Institutional Dichotomy and Cross-Border Inbound Acquisitions: A Study of Three Cases

Reddy, Kotapati Srinivasa

Indian Institute of Technology (IIT) Roorkee

2014

Institutional Dichotomy and Cross-Border Inbound Acquisitions: A Study of Three Cases

by

Kotapati Srinivasa Reddy
Indian Institute of Technology Roorkee

2014

INSTITUTIONAL DICHOTOMY AND CROSS-BORDER INBOUND ACQUISITIONS: A STUDY OF THREE CASES

PH.D. SYNOPSIS

(*First copy*)

by

KOTAPATI SRINIVASA REDDY

(Registration date: 31 December 2009; Enrollment no. 09921008)

Under the kind guidance of

Dr. Vinay Kumar Nangia, Professor

Dr. Rajat Agrawal, Assistant Professor

DEPARTMENT OF MANAGEMENT STUDIES

INDIAN INSTITUTE OF TECHNOLOGY ROORKEE

ROORKEE – 247667 (UTTARAKHAND, INDIA)

Abstract

The extant literature on cross-border mergers and acquisitions suggested that firm-specific, deal-specific, and country-specific determinants affect both negotiation process and post-merger integration. In particular, a great extent of strategy, international business and finance scholars argued that legal and regulatory infrastructure, level of investor protection, financial markets development, international taxation provisions, and macroeconomic indicators have been most important factors significantly affecting the cross-border acquisitions completion. In fact, we found significant knowledge gap on why cross-border acquisitions often litigate, delay and unsuccessful, especially when target firm is associated with developing country. With this in mind, we develop and analyze three litigated cross-border acquisitions connected to the host country-India: (i) Vodafone acquisition of Hutchison in 2007, (ii) unsuccessful cross-border merger between Bharti Airtel and MTN Group in 2008-09, and (iii) Vedanta Resources acquisition of Cairn India in 2010-11. To do so, we adopt qualitative case study research both to test existing theory and to build new theory. Hence, we accomplish research goals based on our new multi-case research design that assist qualitative researchers to overcome institutional barriers accountable for data collection as well as to study the emerging markets phenomenon. Regarding theory testing, we test seventeen theories propounded in management-related literature. Based on limitations of the existing theories and multi-case proofs, we develop new theory and offer lawful propositions for future research that would advance the current knowledge on institutional role in cross-border acquisitions. In addition, we also recommend an alternative foreign market entry model for making successful business entry in developing countries. We therefore conclude that a given country's weak regulatory system benefits acquirer, target, or both; simultaneously, the behavior would adversely affect on economic benefit of that host country.

1. Introduction

In the extant economics and international business literature, it is suggested that developed economies have better quality of laws, regulations and institutions, which result in rich economic performance. By contrast, developing economies characterize poor economic result, weak institutional framework, no significant expertise in public administration, highly corrupted government officials, erratic behavior of institutions and high political intervention. In this vein, Lucas (1990) postulated 'why capital does not flow from rich to poor countries' in which he suggested weak institutional environment is one of the important determinants that result in lacking capital flows from rich to poor nations. We believe this is an institutional dichotomous characteristic of developing economy and scholars have coined this problem as "Lucas paradox" (Alfaro, Kalemli-Ozcan, & Volosovych, 2008). Theoretically, a given country has two investment options to do business in other countries, namely direct international investment and portfolio investment. Then, direct investment allows the investor to entry in foreign country through greenfield investment, and/or mergers, acquisitions. Indeed, acquisitions are possibly the most aggressive strategic organizational response to resource dependence (Perez-Batres & Eden, 2008).

Because of 1985-1991 economic and institutional policy reforms, developing countries have improved their economic indicators, regulatory laws and business culture, and thereby attracted significant overseas investment in various industries. Following the globalization and liberalization programs, the distance between countries has reduced, markets have integrated, and communication cost has declined sharply, together lead to the closer integration of societies (Stiglitz, 2004). At the same time, multinational corporations (MNCs) from developed economies have increased their investment in developing countries through a preferred method of foreign market entry i.e. mergers and acquisitions (M&As) [besides, greenfield investment]. This method offers numerous benefits ranging from ownership to location advantages, while it attracts significant risks, especially economic, regulatory, and political shocks (e.g., Bris & Cabolis, 2008; Rossi & Volpin, 2004). For instance, the extant M&A research reported that 83% of deals failed to create shareholder value and 53% actually destroyed value (ac cited in Marks & Mirvis, 2011, p. 162). In case of international deals, the failure rate ranges from 45-67% (Mukherji, Mukherji, Dibrell, & Francis, 2013). Albeit, the world market for corporate control activities has substantially improved during 1991-2012 period, particularly from the sixth merger wave started in 2003 (Feito-Ruiz & Menéndez-Requejo, 2011). For example, worldwide number of cross-border deals (deal value) have increased at a massive growth rate of 241% (1,360%)

from 1,582 (US$ 21.09 billion) in 1991 to 5,400 (US$ 308.06 billion) in 2012. In case of Asian market, sales, in terms of number of deals (deal value) have notably improved at a significant growth rate of 908% (1,818%) from 79 (US$1.54 billion) in 1991 to 796 (US$29.48 billion) in 2012. Conversely, purchases, in terms of number of deals (deal value) have drastically increased at a considerable growth rate of 833% (3,521%) from 82 (US$2.20 billion) in 1991 to 765 (US$79.78 billion) in 2012. While reporting for Indian market, we found no significant number of deals prior to 1999, thereafter, sales, in terms of number of deals (deal value) have greatly risen from 80 (US$1.06 billion) in 2000 to 136 (US$12.89 billion) in 2011, which reported a growth rate of 70% (1,111%), and then severely declined to 127 (US$2.47 billion) in 2012. Whereas, purchases, in terms of number of deals (deal value) have notably increased from 33 (US$0.630 billion) in 2000 to 175 (US$29.08 billion) in 2007, which reported a growth rate of 430% (4,517%), and then sharply declined to 65 (US$2.65 billion) in 2012. Indeed, Indian share to the worldwide cross-border M&A market in terms of deal value of sales (purchases) increased from 0.12% (0.07%) in 2000 to 2.32% in 2011 (7.76% in 2010), and then declined to an average of 0.8% in 2012. More importantly, FDI inflows to India have massively increased from US$0.075 billion in 1991 to US$47.14 billion in 2008, and then sharply declined to US$25.54 billion in 2012. While percentage of value of cross-border deals out of FDI inflows for the period 1991-2012, reported an average annual growth rate of 37% for worldwide countries, 13% for Asian market, and 16% for Indian market (UNCTAD, 2013). Herewith, we found that cross-border inward investment has shockingly declined for both Asian and India markets, while outward investment has massively increased due to lower asset valuations around global financial crisis as well as to escape from home country institutional barriers (Witt & Lewin, 2007). Besides, mounting overseas acquisitions in emerging markets we have noticed both inbound and outbound deals often litigated or induced by institutional shocks of host country when such deals characterize higher valuation, cash payment, and strong government control over the industry. For instance, Zhang, Zhou, and Ebbers (2011, p. 226) reported that 68.7% of worldwide acquisition attempts have completed for the period 1982-2009 in which 210,183 deals found to be uncompleted (460,710 deals completed) out of 670,893 acquisition events. Thus, we are interested to analyze of those litigated inbound deals associated to Asian emerging market-India.

1.1 Scope and motivation of the research

The scope of our research is prevalent, which we study from the lens of different disciplines such as economics, corporate finance, strategic management, organization studies, sociology, accounting, law, and importantly, international business. We examined the impact of host country institutional laws relating to financial markets and taxation, and its political involvement on cross-border inbound acquisitions for various reasons: deals characterize higher valuation, cash payment, acquirer belongs to developed country and industry largely controls by public-sector enterprises. Importantly, we postulate how does weak regulatory system negatively affects a given host country's sovereign revenue, while benefits acquirer and/or target firm involving in cross-border inbound deals.

A great extent of previous studies in IB examined the cross-border acquisitions through the lens of finance, economics, and strategic management. Indeed, we have motivated by seven tracks that appeared in the given M&A stream. At the outset, foreign market entry choices are an important research focus in IB and strategy fields. First, cross-border M&A stream largely remain underexplored compared to domestic M&As and more theoretical and empirical research is necessary for improving the current state of literature (Shimizu, Hitt, Vaidyanath, & Pisano, 2004). Second, there is inadequate research on deal completion in which one can study the factors affecting cross-border inbound acquisition success (Reis, Ferreira, & Santos, 2013; Zhang et al., 2011). Third, most of the existing work has built-up on the developed economies setting: US and UK, where in deals with emerging economies need to be investigated both to support the existing theory and to add new streaks to the literature (Barbopoulos, Marshall, MacInnes, & McColgan, 2014; Buckley, Forsans, & Munjal, 2012). Fourth, M&A stream is one of the prominent research areas that attract scholars from various disciplines such as economics, management, accounting, sociology, law, and politics. However, the field needs to be deeply analyzed through creating an "interdisciplinary" environment than that of doing "multidisciplinary research" (Bengtsson & Larsson, 2012). Fifth, a vast quantity of M&A research has empirically driven and ignored qualitative research approaches. For example, Haleblian, Devers, McNamara, Carpenter, and Davison (2009) reviewed the M&A research published between 1992 and 2007, and found that only 3% of research publications out of 167 articles used case study method. We thus adopted the qualitative case study method in our research setting. Sixth, most of the existing theories have developed on the basis of advanced countries behaviour, but one should also test those theories and develop new theory in emerging markets phenomenon (Hoskisson, Eden, Lau, & Wright, 2000).

Finally yet importantly, recent studies have focused on institutional distance, economic nationalism and political environment, and analyzed how these determinants affect on cross-border acquisitions completion (e.g., Reis et al., 2013; Serdar Dinc & Erel, 2013; Wan & Wong, 2009; Zhang & He, 2014; Zhang et al., 2011). In a recent survey paper, Ferreira, Santos, de Almeida, and Reis (2014) showed bibliometric results for the extant strategy and IB studies on M&A research during 1980-2010. They mentioned that "institutional theory has been remarkably absent from M&A research …, and suggested that emerging markets institutional authorities' behaviour and intervention in overseas acquisitions" is most relevant for enhancing the literature. In addition, the investigation of deals associated with emerging market country-India is important for several reasons (Mukherji et al., 2013). More importantly, we found an emergent research interest in emerging countries like China and India (Xu & Meyer, 2013).

1.2 Research question

It is worth stating that the objective of research should be a multilevel, multidiscipline "unified" theory (Buckley & Lessard, 2005, p. 595). We found significant knowledge gaps when scholars paid greater attention to emerging markets behavior that significantly rose after the special issue publication in the *Academy of Management Journal* (Hoskisson et al., 2000). Thus, we have approached emerging markets through a qualitative case study research that developed better sponsorship in formulating the following research question.

How (does) host country institutional framework influence the cross-border inbound acquisition completion focusing the "success of negotiations and the time it requires to be finished?"

The then, in turn

How (does) national' weak regulatory and legal framework affect overseas inbound acquisitions, both referring to "acquirer/target and host country's sovereign income"?

1.3 Research objectives

The focal objective of our multi-case study research is to "build new theory". To accomplish this main goal, we have set our prerequisite tasks based on extant literature focusing cross-border M&As, knowledge gaps, phenomenon relating to emerging market-India, and the cases chosen for research.

While making it clear and focused, the tasks include

- To examine the Indian market for cross-border M&As transactions during 1991-2012 period, and its share to the world economy and other constituents.
- To discover new method of doing qualitative case research in emerging markets while overcoming the obstacles relating to data collection and survey bias.
- To examine the host country institutional laws that reveal international taxation plea in a completed cross-border inbound acquisition.
- To investigate the impact of financial markets regulations and provisions on border-crossing inbound deals resulting delayed, then completed or unsuccessful.
- To study the adverse behavior of public administration and political intervention in overseas inbound deals that became delayed, then completed or unsuccessful.
- To test existing theories propounded in various disciplines while supporting adequate case(s) evidences.

- ♦ To invent a stylized foreign market entry model for easing business in emerging and developing countries.

2. Theoretical foundation and literature review

The state of our doctoral research represents mergers and acquisitions in particular and internationalization (entry-mode) in general. It is stylized fact that M&A stream is vast and rich among other management streams in terms of theoretical coverage and empirical evidence. At the outset, it is worth highlighting that mergers, acquisitions, joint ventures and co-operative agreements are long term corporate strategies that aim to create significant value to the shareholders. Indeed, they provide exclusive research setting in which scholars from different disciplines can study diverse aspects ranging from strategy formulation, negotiation process, deal completion, integration issues to post-strategy performance. Importantly, the definition of foreign business operations in IB is unique, practical and meaningful due to its interdisciplinary nature (Johanson & Vahlne, 1977). By and large, internationalization as a process through which a firm increases its level of involvement in foreign markets over time, and traditionally considered it as a series of events that take place over time (Casillas & Acedo, 2013). With this in mind, we have set our research tone within the interdisciplinary setting both to uncover factors behind litigated cross-border inbound deals. We therefore outline the review of literature in three schools. First, we present firm-specific factors motivating to participate in overseas investment deals. Second, we describe how learning and prior acquisition experience matters in international deals. Third and important, we show how country-specific characteristics determine the success of cross-border acquisitions. In addition, we have depicted deal and industry characteristics affecting direct investment and acquisition deals. Lastly, we summarize reasons behind unsuccessful foreign acquisitions, followed by research opportunities in M&A and IB streams.

Most IB, strategy and finance scholars found that a country's governance system, constitutional framework, legal environment, trust and relationship, and culture play important role in international negations, and their ex-ante and ex-post performance. For example, in Alguacil, Cuadros, and Orts (2011); Barbopoulos, Paudyal, and Pescetto (2012); Bris and Cabolis (2008); di Giovanni (2005); Francis, Hasan, and Sun (2008); Huizinga and Voget (2009); Hur, Parinduri, and Riyanto (2011); and Rossi and Volpin (2004), the authors suggested that legal framework, level of investor protection, corporate governance system, financial markets environment, quality of accounting standards, international taxation provisions and cross-culture were being major factors in making deals triumphant across borders. In addition, a country's macroeconomic factors such as gross domestic product, tax system and tax incentives, exchange rate and inflation rate were likely to influence border-crossing mergers acquisitions (e.g., Blonigen, 1997; Hebous, Ruf, & Weichenrieder, 2011; Pablo, 2009). For example, Moskalev (2010) found that number of overseas investment projects have significantly improved with respect to the progress in host country's legal enforcement for foreign investors. In a recent study, Erel, Liao, and Weisbach (2012) suggested that geography, quality of accounting disclosure and bilateral trade determinants' affect the likelihood of M&As between two economies. More importantly, local political events including general elections affect foreign direct investments for both inbound and outbound flows (Schöllhammer & Nigh, 1984). While, physical distance also plays a role in international investments (Rose, 2000). Overall, acquisitions promote corporate governance and institutional development in the host country (Martynova & Renneboog, 2008). In sum, we argue that macroeconomic factors (e.g., GDP, exchange rate, bilateral trade relations and interest rate), financial markets regulations (e.g., level of investor protection, quality of accounting standards and stock market development), and institutional environment (e.g., government reaction, political intervention, international taxation, judicial system), together affect the cross-border acquisitions success or completion.

3. Research design and method

We have chosen a legitimate method of qualitative research that is case study research. Thus, qualitative research is a form of scientific inquiry, which is aimed at understanding complex social processes … and characterizes organizational processes, dynamics, and describes social interactions and elicits individual attitudes and preferences (Curry, Nembhard, & Bradley, 2009, pp. 1442-1443).

In particular, case study research aims to investigate and analyze the unique nature of organizational environment in a real-life setting, based on single or multiple cases that carefully bounded by time and place (Stake, 1995; Yin, 2003). While commenting on sampling, Yin (2003) suggested that a CSR could be used on single case or multiple cases that varies from researcher to researcher, because it depends on the purpose of research whether theory is testing or theory is developing. For instance, Eisenhardt (1989) described that case studies provide rich and in-depth evidence to build theories, and to offer theoretical constructs and testable propositions in an emergent research area, and subsequent studies have advanced his idea (e.g., Bengtsson & Larsson, 2012; Eisenhardt & Graebner, 2007; Hoon, 2013). Hence, "theory-building research use cases typically to answer research questions that address 'how' and 'why' in unexplored research areas" (Eisenhardt & Graebner, 2007, p. 26; Stake, 1995, Yin, 2003). In sum, we found CSR is the best-recognized and highly motivated approach that allows a researcher to deeply-study the critical and complicated business transactions, for instance, failure M&A deals in business discipline, failure operations in medicine, etc. For example, Fang, Fridh, and Schultzberg (2004), and Meyer and Altenborg (2008) analyzed the unsuccessful merger between two Scandinavian telecom companies: Telia of Sweden and Telenor of Norway. Wan and Wong (2009) analyzed a failed takeover of Unocal (USA) by CNOOC's (China). There are few studies examined multiple cases in different institutional setting using different theoretical frameworks (e.g., Geppert, Dörrenbächer, Gammelgaard, & Taplin, 2013; Riad & Vaara, 2011).

To overcome research obstacles relating to data collection in emerging markets (e.g., Hoskisson et al., 2000), we propose new multi-case study research design to build theory from emerging markets behavior, and to improve the literature on strategy, IB and finance disciplines. Thus, our typology consists of 11 steps (Figure 1): how to develop a case study using archival data, sampling cases, relatedness and pattern matching, case analysis (individual), cross-case analysis (multiple cases), theoretical constructs, pre-testing and development, adjusting theoretical constructs, theory testing, building theory and testable propositions, and suggesting strategic "swap" model. Thereafter, we deeply discussed the quality measures of CSR such as reliability, construct validity, internal validity, and external validity. In addition, we also provide case study protocol to strengthen the research quality. Briefly, our approach is thus to test existing theory and to build new theory using multi-case research.

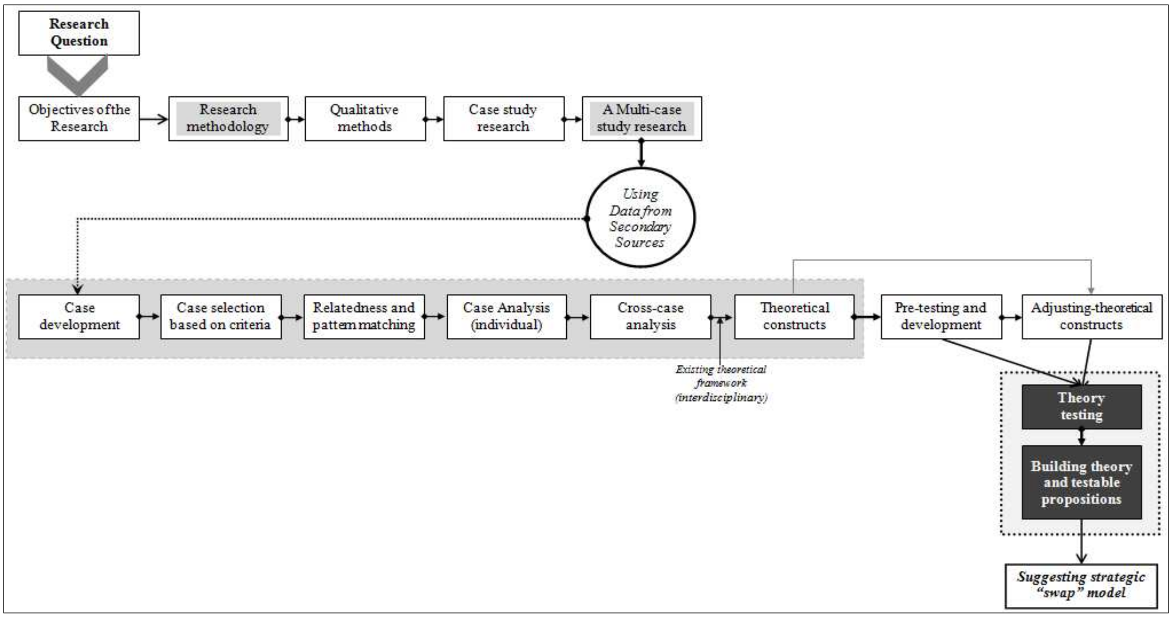

Fig 1. Test-Tube typology: Build theory from case study research based on "archival data"

3.1 Sampling cases

Based on our case research design, we have developed three cases using archival data, and thereby published of those cases for improving case quality and research rigor (Nangia, Agarawal, Sharma, &

Reddy, 2011; Reddy, Nangia, & Agrawal, 2012, 2014). Therefore, number of units in our case research is three. The basic unit of analysis aims to capture the causes behind 'delayed and unsuccessful cross-border inbound acquisitions in emerging markets setting'. Thus, cross-border inbound cases connected to India are (i) Vodafone acquisition of Hutchison for US$11.2 billion in 2007, (ii) unsuccessful cross-border merger between Bharti Airtel and MTN for US$23 billion in 2008-09, and (iii) Vedanta Resources acquisition of Cairn India for US$8.67 billion in 2010-11. The main characteristics of cases include (a) cross-border inbound acquisitions involving India as host country, (b) two cases related to telecom business and remaining case related to oil and gas exploration, (c) one case found to be successful out of two delayed-cases, and remaining case legally challenged after deal completion, (d) all cases were publicly attentive (paying special attention), and (e) all cases injected by host country's institutional, legal, political and financial markets environment.

4. Cross-case analysis: common-findings and discussions

Following the unit of analysis, we systematically analyzed each case for various reasons, namely strategic motives of acquisition, synergistic benefits, determinants of the deal (firm-specific factors, deal-specific factors, and country-specific factors), and stock price reaction around announcement. We have drawn important findings from our individual- and cross-case analysis, and thereby connected of those observations with the existing literature. However, we notice that some findings are common across nations irrespective of developed or developing status of the host country, while few observations are "special" if the acquisition hosted by emerging economies like India. For instance, the common findings across cases include: two acquiring firms have – come from developed country status, significant prior acquisition experience, sophisticated management expertise, and motive behind the acquisition was to improve business value by expanding the existing product portfolio into emerging markets. In addition, the distance between host country and home country was common for two deals, all three cases – were publicly attention through media (print and electronic), injected by erratic behavior of government authorities, and two deals have been litigated by ruling political party intervention. In addition, we argued that due diligence issues also determine the success of deal, especially in overseas transactions. Therefore, we suggest that acquiring firm managers and M&A advisory firms should pay more attention to deal characteristics, due diligence program, and host country's institutional laws and local political environment.

5. Testing existing theory and building new theory, constructs and swap model

This is the most important task in multi-case study research, which aims to test 17 existing theories propounded in various management-related subjects such as theory of foreign direct investment, market imperfections theory, theory of transaction cost economics, internalization theory, eclectic paradigm, Uppsala theory of internationalization, long-purse (deep pockets) theory, resource-based-view theory, resource dependence theory, theory of competitive advantage, organizational learning theory and learning-by-doing, bargaining power theory, information asymmetry theory, agency theory, institutional theory, liability of foreignness, and market efficiency theory. Specifically, establishing a triangular association between systemic multi-case analysis, extant cross-border acquisitions literature and theory testing, we develop new theory and theoretical constructs based on case proofs and knowledge gaps that accountable for emerging markets.

We propound our theory as "Farmers Fox Theory", which postulates

> "a given host country's weak (loopholes in) financial and tax regulatory system economically benefits acquirer, target, or both in cross-border acquisitions based on two assumptions: first, one must have some experience within the given economic and regulatory environment, or some kind of alliance with a local firm; second, other one should new to the country where the target firm was registered or associated with it. At the same time, this economic behavior adversely affects the given host country fiscal income or revenue".

In other words, a country that characterizes weak institutional laws, high level of corruption, severe politicking (ruling political party intervention), hosting foreign direct investment or inviting foreign MNCs to invest through acquisition may have to lose its economic incentives such as international taxes, cross-listing fee and taxes on overseas revenues. In such case, acquirer and/or target may enjoy of those economic benefits without paying it to the sovereign of the host country. It means that there is economic loss (profit) to the host country (acquirer or target). In fact, such economic loss will be more if the acquirer coming from developed country. While improving the understanding of our theory, we suggest lawful propositions for future research in M&A stream. Indeed, propositions will advance the current knowledge of foreign acquisitions or alliances when a researcher empirically tests on large sample. The constructs developed on the basis of research argument where overseas inbound investment deals in the form of acquisitions or mergers will be delay, then become success or unsuccessful because of two important reasons, which responsible for host country: (i) erratic behavior of sovereign (government officials, ruling political party), and (ii) weak institutional laws relating to financial markets and taxation.

More positively, we have suggested an alternative business model in foreign market entry strategies that aims to overcome institutional obstacles in emerging markets and to improve the economic performance of local companies in host country. We thus call this swap model as a "Contractual Buyout" (CoBO). It is an extension and will be next wave to the leveraged buyout (LBO), which could be a part of inorganic strategies. Conceptually, CoBO is twofold-secured debt obligation, joint administration, and promises an opportunity to buy target unit in the given period that contracted between acquirer, target firm and financier. In particular, it is a contractual relationship (*Dating*-before-*Merging*) and a choice of market entry that postulates tax advantages. It could be the best-fit model for cross-border M&A integration strategy. Further, we develop CoBO propositions that would useful in various implications such as information symmetry, administrative changes, employee role and employment, operating performance, financing/syndicating, tax savings, choice of entry strategy, integration strategy and economic policy makers.

6. Research contribution and implications

This is a unique effort of using qualitative case research to analyze the impact of institutional determinants on cross-border inbound acquisitions when hosting by an emerging market-India. Nevertheless, we even might be the first to examine Indian M&A deals (domestic or overseas) through case study research for two reasons: testing existing theories and building new theory. Importantly, our study is unique in the extensive M&A literature due to interdisciplinary setting as well as theory building through new procedure of multi-case research. Therefore, contribution of our research is five fold. First, we consider emerging market behaviour of India as a potential research setting to study the impact of institutional and legal environment on cross-border deals. Second, our multi-case investigation enhances the current knowledge on pre-merger negotiation (deal completion) when transactions occur between developed and developing country, and deals with higher valuation, cash payment, and more government control in the industry. Third, we discover new method of multi-case research design both to overcome research obstacles (e.g, data collection) and to study the emerging markets phenomenon. In fact, researchers in other disciplines (e.g., tourism, hospitality) can use this method to test existing theories and to build new theory. Fourth, we develop new theory- "Farmer Fox Theory" and suggest propositions for enhancing current knowledge and initiating further research on 'impact of institutional distance and political intervention in cross-border deals', which in turn should explain the 'host or home country economic benefits'. Lastly, the proposed swap model of foreign market entry strategy- "CoBO" will advance the thinking on economic policy programs in developing countries and improve the knowledge on financial restructuring models.

Further, we also suggest implications for multinational managers, policy makers, regulatory authorities, and academia, as well. For instance, In Barbopoulos et al. (2012), Erel et al. (2012), and Zhang and He (2014), the authors suggested that "knowledge of the legal system and regulatory provisions, and tax subsidies on international investments or new business ventures is seriously essential for the managers of acquiring enterprises". In fact, we argue that bribe and corruption adversely affect managers' decisions in different international strategies. More specifically, we advise both economic policy makers and regulatory authorities that allowing tax credit in foreign transactions will let MNCs to make more investment in the same business as well as in other prospect industries. Indian government could offer direct incentives such as reducing tariff and quantitative restrictions, tax benefits, and investment subsidies, to attract technological-developed MNCs for initiating the

R&D foundation. In a nutshell, a country that participate in the international trading platform should have well governed and advanced legal systems, accounting standards (e.g. IFRS), security and banking regulations, speedy rebuttal teams to investigate and conclude the disputes relating to investment, bankruptcy, shareholder protection and other security filings. In addition, there are diverse avenues for future research such as factors drive the global acquisitions of emerging market firms, motives behind diversification through overseas acquisitions, and tax subsidies and incentives in course of CB-M&A deals, just to mention a few.

7. Concluding remarks

Despite the fact that qualitative research takes much longer time compared to empirical research, which importantly needs thick data, rigorous analysis from all dimensions, and energy (e.g. Willis, 2007). Following the test-tube typology of multi-case research, we have analyzed three litigated cross-border inbound acquisitions that associated to the host country-India. We found that government officials' erratic nature and ruling political party influence would be more in foreign inward deals that characterize higher bid value, listed target company, cash payment, and stronger government control in the industry. Importantly, we suggest that a given country's weak regulatory system benefits both the acquirer and the target firm; at the same time, this economic behavior adversely affects its fiscal income. Based on cross-case analysis and knowledge gaps in the extant literature, we develop new theory and lawful propositions that will advance the current state of knowledge on cross-border acquisitions completion. In addition, we also recommend a strategic swap (alternative) model for doing business in emerging markets through direct investment. Yet, our study has few limitations (Choi & Brommels, 2009). We have carefully recorded the events of the cases and arranged them in chronological order, and then they have systematically analyzed in retrospective manner. However, we admit the jeopardy that the investigation and discussions of the case might be inclined by untrue memories or falsification of data extracted from print media and electronic sources. Nevertheless, our research arguments, observations and implications would help multinational managers, economic policy makers, regulatory authorities and other stakeholders of the society.

References

Alfaro, L., Kalemli-Ozcan, S., & Volosovych, V. (2008). Why doesn't capital flow from rich to poor countries? An empirical investigation. *Review of Economics and Statistics*, *90*(2), 347–368.

Alguacil, M., Cuadros, A., & Orts, V. (2011). Inward FDI and growth: The role of macroeconomic and institutional environment. *Journal of Policy Modeling*, *33*(3), 481–496.

Barbopoulos, L., Marshall, A., MacInnes, C., & McColgan, P. (2014). Foreign direct investment in emerging markets and acquirers' value gains. *International Business Review*, *23*(3), 604–619.

Barbopoulos, L., Paudyal, K., & Pescetto, G. (2012). Legal systems and gains from cross-border acquisitions. *Journal of Business Research*, *65*(9), 1301–1312.

Bengtsson, L., & Larsson, R. (2012). *Researching mergers & acquisitions with the case study method: Idiographic understanding of longitudinal integration processes*. Working paper, 2012/4, Centre for Strategic Innovation Research, http://www.bth.se/csir. Also In: Y. Weber (eds). Handbook for Mergers and Acquisitions Research, 172–202. Cheltenham, UK: Edward Elgar.

Blonigen, B. (1997). Firm-specific assets and the link between exchange rates and foreign direct investment. *American Economic Review*, *87*(3), 447–465.

Bris, A., & Cabolis, C. (2008). The value of investor protection: firm evidence from cross-border mergers. *Review of Financial Studies*, *21*(2), 605–648.

Buckley, P. J., Forsans, N., & Munjal, S. (2012). Host–home country linkages and host–home country specific advantages as determinants of foreign acquisitions by Indian firms. *International Business Review*, *21*(5), 878–890.

Buckley, P. J., & Lessard, D. R. (2005). Regaining the edge for international business research. *Journal of International Business Studies*, *36*(6), 595–599.

Casillas, J. C., & Acedo, F. J. (2013). Speed in the internationalization process of the firm. *International Journal of Management Reviews*, *15*(1), 15–29.

Choi, S., & Brommels, M. (2009). Logics of pre-merger decision-making processes: the case of Karolinska University Hospital. *Journal of Health, Organization and Management*, *23*(2), 240–254.
Curry, L. A., Nembhard, I. M., & Bradley, E. H. (2009). Qualitative and mixed methods provide unique contributions to outcomes research. *Circulation*, *119*(10), 1442–1452.
di Giovanni, J. (2005). What drives capital flows? The case of cross-border M&A activity and financial deepening. *Journal of International Economics*, *65*(1), 127–149.
Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, *14*(4), 532–550.
Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: opportunities and challenges. *Academy of Management Journal*, *50*(1), 25–32.
Erel, I., Liao, R. C., & Weisbach, M. S. (2012). Determinants of cross-border mergers and acquisitions. *Journal of Finance*, *67*(3), 1045–1082.
Fang, T., Fridh, C., & Schultzberg, S. (2004). Why did the Telia–Telenor merger fail?. *International Business Review*, *13*(5), 573–594.
Feito-Ruiz, I., & Menéndez-Requejo, S. (2011). Cross-border mergers and acquisitions in different legal environments. *International Review of Law and Economics*, *31*(3), 169–187.
Ferreira, M. P., Santos, J. C., de Almeida, M. I. R., & Reis, N. R. (2014). Mergers & acquisitions research: A bibliometric study of top strategy and international business journals, 1980–2010. *Journal of Business Research*, in press.
Francis, B. B., Hasan, I., & Sun, X. (2008). Financial market integration and the value of global diversification: evidence for U.S. acquirers in cross-border mergers and acquisitions. *Journal of Banking & Finance*, *32*(8), 1522–1540.
Geppert, M., Dörrenbächer, C., Gammelgaard, J., & Taplin, I. (2013). Managerial risk-taking in international acquisitions in the brewery industry: institutional and ownership influences compared. *British Journal of Management*, *24*(3), 316–332.
Haleblian, J., Devers, C. E., McNamara, G., Carpenter, M. A., & Davison, R. B. (2009). Taking stock of what we know about mergers and acquisitions: a review and research agenda. *Journal of Management*, *35*(3), 469–502.
Hebous, S., Ruf, M., & Weichenrieder, A. J. (2011). The effects of taxation on the location decision of multinational firms: M&A versus greenfield investments. *National Tax Journal*, *64*(September), 817–838.
Hoon, C. (2013). Meta-synthesis of qualitative case studies: an approach to theory building. *Organizational Research Methods*, *16*(4), 522–556.
Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in emerging economies. *Academy of Management Journal*, *43*(3), 249–267.
Huizinga, H., & Voget, J. (2009). International taxation and the direction and volume of cross-border M&As. *Journal of Finance*, *64*(3), 1217–1249.
Hur, J., Parinduri, R. A., & Riyanto, Y. E. (2011). Cross-border M&A inflows and quality of country governance: developing versus developed countries. *Pacific Economic Review*, *16*(5), 638–655.
Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm - a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, *8*(1), 23–32.
Lucas, R. E. (1990). Why doesn't capital flow from rich to poor countries. *American Economic Review*, *80*(2), 92–96.
Marks, M. L., & Mirvis, P. H. (2011). Merge ahead: a research agenda to increase merger and acquisition success. *Journal of Business and Psychology*, *26*(2), 161–168.
Martynova, M., & Renneboog, L. (2008). Spillover of corporate governance standards in cross-border mergers and acquisitions. *Journal of Corporate Finance*, *14*(3), 200–223.
Meyer, C. B., & Altenborg, E. (2008). Incompatible strategies in international mergers: The failed merger between Telia and Telenor. *Journal of International Business Studies*, *39*(3), 508-525.
Moskalev, S. A. (2010). Foreign ownership restrictions and cross-border markets for corporate control. *Journal of Multinational Financial Management*, *20*(1), 48-70.

Mukherji, A., Mukherji, J., Dibrell, C., & Francis, J. D. (2013). Overbidding in cross-border acquisitions: Misperceptions in assessing and valuing knowledge. *Journal of World Business*, *48*(1), 39–46.

Nangia, V. K., Agarawal, R., Sharma, V., & Reddy, K. S. (2011). Conglomerate diversification through cross-continent acquisition: Vedanta weds Cairn India. *Emerald Emerging Markets Case Studies*, *1*(1), 1–15.

Pablo, E. (2009). Determinants of cross-border M&As in Latin America. *Journal of Business Research*, *62*(9), 861–867.

Perez-Batres, L. A., & Eden, L. (2008). Is there a liability of localness? how emerging market firms respond to regulatory punctuations. *Journal of International Management*, *14*(3), 232–251.

Reddy, K. S., Nangia, V. K., & Agrawal, R. (2012). Mysterious broken cross-country M&A deal: Bharti Airtel-MTN. *Journal of the International Academy for Case Studies*, *18*(7), 61–75.

Reddy, K. S., Nangia, V. K., & Agrawal, R. (2014). Farmers Fox Theory: Does a country's weak regulatory system benefit both the acquirer and the target firm? Evidence from Vodafone-Hutchison deal. *International Strategic Management Review*, *2*(1), accepted.

Reis, N. R., Ferreira, M. P., & Santos, J. C. (2013). *Institutional distance and cross-border mergers and acquisitions completion: A conceptual framework*. http://www3.eeg.uminho.pt/economia/nipe/iibc2013/4.2.pdf (accessed 11-Dec-2013).

Riad, S., & Vaara, E. (2011). Varieties of national metonymy in media accounts of international mergers and acquisitions. *Journal of Management Studies*, *48*(4), 737–771.

Rose, A. K. (2000). One money, one market: estimating the effect of common currencies on trade. *Economic Policy*, *15*(30), 7–46.

Rossi, S., & Volpin, P. F. (2004). Cross-country determinants of mergers and acquisitions. *Journal of Financial Economics*, *74*(2), 277–304.

Schöllhammer, H., & Nigh, D. (1984). The effect of political events on foreign direct investments by German multinational corporations. *Management International Review*, *24*(1), 18–40.

Serdar Dinc, I., & Erel, I. (2013). Economic nationalism in mergers and acquisitions. *Journal of Finance*, *68*(6), 2471–2514.

Shimizu, K., Hitt, M. A., Vaidyanath, D., & Pisano, V. (2004). Theoretical foundations of cross-border mergers and acquisitions: A review of current research and recommendations for the future. *Journal of International Management*, *10*(3), 307–353.

Stake, R. E. (1995). *The Art of Case Study Research*. London: Sage.

Stiglitz, J. E. (2004). Globalization and growth in emerging markets. *Journal of Policy Modeling*, *26*(4), 465–484.

UNCTAD (2013). *World Investment Report: Global Value Chains – Investment and Trade for Development.* New York and Geneva: United Nations Publications.

Wan, K. -M., & Wong, K. -F. (2009). Economic impact of political barriers to cross-border acquisitions: an empirical study of CNOOC's unsuccessful takeover of Unocal. *Journal of Corporate Finance*, *15*(4), 447–468.

Willis, J. W. (2007). *Foundations of Qualitative Research: Interpretive and Critical Approaches (methods of qualitative research).* Sage Research Methods (online version).

Witt, M. A., & Lewin, A. Y. (2007). Outward foreign direct investment as escape response to home country institutional constraints. *Journal of International Business Studies*, *38*(4), 579-594.

Xu, D., & Meyer, K. E. (2013). Linking theory and context: 'strategy research in emerging economies' after Wright et al. (2005). *Journal of Management Studies*, *50*(7), 1322–1346.

Yin, R. K. (2003). *Case Study Research: Design and Methods* (3rd ed.). Thousand Oaks, CA: Sage.

Zhang, J., & He, X. (2014). Economic nationalism and foreign acquisition completion: The case of China. *International Business Review*, *23*(1), 212–227.

Zhang, J., Zhou, C., & Ebbers, H. (2011). Completion of Chinese overseas acquisitions: Institutional perspectives and evidence. *International Business Review*, *20*(2), 226–238.