scholars agree that the cultural distance and the related frictions between the acquirer and the target challenge these acquisitions and may hamper their performances. The main objective of our research is to analyse the role and the impact of cultural distance and the target CEO international experience on the likelihood that the target CEO is replaced within one year from the acquisition. The second major contribution of this study to the existing literature is to analyse the impact of the target CEO international experience on the relationship between the cultural distance and the target CEO departure.

Our findings suggest that the target CEO international experience (both general and country-specific) does affect the likelihood of the target CEO departure following the acquisition. In particular, higher is the target CEO international experience, lower is the likelihood that the target CEO is replaced within one year from the acquisition. Target CEO international experience has also an important moderating effect on the target CEO likelihood of departure. Indeed, it has been shown that CEO international experience decreases the impacts of cultural distance on the likelihood of the target CEO departure.

6.1.2. Summary of the main points of the thesis

These results open a very interesting debate concerning the role of the target CEO international experience in cross-border M&As that will be discuss later in this chapter. Before doing that, we would like to sum up the procedure and the relevant concepts of our research, starting from the most important points concerning the literature review to the definition of the hypothesis.

In the following table (table 10), we have summarized the most important points concerning the literature review (for more detailed information, chapter 2 is completely dedicated to this topic).

Table 10: Summary of the literature review

Topic	Findings	Source
Domestic acquisitions	Target firm top executives turnover rates following a domestic acquisition is higher than the average top executives' turnover rates of non-acquired firms.	Walsh, 1988; Walsh and Ellewood, 1991; Hambrick and Cannella,1993.
CBAs	Top executives turnover rates following CBAs is higher than top executives turnover rates following a domestic acquisition.	Krug and Hegarty, 1997; Krugh and Nigh, 1998.
Impact of cultural distance on M&As operations	Cultural distance can affect M&As operations in different ways: i) Negative impact. Cultural distance mines both communication and coordination between the two companies. ii) Positive impact. Cultural diversity enables a process of innovation and helps in the development of new problem solving methodologies and techniques. iii) No impact. The effects of cultural distances can be reduced using new technologies, or because of market forces and contracts[24]. The option that seems to be accepted the most by scholars is the first one, but the debate is still open.	Ahern, et al, 2012.

[24] An acquired company can be integrated by the acquirer or leaved independent depending on the type of acquisition

Impact of cultural distance on M&As performances	The impact of cultural distance on M&As performances is less clear. Some studies found cultural differences to be negatively associated with accounting- or stock market-based performance measures. Others studies observed a positive relationship or found cultural differences to be unrelated to post-acquisition performances.	Sthal and Voigt, 2005.
Impact of cultural distance on M&As performances	In order to understand the impact of cultural distance on M&As performances, the so called "integration capabilities" should be taken into account. The three integration capabilities are understandability, communication and key employee retention.	Reus and Lamont, 2009.
How to measure the cultural distance	Cultural distance can be measured through two models: the Hofstede's model of national cultural distances and the physic distance model. The Hofstede model is focused on national cultural differences, measured according four dimensions (power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance). Physic distance, instead, is defined as the sum of factors (like differences in languages, education levels, industrial development, political systems, and religion) preventing the flow of information to and from the market. Moreover, the physic distance model takes into account also the individual’s perception of the differences between the home country and the foreign country.	Hofstede, 1980; Johanson and Valnhe, 1977; Kogut and Singh, 1988; Dow and Karunaratra, 2006.
Determinants of target firm's top executives turnover	Scholars analysed different possible determinants of the higher turnover rates following an acquisition. Here we list their main findings: i) Target firm pre-acquisition performance is not a determinant of the turnover. ii) Merger characteristics are not determinants of turnover. iii) Industry relatedness is not a determinant of the turnover. iv) Target executives are more likely to depart when their rank is high (senior manager) or when the functional background of the two top management teams are similar. v) Top executives are less likely to depart when they are given a greater degree of autonomy and a greater sense of status and importance in the newly	Walsh and Ellewood, 1991; Hambrick and Cannella, 1993; Walsh, 1988, 1989; Krishnan, Miller and Judge, 1997.

	merged firm. vi) The individual perception of the merger process is not a determinant of the turnover.	
Effects of turnover on post-acquisition performances	Target firm's top management turnover following an acquisition is negatively related to the post-acquisition performance. Possible explanations are: i) The loss of firm-specific skills and specific-knowledge owned by top executives. ii) Top management retention may provide some stability and continuity for the acquired organization through a transition period in order to gain loyalty of the real key employees (according to this school of thought, tacit knowledge is owned the most by middle managers).	Hambrick and Cannella, 1991; Bergh, 2001; Krishnan, Miller and Judge, 1997; Ranft and Lord, 2000.
CEOs and executives expertise	CEOs' expertise and experiences are key characteristics that affect their strategies, choices and behaviours, and during an M&As deals are relevant determinants in deciding whether or not to keep a manager of an acquired firm. The dimensions of experience are age, firm experience, international experience and functional experience.	Herrmann and Datta, 2006; Rodenbach and Brettel, 2012.

After having analysed the literature, we develop the hypotheses of this thesis. Hence, we defined five main hypotheses (table 11).

Table 11: Summary of the hypotheses	
H1:	*In cross-border acquisition, cultural distance between the acquirer and the target is positively related to CEO departure in the post-acquisition period.*
H2:	*In cross-border acquisition, target CEO's international experience is negatively related to CEO departure in the post-acquisition phase.*
H3:	*In cross-border acquisitions, target CEO's country-specific international experience is negatively related to CEO departure in the post-acquisition phase.*
H4:	*In cross-borer acquisitions, target CEO's international work experience weakens the (positive) effect of cultural distance on target CEO departure in post-acquisition phase.*
H5:	*In cross-borer acquisitions, target CEO's country-specific international work experience weakens the (positive) effect of cultural distance on target CEO departure in post-acquisition phase.*

The objective of the first one is to demonstrate that cultural distance plays a relevant role in departure of key executives in CBAs. H2 and H3 are focused on the international experience of the target CEO. Our aim is to prove that both the international experience and the country-specific one are negatively related to the turnover ratio. Finally, H4 and H5 have been defined in order to test the moderating effect of the CEO experience (again, both international and country-specific experience) on the relationship between the cultural distance and the CEO departure.

Finally, in order to test our hypothesis, we have defined five econometric models. The first one is the baseline model, in which we analyse the behaviour of the control variables, while the model number 2, 3, 4 and 5 have been defined in order to test respectively H1, H2, H3, H4, and H5.

Table 12: Models and related hypothesis

Model	Hyp.	Variables [a b]
Baseline (1)	-	CEO total years of experience, Male, CEO tenure, CV education completeness, CV work experience completeness, Exploration, Integration, Hi-tech experience, Hi-tech experience, Relative size, Product relatedness
(2)	H1, H2	<u>Psychic distance</u>, <u>CEO international experience</u>
(3)	H3	Psychic distance, <u>CEO international specific experience</u>
(4)	H4	Psychic distance, CEO international experience, <u>Psychic distance x CEO international experience</u>
(5)	H5	Psychic distance, CEO international specific experience, <u>Psychic distance x CEO international specific experience</u>

[a] The variables of the baseline models are implied in models (2) (3) (4) (5) (6)
[b] The underlined variables are the subject of the related hypothesis

6.1.3. Discussion of the most interesting findings

CEO tenure. Table 12 sums up the models. One of the most valuable results of the baseline model is the relationship between target CEO tenure and target CEO departure. As we discussed in the previous chapter and as we expected, target CEO tenure is negatively related to the target CEO departure. Consequently target CEO tenure is a quality that is worthy for the acquirer and that has an impact on the acquirer's decision regarding the role of target CEO in the new company. However, why is target CEO tenure so valuable for the acquirer?

The explanation resides in the so-called tacit knowledge. When CEO works for long time in the same company, she develops a unique knowledge that a less tenured CEO cannot own. Tacit knowledge relates to the company as a whole, so it is about its history, its organizational culture, its relationship with stakeholders and its political structure. Hence, the biggest difference between a long tenured and a short tenured CEO is about the support that they can do to the success of the implementation process. Indeed, longer tenured CEO can provide insights into key factors in the implementation process, such as traditions and history of the acquired company's culture. CEO long-term relationship with suppliers, vendors and buyers, understanding of what has worked and failed before (and so, which implementation strategies would work best and which would not), and the underlying structure of its political structure.

Another characteristic of the tacit knowledge is that, at least in the short time, it is not easy transferable; consequently a target CEO departure means an irrecoverable loss of this critical resource.

Moreover, the retention of long tenured CEO has a symbolic meaning. Losing a long tenured CEO goes beyond the irrecoverable loss of a critical resource. Target CEO retention means continuity and stability to all the employees of the acquired company (both higher and lower ranked employees) during the transition period that follows the announcement of the acquisition. Consequently, losing executives having great organizational tenure may raise suspicions, create a state of anxious paralysis, induce a "threat rigidity" response and potentially jeopardize the prospects of the acquisition.

This result is in line with Bergh's thesis (2001). Indeed, the author states that keeping acquired company top executives would lead to more successful acquisition outcomes because of the existence of tacit knowledge, since our result suggests that tacit knowledge does exist and that it is valuable for the acquirer. Again, this result is also in line with Ranft and Lord's thesis (2000), which focused their attention on the symbolic meaning of the target CEO departure.

Product relatedness. The second interesting finding of the baseline model is the negative relationship between the product relatedness and the target CEO departure in cross-border M&As. Namely, when two companies work in a similar industry, it is less likely that the target CEO will be replaced. This finding is very interesting because it rejects what other scholars have demonstrated. Indeed, both Walsh (1988) and Hambrick and Cannella (1993) have studied the relationship between these two variables. While Walsh found no relationship between them, Hambrick and Cannella (1993) have observed a weak negative relationship, but related only to the first month following the acquisition, after that, they also had not found any relationship between industry relatedness and target CEO turnover. These scholars were induced to study the relationship between the two variables in order to check the validity of a widely accepted school of thought concerning the impact of the industry relatedness on the target CEO departure. This school of thought asserts that in case of a related acquisition, the acquirer can afford to lose members of the target's management team because the parent company's management is already familiar with the target company's business. Consequently, the acquirer may feel that she can add value to the acquired company by replacing the target's management team with their own skilled managers. Moreover, they argue that the retention of top management is crucial for a company that chooses to diversify by acquisition, because the acquiring firm cannot afford to lose the product and market experience of the target management and this should be especially true in unrelated acquisitions.

Thus, why do our research lead to different results from both Walsh and Hambrick and Cannella's ones? The explanation may reside in the M&As sample used for the studies. While the aforementioned researchers have analysed domestic acquisition, we have analysed CBAs. Therefore, we may say that in CBAs the acquirer adopts a different approach to the decision concerning the target's CEO new role in the company.

In particular, according to our results, it seems that instead of replacing the target's management team with their own skilled managers, the acquirer tends to attribute a great importance to the skills and to the experience developed by the target CEO in the foreign country, especially considering the related acquisitions. Probably, the acquirer prefers to not replace the target CEO (at least in the short time, we would like to stress the point that our studies are focused on the first year following the acquisition) in order to start a learning process in which the target CEO and her team can transfer the product, market experience and knowledge to the acquirer.

This reasoning could also explain why in unrelated CBAs the likelihood of the target CEO departure is higher than in related CBAs. In unrelated CBAs, the acquirer probably attributes less relevance to the skills and experience developed by the target company because she would not be able in the future to leverage this knowledge in his own business area.

Exploration. The third noteworthy result of the baseline model is the impact the variable exploration on the target's CEO departure likelihood. According to our results, in case of exploration it is less likely that the target's CEO is replaced. This is in line to what we expected. Indeed, in case of exploration the acquirer is aimed at exploring a new technological field through the acquisition of the technology and the respective knowhow possessed by the target company. When a company decides to acquire another one (driven by an explorative purpose), probably it is aware of the existence of the tacit knowledge owned by the target

CEO and consequently it is also aware that the target CEO departure could correspond to a loss of a part of the potential of the acquisition as a whole. Consequently, it is more likely that the acquirer decides to retain the target CEO because of his/her tacit knowledge.

Integration. According to our results, in case of integration of the companies involved in the M&As it is more likely that the target CEO departs.

What radically changes moving from an acquisition in which the two merging companies are not integrated to an acquisition in which the two merging companies are integrated is the level of collaboration, coordination and communication needed in order to carry out the implementation process. The greater degree to which two firms integrate their operations, the greater the interdependence among the firms' individual units. Thus, integration and coordination lead to greater intra-firm flows of components, finished goods, funds, technology, skills, knowledge, and people. Consequently, in case of integration, the number of interactions and intra-firm flows between the two companies are higher, as the problems linked to the collaboration, coordination and communication. Furthermore, in such conditions, the tacit knowledge owned by the target CEO is less valuable for the acquirer.

After having said that, it is easy to understand why in this case the likelihood of the target CEO departure is higher. The result of an integration is the birth of a brand-new company composed by the acquirer and the target. The new appointed CEO requires skills like a great and intrinsic knowledge of the acquirer operations in order, first, to integrate properly the acquired firm and, secondly, to minimize the above mentioned problems. Target CEO generally lacks such knowledge and probably he is not able to manage the implementation properly. Hence, she will be replaced.

Relative size. Finally, concerning the results of the baseline model, scholars have debated also over the impact of the relative size on the target CEO departure likelihood. The main idea is that, after M&As, executives in relative small-acquired companies may have less power, importance and influence; saying differently, they do not want to be small fish in a large pond (Hambrick and Cannella, 1993).

Moreover, Hambrick and Cannella (1993), assert that the relative size of the acquirer has a significant relationship with the target CEO departure especially during the first month following the acquisition. While the previous mentioned researchers analysed the relationship from the point of view of the target CEO, Wulf and Singh (2011) adopted the point of view of the acquirer. According to them, when the target firm is very small compared to the acquirer, the marginal impact of the target company on the combined entity is smaller and, consequently, the acquirer should depend less from the target CEO. Hence, it is more likely that the target CEO is replaced. Our result confirms both Hambrick & Cannella (1993) and Wulf & Singh (2011)'s findings: the relative size of a company is negatively related to CEO departure.

Psychic distance. In the second model, we introduced a variable in order to study the effects of psychic distance in M&As deals. As we were expecting, psychic distance has a positive effects on the dependent variable amplifying the effects on companies' turnover ratio during CBAs.

One more times it proves that cultural distance between two firms plays a relevant role in M&As deals, affecting the company in different ways. This is coherent with what we have discussed in the literature review. Morosini (1994, 1998), Sthal and Voigt (2008), Hofstede (2010), Dow (2006, 2008, 2010), Guiso et al. (2009) and Gianetti and Yafeh (2012) have all proven that cultural distance affects companies' management and decisions. In their findings, they demonstrated that turnover rates of executives are higher in those acquisition in which the acquirer and the target differ in the country of the headquarters, which is aligned with our results.

The reason is that in CBAs cultural distance can lead to coordination problems between the two companies and among their employees, to mistrust, misunderstanding and mismatching goals. In such a situation, changing management may be a solution.

The increase in turnover rates may result from the attempt of the acquirer to overcome these problems coming from cultural distances and barriers. Acquirers usually impose their systems, philosophies and practice to the acquired companies and a new CEO imposed by the acquiring company is a move that is done in order to drive and lead the change and overcome cultural problems. Even if the acquirer do not impose a new CEO, the imposition of systems, philosophies and practices can bring the target CEO to leave the acquired company: they can be either unwilling or unable to adapt to those organizational changes. Sometimes imposed changes can be huge and consequently create instability within the target company. This instability can leads to uncertainty among actual managers role in the organization, which therefore can boosts stress and lowers job satisfaction, decreasing trust in and lowering commitment to the organization and increasing intent to turnover.

General international experience. In the same model (2), we demonstrate that a higher level of international experience reduces the likelihood of the target CEO departure after CBAs. It provides CEOs with capabilities and characteristics that are useful in order to lead the change management, to better integrate the two companies, the acquirer and the target, especially on issues related to cultural distance.

This skills and capabilities are gained during their careers, working in company abroad, studying abroad and traveling. The knowledge about different cultures, languages and business practices that they are able to acquire in international contexts helps them feeling more comfortable in dealing with different business environment. This kind of experience is also the results of the market globalization and the increasing numbers of cross-border M&As deals in the last twenty years. It is always more frequent to see companies looking for people with an international experience and multi-language skills, also in smaller ones.

Those are the main reason why CEOs with that backgrounds are more valuable for the acquirer companies if compared to their colleagues without it. If on one hand is more interesting for the acquirer to integrate the target CEO, also for the CEO herself becomes more easier and interesting to remain in the new companies as she possess the abilities that can help her in facing all the problems coming from cultural differences between the two organizations.

Country-specific international experience. As we already explained, for country-specific international experience we mean the working experiences that the target CEO has gained in companies with the HQ in the acquirer's country and not the general international experience as a whole. It proxies how much the target CEO is knowledgeable of the culture of that specific country. As we were supposing, this kind of experience is negatively related to CEO departure in CBAs, which means that it is less likely that a target CEO will be replaced after the acquisition, verifying our third hypothesis.

It can be intuitive that a CEO that possess previous experiences in the country of the acquirer has more familiarity with the culture of that company. This kind of experience helps the individual to gain capabilities and experiences that can match in an optimal way the culture, the practices and systems of the acquirer. Using a previous example, it is more likely that a Chinese CEO of a Chinese company acquired by an American one will remain in charge if he/she has gained international experience in the United States because of his/her familiarity with the American culture.

We can also expect that the country-specific international experience can have more effects on the CEO departure rather than the general one (and the marginal effects prove it). The reason is that owning a specific international experience rather a general one is more valuable for the acquirer: the capabilities, practices, methodologies of target CEOs with specific experience are more tailored to the needs of the acquirer.

We have also to stress that the advantages of this kind of CEO are not only at an organizational level, but also at a relationship and human level. The country-specific experience helps the CEOs in dealing and interact with people coming both from the acquirer and from the target companies because both are cultures that he/she personally knows.

Moderator effects. Ours lasts hypotheses (H4 and H5) are about the moderating effects of international (H4) and country specific target CEO experience (H5) between the CEO departure and the psychic distance.

As we were expecting, this analysis has verified H4 and H5: the higher is the level of international experience (for both the general and the country-specific international experience) the lower is the effect of cultural distance on the probability of the target CEO departure. If we look back to figure 9 and figure 10, we can see that the moderator effect of the experience on the psychic distance is substantial and the effect increases with the increasing of the level of experience. It means that methodologies, capabilities and abilities gained through international experience can really help target CEOs to overcome problems (widely discussed above) due to cultural distance.

6.2. Conclusions and suggestions for future research

In conclusion, we can say that all the hypotheses put forth in this thesis turn out to be verified. As aforementioned, cultural distance does affect CBAs also having an impact on the fate of the target CEOs. The higher is the distance, the higher is the probability of a CEO departure within one year from the acquisition. Cultural distance brings into the company problems related to communication, practices and integration encouraging the acquirer to replace the target CEO or leading the target CEO herself to leave. In the first case, it is because the acquirer wants to have more grip in the changing management following an acquisition. In the second case, the target CEO leaves the merged entity because the target CEO perceives herself as inadequate in leading the transaction.

Our results regarding the second and the third hypotheses stress the role that the international experience, both general and country-specific, plays in the acquirers' decision in keeping or not the CEO of the target. The results say that the international experience is negatively relate to CEO departure. The studies on the marginal effects of general international experience and country-specific international experience tell us that the second one has a stronger influence on the CEO departure variable.

With the last two hypotheses we demonstrated that both the international experience have a moderating effects on the effects of cultural distance on the CEO departure (always within one year from the acquisition deal). Working in foreign companies and working abroad helps managers to develop those abilities that are necessary to deal and understand different culture and overcome the above mentioned problem caused cultural distance (problems of communication, practices and integrations).

Our work opens interesting directions for further research. To build our sample we used a list of criteria: modifying or deleting one or more of these criteria can lead to other interesting research. We have considered in our sample only companies coming from the small high-tech industry: it can be interesting to open the sample to other industries to see if there is a similar behaviour regarding CEO departure following CBAs. Another interesting analysis can be done dividing the target companies in family companies (companies that are managed by the family that also owns the company) and other companies (management and ownership are divided). Increasing the cultural distance between the acquirer and the target is another research that can be done: it means to open the sample to companies coming from Asia, Oceania, South America, Africa and Arabic countries. Also making a distinction between CEOs and founders can be a interesting, because founders usually are more involved in the company especially from a tacit-knowledge point of view.

Going beyond the criteria followed for our sample, we suggest that future research should analyse the relationship between cultural distance and target CEOs' industry experience in CBAs. We think that industry experience can mitigate the effects of cultural distance on target CEO turnover rate, playing a similar role to the international experience that we have discussed. Industry experience can lead an acquirer company to retain a target CEO because of the capabilities, practices and knowledge gained in a specific industry, especially if with the acquisition the acquirer is entering in a new market or in a new industry. It can be also motivating to see what is the joint effects of both industry and international experience on cultural distance and CEO departure in acquired firms and understand which one has a stronger effect.

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Appendix

Table A1: Queries scheme

ID_Q	Key.1	LO	Keyword2	LO	Keyword3	LO	Keyword4	LO	Keyword5	LO	Keyword6	LO	Keyword7	Excluding results from
A1	CEO*	*OR*	Executive*	*AND*	Crossborder									A9,A10,A11
A2	CEO*	*OR*	Executive*	*AND*	Cross-border									A12,A13,A14
A3	CEO*	*OR*	Executive*	*AND*	Cross	*AND*	Border							A15,A16,A17
A4	CEO*	*OR*	Executive*	*AND*	Cross-border-acquisition									
A5	CEO*	*OR*	Executive*	*AND*	Acquisition*									A9,A12,A15
A6	CEO*	*OR*	Executive*	*AND*	CBA									
A7	CEO*	*OR*	Executive*	*AND*	M&A									A9,A10,A11,A13,A14,A16,A17
A8	CEO*	*OR*	Executive*	*AND*	M&As									A11,A14,A17
A9	CEO*	*OR*	Executive*	*AND*	Crossborder	*AND*	Acquisition*							
A10	CEO*	*OR*	Executive*	*AND*	Crossborder	*AND*	M&A							A11
A11	CEO*	*OR*	Executive*	*AND*	Crossborder	*AND*	M&As							
A12	CEO*	*OR*	Executive*	*AND*	Cross-border	*AND*	Acquisition*							
A13	CEO*	*OR*	Executive*	*AND*	Cross-border	*AND*	M&A							A14
A14	CEO*	*OR*	Executive*	*AND*	Cross-border	*AND*	M&As							
A15	CEO*	*OR*	Executive*	*AND*	Cross	*AND*	Border	*AND*	Acquisition*					
A16	CEO*	*OR*	Executive*	*AND*	Cross	*AND*	Border	*AND*	M&A					A17
A17	CEO*	*OR*	Executive*	*AND*	Cross	*AND*	Border	*AND*	M&As					
B1	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Crossborder					B9,B10,B11
B2	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Cross-border					B12,B13,B14
B3	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Cross	AND	Border			B15,B16,B17
B4	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Cross-border-acquisition					
B5	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Acquisition*					B9,B12,B15
B6	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	CBA					
B7	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	M&A					B9,B10,B11,B13,B14,B16,B17
B8	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	M&As					B11,B14,B17
B9	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Crossborder	*AND*	Acquisition*			
B10	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Crossborder	*AND*	M&A			B11
B11	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Crossborder	*AND*	M&As			
B12	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Cross-border	*AND*	Acquisition*			
B13	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Cross-border	*AND*	M&A			B14
B14	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Cross-border	*AND*	M&As			
B15	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Cross	*AND*	Border	*AND*	Acquisition*	
B16	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Cross	*AND*	Border	*AND*	M&A	B17
B17	top	*AND*	management	*AND*	team	*OR*	tmt	*AND*	Cross	*AND*	Border	*AND*	M&As	

Table A2: Hofstede's scores

Country	PDI		IDV		MAS		UAI		PRA		IND	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Africa E	64	34th	27	51st	41	54th	52	56th	N/A	N/A	N/A	N/A
Africa W	77	17th	20	58th	46	41st	54	54th	N/A	N/A	N/A	N/A
Arabic countries	80	12th	38	41st	53	31st	68	40th	N/A	N/A	N/A	N/A
Argentina	49	52nd	46	35th	56	28th	86	17th	20	59th	65	21st
Australia	38	63rd	90	2nd	61	20th	51	57th	21	58th	71	9th
Austria	11	76th	55	29th	79	4th	70	35th	60	22nd	63	23rd
Bangladesh	80	12th	20	58th	66	11th	30	70th	87	4th	83	4th
Belgium Fr	67	30th	72	12th	60	21st	93	9th	[82]	6th	[57]	26th
Belgium Nl	61	39th	78	8th	43	47th	97	5th	[82]	6th	[57]	26th
Brazil	69	26th	38	41st	49	37th	76	31st	44	38th	59	25th
Bulgaria	70	22nd	64	21st	58	22nd	70	35th	[15]	62nd	[66]	18th
Canada	39	62nd	80	4th	52	33rd	48	62nd	36	43rd	68	13th
Canada Quebec	54	49th	73	11th	45	43rd	60	47th	[36]	43rd	[68]	13th
Chile	63	37th	27	51st	31	65th	104	2nd	28	51st	33	46th
China	80	12th	20	58th	55	30th	60	47th	47	34th	20	58th
Colombia	67	30th	13	72nd	64	14th	80	29th	13	66th	33	46th
Costa Rica	35	65th	15	69th	21	69th	86	17th	N/A	N/A	N/A	N/A
Croatia	73	20th	33	46th	40	55th	80	29th	58	23rd	70	10th
Czech Rep.	57	45th	51	32nd	42	51st	86	17th	48	33rd	44	41st
Denmark	18	74th	74	10th	16	72nd	23	74th	35	45th	70	10th
Ecuador	78	15th	8	75th	63	17th	67	42nd	N/A	N/A	N/A	N/A
El Salvador	66	32nd	19	64th	40	55th	94	8th	20	59th	89	3rd
Estonia	40	59th	91	1st	62	19th	46	64th	28	51st	68	13th
Finland	33	68th	63	22nd	26	68th	59	50th	38	40th	46	37th
France	68	27th	71	13th	43	47th	86	17th	63	18th	57	26th
Germany	35	65th	89	3rd	66	11th	35	68th	51	29th	72	8th
Great Britain	35	65th	67	19th	66	11th	65	43rd	83	5th	32	48th
Greece	60	41st	35	45th	57	25th	112	1st	45	37th	69	12th
Guatemala	95	3rd	6	76th	37	61st	101	3rd	N/A	N/A	N/A	N/A
Hong Kong	68	27th	25	55th	57	25th	29	72nd	61	20th	50	33rd
Hungary	46	55th	80	4th	88	3rd	82	26th	58	23rd	17	61st

India	77	17th	48	33rd	56	28th	40	66th	51	29th	67	17th
Indonesia	78	15th	14	70th	46	41st	48	62nd	62	19th	26	55th
Iran	58	43rd	17	66th	45	43rd	69	39th	93	2nd	49	34th
Ireland	28	71st	70	15th	68	9th	35	68th	24	56th	17	61st
Israel	13	75th	54	30th	47	39th	81	28th	38	40th	65	21st
Italy	50	51st	76	9th	70	7th	75	33rd	61	20th	30	49th
Jamaica	45	56th	39	39th	68	9th	13	75th	N/A	N/A	N/A	N/A
Japan	54	49th	46	35th	95	2nd	92	11th	88	3rd	42	42nd
Latvia	44	57th	70	15th	9	74th	63	46th	69	14th	13	66th
Lithuania	42	58th	60	23rd	19	70th	65	43rd	82	6th	16	63rd
Luxembourg	40	59th	60	23rd	50	34th	70	35th	64	17th	56	30th
Malaysia	104	1st	26	54th	50	34th	36	67th	41	39th	57	26th
Malta	56	47th	59	27th	47	39th	96	6th	47	34th	66	18th
Mexico	81	10th	12	73rd	73	5th	76	31st	16	61st	100	1st
Morocco	70	22nd	20	58th	40	55th	30	70th	57	25th	35	45th
Netherlands	38	63rd	80	4th	14	73rd	53	55th	67	16th	68	13th
New Zealand	22	73rd	79	7th	58	22nd	49	60th	33	48th	75	7th
Norway	31	69th	71	13th	5	76th	29	72nd	53	26th	78	6th
Pakistan	55	48th	14	70th	50	34th	70	35th	50	31st	0	67th
Panama	95	3rd	11	74th	44	46th	86	17th	N/A	N/A	N/A	N/A
Peru	64	34th	16	67th	42	51st	87	16th	25	55th	46	37th
Philippines	94	5th	32	47th	64	14th	44	65th	27	53rd	42	42nd
Poland	68	27th	60	23rd	64	14th	93	9th	38	40th	29	50th
Portugal	63	37th	23	57th	28	67th	86	17th	31	50th	24	57th
Romania	90	7th	30	48th	42	51st	90	14th	52	27th	20	58th
Russia	93	6th	39	39th	36	63rd	95	7th	81	10th	20	58th
S Africa	49	52nd	65	20th	63	17th	49	60th	34	47th	63	23rd
S Korea	60	41st	18	65th	39	59th	85	23rd	100	1st	29	50th
Serbia	86	8th	25	55th	43	47th	92	11th	52	27th	28	53rd
Singapore	74	19th	20	58th	48	38th	8	76th	72	12th	46	37th
Slovakia	104	1st	52	31st	110	1st	51	57th	77	11th	28	53rd
Slovenia	71	21st	27	51st	19	70th	88	15th	49	32nd	48	36th
Spain	57	45th	58	28th	57	25th	74	34th	70	13th	29	50th
Suriname	85	9th	47	34th	37	61st	92	11th	N/A	N/A	N/A	N/A
Sweden	31	69th	69	17th	8	75th	50	59th	35	45th	55	31st

Switzerland Fr	70	22nd	46	35th	53	31st	68	40th	14	64th	25	56th
Switzerland Ge	26	72nd	69	17th	72	6th	56	52nd	[15]	62nd	[66]	18th
Taiwan	58	43rd	41	38th	43	47th	59	50th	14	64th	38	44th
Thailand	64	34th	20	58th	34	64th	64	45th	32	49th	45	40th
Trinidad	47	54th	16	67th	58	22nd	55	53rd	13	66th	80	5th
Turkey	66	32nd	37	43rd	45	43rd	85	23rd	46	36th	49	34th
United States	40	59th	60	23rd	30	66th	60	47th	82	6th	16	63rd
Uruguay	61	39th	36	44th	38	60th	100	4th	26	54th	53	32nd
Venezuela	81	10th	30	48th	69	8th	82	26th	24	56th	97	2nd
Vietnam	70	22nd	30	48th	40	55th	85	23rd	69	14th	16	63rd

Scott Shute

Entrepreneur Investor

Experience

President & Owner at Medi-Weightloss Clinics, North Texas
January 2010 - February 2012 (2 years 2 months)

CEO & President at Autonomy etalk
June 2005 - November 2009 (4 years 6 months)

CEO & President at eTALK CORPORATION
May 2001 - June 2005 (4 years 2 months)

National Director, Customer Call Center Technology at VERIO, INC
April 2000 - May 2001 (1 year 2 months)

Vice President, Operations at SOLUTION POINT, INC
July 1998 - March 2000 (1 year 9 months)

Senior Director, Call Center Operations at ACCESS HEALTH, INC
July 1995 - May 1998 (2 years 11 months)

Vice President, Operations at CoreSource
September 1986 - October 1994 (8 years 2 months)

Skills & Expertise

Call Center
Executive Management
Mergers
SaaS
Direct Sales
Sales Management

Education

California State University-Sacramento
BS, Business MIS, 1980 - 1985
Activities and Societies: Lambda Chi Alpha

Figure A1: Example of a biography of a CEO

Table A3.1: Example of codification of biography in figure A1

Transaction code	Target code	Person code	Name	Surname	CBA	Bachelor nationality	Acquirer country	Target county	Transaction year	Target SIC	Acquirer SIC	Employer name
acq_1288	T.291	T.291.1	Scott	Shute	1	US	GB	US	2005	7371	7371	Medi-weightloss clinics
acq_1288	T.291	T.291.1	Scott	Shute	1	US	GB	US	2005	7371	7371	Autonomy etalk
acq_1288	T.291	T.291.1	Scott	Shute	1	US	GB	US	2005	7371	7371	etalk
acq_1288	T.291	T.291.1	Scott	Shute	1	US	GB	US	2005	7371	7371	Verio
acq_1288	T.291	T.291.1	Scott	Shute	1	US	GB	US	2005	7371	7371	Solution points
acq_1288	T.291	T.291.1	Scott	Shute	1	US	GB	US	2005	7371	7371	Access health
acq_1288	T.291	T.291.1	Scott	Shute	1	US	GB	US	2005	7371	7371	Coresource

Table A3.2: Example of codification of biography in figure A1

Employer SIC	Employer nationality	Start	End	Workexp. (years)	Function	CEO	Board of directors	Officer	Founder	Advisor	Pre-deal	Bachelor nationality pre-deal	International general workexp.	International country-specific workexp.	Edu. Compl.	Workexp. Compl	Total compl.
8093	US	2010	2012	2	.b	0	1	0	0	0	0	-	-	-	1	1	1
7371	GB	2005	2009	4	.b	1	1	0	0	0	1	US	1	1	1	1	1
3661	US	2001	2005	4	.b	1	1	0	0	0	1	US	1	1	1	1	1
4813	US	2000	2001	1	IT	0	0	1	0	0	1	US	1	1	1	1	1
5044	US	1998	2000	2	Production	0	0	1	0	0	1	US	1	1	1	1	1
8011	US	1995	1998	3		0	0	1	0	0	1	US	1	1	1	1	1
6324	US	1986	1994	8	Production	0	0	1	0	0	1	US	1	1	1	1	1

Table A4: CV work experience completeness (examples)

Name		Starting date	Ending date	CEO	Complete
Mr. X	Company 1	2000	Present	1	Yes
	Company 2	1991	2000	0	
	Company 3	1980	1990	0	
Mr. Y	Company 1	2000	Present	1	No: missing info
	Company 2	1991	2000	N/A	
	Company 3	1980	1990	0	
Mr. Z	Company 1	2000	Present	1	

Company 2	1991	1995	0	No continuity. Missing info between 1995 and 2000
Company 3	1980	1990	0	

Table A5: CV education completeness (examples)					
	Name	**Level**	**Starting date**	**Ending date**	**Complete**
Mr. X	University 1	Bachelor	1991	1995	Yes
	University 2	Master of Science	1998	1999	
Mr. Y	University 1	Bachelor	N/A	N/A	No: missing info
	University 2	MBA	N/A	N/A	
Mr. z	University 1	N/A	1991	1995	No: missing info