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LOCATION OF MERGERS AND ACQUISITIONS IN MATURE AND EMERGING ECONOMIES

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Abstract: Multinational companies often undertake mergers and acquisitions to accelerate their growth, and the globalisation of markets encourages them to pay particular attention to the location of their activities. This paper attempts to assess the influence of the host country environment on the location of mergers and acquisitions in mature or emerging economies. We analyse the impact of the geographic, economic, institutional and cultural characteristics of the host country environment. The research model is tested on a sample of 395 mergers and acquisitions conducted by French multinationals. The four dimensions have a significant influence on M&A location, but institutional characteristics appear to play a predominant role.

Key words: internationalization, host country environment, mergers and acquisitions, location.

LOCATION OF MERGERS AND ACQUISITIONS IN MATURE AND EMERGING ECONOMIES

INTRODUCTION

During the recent period, international mergers and acquisitions (M&As) have considerably developed at a global scale. The proportion of M&As in emerging economies has witnessed a steady increase, at the expense of those carried out in mature economies: they account for 26% of operations in 2013 and 24% in 2010, compared with only 6% in 1990 (UNCTAD, 2014). Mergers and acquisitions have indeed become a preferred market entry mode in emerging countries.

Market globalisation has generated new opportunities, but also new constraints for firm growth, and the choice of location can contribute to the development of competitive advantages (Goerzen et al., 2010; Xia et al., 2008). Multinational companies are adjusting their investment strategies and need to pay particular attention to the location of their activities (Colovic & Mayrhofer, 2011). When choosing foreign locations, companies have to face different host country environments. The eclectic paradigm shows that their characteristics often influence internationalisation decisions (Dunning, 1988, 2000, 2001).

This article attempts to evaluate the influence of host country characteristics (geographic, economic, institutional and cultural) on the choice of M&A location in mature or emerging countries. The empirical study is based on 395 mergers and acquisitions undertaken between 2010 and 2012 by French companies listed at the SBF 120 index. The first part of the paper presents the theoretical framework and the hypothesis development. The second part outlines the methodology used. The third part presents and discusses the results of the empirical study.

CHOOSING THE LOCATION OF MERGERS AND ACQUISITIONS

We will first present the eclectic paradigm before analysing the possible impact of host-country factors on M&A location.

The eclectic paradigm and the location of M&As

The eclectic paradigm is often used to explain the selection of market entry modes, which represent a key decision for companies when developing international growth strategies. (Buckley and Hashai, 2009; Chalençon and Dominguez, 2014). This choice determines the level of commitment and access to local resources, the risks incurred, the level of control and the future performance of international operations (Lee and Lieberman, 2010; Morschett et al., 2010). The eclectic paradigm offers a comprehensive conceptual framework which has been widely used in the international business literature.

According to this model, companies need to consider three types of advantages, known as 'O-L-I', when entering foreign markets: 'O' - *Ownership advantages*; 'L'- *Location advantages*; 'I'- *Internalisation advantages* (Dunning, 1988, 2000, 2001). Ownership advantages are specific advantages that are exclusively possessed by companies, providing them a competitive advantage, i.e. tangible and intangible assets (innovation capacities, human capital, marketing expertise etc.) and those resulting from the governance and coordination of cross-border value-added activities. Location advantages are advantages offered by foreign countries, i.e. quality of infrastructure, labor cost, access to raw material, transport and communication costs, incentives for foreign investors. Internalisation advantages concern benefits that companies can achieve through the internalisation of activities, i.e. transaction costs and control of value-chain activities.

The eclectic paradigm has been extensively used to explain the choice between export activities, foreign direct investments (FDI) and contractual agreements. When companies only hold ownership advantages, they will tend to choose contractual agreements. When ownership advantages can be combined with internalisation advantages, companies prefer to develop export activities. Companies undertake foreign direct investments including mergers and acquisitions when they can combine the three O-L-I advantages (Dunning, 1988, 2000, 2001).

Despite its proliferation, the eclectic paradigm has also been subject to criticism. Dunning (2001) refers to the most frequently raised objections: the integration of various variables at the expense of the model's predictive power; the excessive interdependence between the three dimensions, making their identification difficult; the static nature of the model that seems to dedicate limited importance to the role played by corporate strategies.

Following this criticism, Dunning and Lundan (2008a) propose a new version of the eclectic paradigm by integrating the importance of institutions. The authors show that institutions influence the development strategies of multinational enterprises (and especially their location) as well as the interaction and evolution of the three O-L-I variables. The authors rely on neo-institutional theory developed by North (1990, 2005) who defines institutions as a collection of formal rules (for example, constitutions, laws and regulations) and informal constraints (for example, behavioural norms, conventions and codes of conduct defined by firms) (Dunning and Lundan, 2008b). They consider that institutions are defining the rules of the game, which either encourage or hamper the location of foreign firms in different markets.

In the international business literature, the eclectic paradigm is increasingly used to explain location strategies (Narula and Dunning, 2010), which depend on these three specific advantages and on the benefits of locating activities in a given country. Dunning and Lundan (2008a) emphasise that location advantages refer to a variety of host-country characteristics.

The authors consider that these advantages are largely determined by economic, institutional and cultural factors. They argue that a company's propensity to invest in a particular country is likely to be influenced by these factors as well as the extent to which companies perceive that these specific characteristics of a market enable it to exploit its ownership advantages profitably. It is thus important to consider the geographic distance between the home- and host-countries, which has an impact on the way companies perceive business opportunities (Ragozzino, 2009). Dunning and Lundan (2008a) hypothesize that location advantages differ considerably between developed and emerging economies.

Today, mergers and acquisitions represent around one third of foreign direct investments (UNCTAD, 2014). They represent one of the most complex market entry modes from a financial, strategic and human perspective. They are almost irreversible in nature and allow a strong degree of control over international activities. It seems important to note that potential buyers focus on the characteristics of the identified targets, but also on the characteristics of their location, and thus on the different dimensions of the host country environment.

Host country characteristics and M&A location

In this study, we consider four dimensions of the host country environment that are likely to influence the choice of location for mergers and acquisitions: geographic, economic, institutional and cultural.

Geographic distance

Geographic distance between the home- and host countries is likely to influence the exploitation of ownership advantages (Dunning and Lundan, 2008a), generating transport and communication costs linked to the management of dispersed subsidiaries. It also plays an

important role for activities involving intangible assets, since they depend on the functioning of information infrastructures (Ghemawat, 2001). For this reason, geographic distance is often considered as a decisive barrier for foreign market entries (Dow and Karunaratna, 2006; Ellis, 2007). Empirical studies on investment choices and their performance increasingly refer to this dimension (Ragozzino, 2009), which considerably increases the complexity of relationships between the acquiring and target firms.

Ragozzino (2009) demonstrates that market entry modes chosen by American companies for their international investments depend on the geographic distance between the buyer and the target. Drawing on a sample of 56,978 international acquisitions between 1990 and 2007, Erel et al. (2012) highlight the crucial role of geographic proximity: the nearer two countries are geographically, the greater the likelihood of mergers and acquisitions between them. Several authors emphasize the heterogeneity of host countries for foreign investments. They often focus on the distinction between mature and emerging countries (Aybar and Ficici, 2009) and highlight the opportunities and constraints linked to undertaking operations in different countries. Based on this work, the following hypothesis can be developed:

H1: The geographical distance between the home- and host-countries reduces the likelihood of locating mergers and acquisitions in emerging countries rather than mature countries.

Economic environment

Economic growth opportunities represent an important motivation for internationalization strategies (Goerzen et al., 2010; Xia et al., 2008) and a major determinant of location advantages (Dunning and Lundan, 2008a). Economic factors are widely used in studies focusing on the choice of location for foreign direct investments and market entry modes

(Tsang and Yip, 2007). Goerzen et al. (2010) highlight the decisive role played by this variable, which has a positive and significant impact on the reaction of financial markets to foreign investments.

Most studies on international mergers and acquisitions show the positive impact of economic factors on the volume of international operations. Rossi and Volpin (2004) integrate changes in the economic environment and the country's wealth. Their study highlights the positive effect of the economic growth of the host country and the negative influence of the market's wealth on the likelihood of conducting international mergers and acquisitions. We can thus posit the following hypothesis:

H2: A favourable economic host-country environment increases the likelihood of locating mergers and acquisitions in emerging countries rather than mature countries.

Institutional environment

Institutions determine the context in which firms develop their business (North, 1990). For Dunning and Lundan (2008a), the integration of the institutional dimension contributes to a better understanding of internationalisation strategies. The authors also point to its crucial role for the choice of market entry modes. The institutional environment covers regulations and government policies that help create the stability of a country (North, 1990; Williams et al., 2011). It is the quality of institutions that determines the protection of property rights and intellectual property, the degree of corruption of the economy and, consequently, the transaction costs and the market entry modes selected by firms (Malhotra et al., 2009; Williams et al., 2011). Therefore, the institutional environment can increase environmental uncertainty and render relationships between partners more tense. The institutional dimension can represent an important obstacle to accessing markets and is hence a vital element in the attractiveness of countries (Malhotra et al., 2009). Williams et al. (2011) focus on market

entry mode choices developed by firms located in industrialized countries, in terms of their decision to invest in industrialised or developing countries. Their analysis shows that companies pay a specific attention to institutional factors when they enter developing countries. Blanc-Brude et al. (2014) demonstrate that the incentive measures put in place by certain cities encourage foreign firms to locate in a specific geographical region within the target country.

Erel et al. (2012) highlight the essential role of institutions in the choice of location for international mergers and acquisitions. This dimension explains the volume of operations registered between two countries, as also confirmed by the study conducted by Malhotra et al. (2009). Ferreira et al. (2010) clearly highlight the positive effect of the quality of institutions on M&A activities and the degree of control within the acquired firm. The following hypothesis can therefore be posited:

H3: A favourable institutional host-country environment increases the likelihood of locating mergers and acquisitions in emerging countries rather than mature countries.

Cultural distance

Dunning and Lundan (2008a) show that cultural factors can also influence location advantages. The cultural dimension has been the focus of greatest study in academic research. An important part of the literature has been devoted to the influence of this dimension on the choice of market entry modes, and the location and performance of FDI. It is often considered to be one of the most significant determinants (Slangen and Hennart, 2008). In this study, we concentrate on national culture. Culture can be defined as a system of norms, values and beliefs guiding the behaviour of individuals within a certain group. Several typologies of the dimensions of national culture have been developed in the literature (House et al., 2004; Schwartz, 2003). In this study, we use the six cultural dimensions identified by Hofstede et al.

(2010): (1) the power distance index: this dimension refers to the distance that separates the hierarchical levels of an organization and thus also encompasses inequalities between individuals; (2) individualism versus collectivism: this dimension assesses the relationships between individuals and the group – that is to say the way in which individuals interact amongst themselves; (3) masculinity versus femininity: this dimension focuses on the role of women and examines the distribution of tasks and powers between men and women within organisations; (4) uncertainty avoidance index: this dimension refers to the management of uncertainty by individuals. If their tolerance of uncertainty linked to future events is weak, the control exercised is all the higher, and vice versa; (5) long-term orientation versus short-term orientation: this dimension focuses on the time-orientation of cultures - those with long-term visions tend to be based on the values of perseverance and foresight, whereas those with short-term visions tend to focus more on respect for and maintenance of traditions and social obligations; (6) indulgence versus restraint: this dimension refers to the propensity of the individuals to satisfy their desires.

Several studies devoted to the relationship between cultural differences and market entry mode choice offer evidence for the fact that firms tend to opt for investments that minimise the resources needed and therefore the risks incurred when cultural differences are important (Kogut and Singh, 1988; Ragozzino, 2009). Cultural differences are considered to be crucial for international mergers and acquisitions, since they can lead to collaboration between people with divergent cultural values (Ahern et al., 2012). Most empirical studies highlight the negative influence of cultural differences on foreign investments, although certain studies emphasize their positive impact on innovation (Williams et al., 2011). Certain authors also show the negative impact of cultural differences on M&A flows between countries (Erel et al., 2012; Rossi and Volpin, 2004). Based on these studies, the following hypothesis can be developed:

H4: The cultural distance between the buyer's and the target's countries reduces the likelihood of locating mergers and acquisitions in emerging countries rather than mature countries.

The literature review presented underlines the importance of host-country factors for international expansion strategies, and more specifically mergers and acquisitions. However, few studies have addressed the impact of different dimensions of the host country environment on the decision to locate M&As in mature or emerging countries.

METHODOLOGY

Sample

Our study covers 395 mergers and acquisitions undertaken by 90 French buyers listed on the SBF 120 index, announced between 2010 and 2012, and involving targets in 55 countries. The data for these operations were taken from the SDC (*Securities Data Firm*) database. The financial information concerning the buyers was withdrawn from the *DataStream* database. Finally, a press review was conducted using the *Factiva* database in order to collect the information on each operation (Chalençon, 2014). Furthermore, mergers and acquisitions conducted in the banking and insurance sectors have been excluded on account of their specificity (Borisova et al., 2013).

Dependent variable

The dependent variable 'location of the merger/acquisition' is a binary variable that takes the value 1 if the target is in an emerging country and the value 0 if it is located in a mature country. Several classifications of mature and emerging countries have been developed by

consulting firms, international institutes and researchers. For the present study, we chose to use the classification provided by UNCTAD (Aybar and Ficici, 2009). In the category of developed (mature) countries, UNCTAD lists the following: the member countries of the Organisation for Economic Cooperation and Development (OECD) with the exception of Chile, Mexico, South Korea and Turkey, the members of the European Union not included in the OECD as well as Andorra, Bermuda, Lichtenstein, Monaco and San Marino.

Independent variables

Geographic distance. The geographic distance between the buyer's and the target's countries is based on the measure used by Ahern et al. (2012) and Ragozzino (2009) – that is the distance of the great circle calculated based on the longitudes and latitudes between the most important cities (in terms of population). The data was downloaded from the official site of the CEPII institute (Centre d'Etudes Prospectives et d'Informations Internationales – http://www.cepii.fr/).

Economic environment. The dynamism of the economic environment is measured by the GDP (gross domestic product) growth rate, available on the website of the World Bank. This indicator is widely used in the literature because it allows assessing the growth potential of a given market (Ferreira et al., 2010; Rossi and Volpin, 2004). However, as the Argentinian GDP growth rate was unavailable from the World Bank, it was obtained from the UNCTAD website.

Institutional environment. The quality of institutions is assessed by the *Economic Freedom of the World* (EFW) index, measured by the *Fraser Institute* since 1975, based on 42 variables from the World Bank. These variables enable an assessment of the five following factors: the size of the government, the legal structure and security of property rights, access to sound money, freedom of international trade and, finally, legislation on credit, work and trade. This

indicator is used in numerous empirical studies (e.g. Moeller and Schlingemann, 2005) and was downloaded from the website of the *Fraser Institute* (http://www.freetheworld.com). Weak scores are associated with restrictive institutional environments. Some operations involve targets from Iraq, a country absent from the EFW classification. However, the *Fraser Institute* stipulates that this country is part of the least advanced category (Dowd, 2012). In our sample, the Congo has the weakest score, with 4.6 in 2010 and 4.8 in 2011. The score of four was thus attributed to Iraq for the entire period.

Cultural distance. Cultural differences are assessed by the six dimensions identified by Hofstede et al. (2010); the six dimensions are available on the site http://geert-hofstede.com. Cultural distance was then calculated by using the Kogut and Singh index (1988; p. 422): $DC = \sum_{i=1}^{6} \left\{ \frac{(I_{ij} - I_{iu})^2}{V_i} \right\} / 6$ where I_{ij} corresponds to the cultural dimension *i* for country *j*; V_{ij} is the variation in the index for the *i* dimension; *u* indicates the values for France; and DC is the cultural distance relative to France. Although the work of Hofstede is not beyond criticism, this index remains an appropriate way of measuring the cultural distance between two countries. Certain countries in our sample are not listed by Hofstede, but they represent only a limited number of mergers and acquisitions. Thus, Egypt's scores have been attributed to Qatar, as Ronen and Shenkar (2013) group these countries in the same cultural sub-category. The variable for Botswana was based on information available on Ghana – both being former British colonies. In the same way, the data for Congo were completed with the values for Burkina Faso, as both are former French colonies. Finally, the scores for Morocco were used for Tunisia and those of Saudi Arabia for Yemen, on account of their geographic and cultural proximity. Furthermore, for certain countries in our sample, Hofstede's fifth and sixth dimensions are missing. In such cases, we assigned the scores of another country featuring in the same subcategory as defined by Ronen and Shenkar (2013). Thus, the sixth dimension of Israel was replaced by that of Austria, while the fifth and sixth dimensions for Jamaica were

replaced by those from Malaysia. Similarly, the fifth and sixth dimensions of Panama were replaced by those of the Dominican Republic, while those of the United Arab Emirates were replaced by those of Morocco.

Control variables

Our research model also integrates three control variables which might influence the location choice of mergers and acquisitions: the size of the buyer, the experience of international acquisitions and the nature of the operation's diversification.

The size of the buyer. This is a decisive factor in carrying out mergers and acquisitions, since it largely determines the funding capacity and risks incurred by the buyer. Large firms are therefore supposed to have access to greater resources and funding, enabling them to implement more operations (Drogendijk and Slangen, 2006). Berry et al. (2010) demonstrate the positive and significant effect of company size on foreign direct investments made by U.S. companies. In order to assess the size of firms, we use the neperian logarithm of the firm's share capital (Moeller and Schlingemann, 2005).

Experience of international acquisitions. According to existing studies, firms with previous experience of acquisitions have less difficulties – especially in terms of information asymmetry – and are therefore likely to opt for the acquisition of greater stakes (Malhotra and Gaur, 2014). Prior experience of international acquisitions is considered to facilitate the implementation of new international operations, since the firm has already developed the required skills (Berry et al., 2010; Drogendijk and Slangen, 2006). Based on the work of Aybar and Ficici (2009), a firm's experience of international acquisitions is calculated based on the number of international mergers and acquisitions undertaken by the buyer in the ten years prior to the operation.

The diversification of the operation. This variable influences the risks associated with international development strategies and the choice of market entry modes (Drogendijk and Slangen, 2006). Several studies show the negative impact – particularly in terms of agency costs – of sectoral diversification (Denis et al., 2002). This variable is operationalised via the SIC (*Standard Industrial Classification*) codes, which enable the construction of a binary variable (Malhotra and Gaur, 2014). Thus, if the buyer and target are from different activity sectors, the 'diversification' variable produces the value 1, and 0 if the opposite is true.

Statistical analysis

In order to test the likelihood of a firm locating mergers and acquisitions in emerging countries, we use the following logistic regression model:

$$prob\ (emerging\ countries = 1) = \frac{exp(\mu + \gamma X)}{1 + exp(\mu + \gamma X)}$$

where X is the vector including both the independent and control variables.

Following this presentation of the methodology of our empirical study, we will now present and discuss the results.

ANALYSIS AND DISCUSSION OF RESULTS

We will first present the results of our statistical tests before analysing major findings and developing theoretical and empirical implications of our study.

Presentation of statistical analysis

Table 1 presents the correlation matrix used in the research model. It reveals that the independent variables all correlate internally, with the exception of the quality of institutions

and cultural differences. In the same way, the experience of international acquisition correlates with all variables in the model. However, we can indicate that there are no major problems of multicollinearity.

<Insert Table 1 >

Table 2 presents the logistic regressions concerning the probability of a buyer to locate a merger or acquisition in an emerging country. Model 1 includes only control variables, Model 2 includes independent variables and Model 3 covers both independent and control variables. The quality of the models proves to be satisfactory. The ROC criterion is correct for Model 1 and high for Models 2 and 3. These observations are confirmed by the other robustness indicators (the Hosmer and Lemeshow test, the per cent agreement, the R^2 and the adjusted R^2).

< Insert Table 2 >

Analysis of findings

The statistical analysis reveals a significant negative relationship ($p<0.01$) between the geographic distance and the likelihood of locating operations in emerging economies, thus confirming that geographic distance decreases the propensity of firms to conduct M&As in emerging countries. Hypothesis H1 is therefore confirmed. The geographic distance between the home- and host countries thus has an impact on the way companies perceive the exploitation of ownership advantages (Dunning and Lundan, 2008a). Our empirical study also confirms the results of previous studies on the choice of market entry modes and M&A flows between countries. Indeed, Ragozzino (2009) observes that American firms reduce their

acquisition of stakes when geographical distance appears to be high. Similarly, Malhotra and Gaur (2014) demonstrate – with a sample of 10,181 operations carried out between 2002 and 2008 by buyers from 52 countries and targets of 61 different nationalities – that smaller stakes are acquired in cases of greater geographic distance. Ahern et al. (2012) highlight the negative effect of geographic distance on the volume of mergers and acquisitions carried out between countries, based on a sample of 127,950 operations between 1985 and 2008. Using a similar sample (56,978 mergers and acquisitions carried out between 1990 and 2007), Erel et al. (2012) reach the same conclusion concerning the impact of geographic distance on the volume of mergers and acquisitions. Our empirical study confirms these results in the French context and over a more recent period, covering operations conducted after the economic crisis of 2008. The development of increasingly innovative information and communication technologies, which facilitate international operations, does not seem to affect the negative impact of geographic distance between buyers and targets.

Concerning the economic environment, a significant negative relationship ($p<0.01$) can be observed between the GDP growth rate of the target country and the likelihood of undertaking mergers and acquisitions in emerging countries. Hypothesis H2 is thus rejected. This result suggests that the economic dynamic lessens the likelihood of French buyers to locate mergers and acquisitions in emerging countries. In line with the work of Dunning and Lundan (2008a) who consider economic growth perspectives as a major determinant of location advantages, most studies assert the positive impact of this variable on the internationalisation of firms. They suggest that the economic dynamic of a country has a positive influence on the number of international mergers and acquisitions (Rossi and Volpin, 2004). Malhotra et al. (2009) also assert that firms favour development strategies in countries experiencing strong economic growth. The samples used refer primarily to the period prior to 2008. Our findings are

consistent with those of Malhotra and Gaur (2014) who also establish a negative link between the GDP growth rates of target countries and contractual relationships. This surprising result can be explained by the fact that companies favour other entry modes such as joint ventures and greenfield subsidiaries, when setting up operations in countries with strong economic growth. The annual UNCTAD report confirms this observation, pointing out that these are the two most commonly used entry modes in developing countries (UNCTAD, 2014). In joint ventures, the dedicated resources and risks associated with investments in emerging countries can be shared with other partners (Beamish, 2008). Moreover, local regulations may in some cases oblige foreign investors to enter into partnerships with local firms. An important number of mergers and acquisitions have been carried out in these rapidly growing countries and the difficulties encountered may have encouraged buyers to exercise greater caution. The economic crisis of 2008 also led to a slowdown in the growth rates in emerging countries, which may have an impact on location decisions.

As for the institutional environment, statistical tests show the significant positive impact ($p<0.01$) of the quality of institutions on the likelihood of locating mergers and acquisitions in emerging countries. Hypothesis H3 is therefore confirmed. According to the revised version of the eclectic paradigm, institutions largely determine internationalisation strategies and location advantages (Dunning and Lundan, 2008a). As recently suggested by Williams et al. (2011), companies are particularly concerned with the quality of institutions in emerging countries. Several studies demonstrate the major role played by institutions for internationalisation strategies (Malhotra et al., 2009). The literature emphasises that firms favour mergers and acquisitions over partnerships, when the institutional environment is not conducive to business (Dow and Larimo, 2011; Goerzen et al., 2010; Ragozzino, 2009). The work of Ahern et al. (2012) and Erel et al. (2012) also highlights the positive influence of

institutions on the volume of international mergers and acquisitions between countries. Ferreira et al. (2010) and Malhotra et al. (2009) confirm that the quality of institutions has a positive impact both on mergers and acquisitions and the degree of control acquired by the buyer.

Our findings show a significant negative impact ($p<0.01$) of cultural differences on the likelihood of locating mergers and acquisitions in emerging countries. Hypothesis H3 is thus validated. As indicated by Dunning and Lundan (2008a), cultural factors can have an impact on location advantages. Empirical studies focusing on cultural differences generally point to the negative influence of this variable on the choice of entry modes. It appears that firms opt for investments that minimise their involvement, when cultural differences are important (Ragozzino, 2009; Slangen and Hennart, 2008). Dow and Larimo (2011) also assert the predictive power of cultural distance on the choice of entry modes. The negative impact of cultural differences on the volume of operations has also been observed in other studies (Ahern et al., 2012; Erel et al., 2012; Rossi and Volpin, 2004). Our results confirm the negative impact of this variable on the location of M&As in emerging countries.

Finally, we can observe that the quality of institutions is identified as the variable with the greatest impact on the likelihood of locating mergers and acquisitions in emerging countries. This result confirms previous studies and reasserts its relevance in the context of operations carried out recently by French multinationals. The second most influential variable proves to be economic growth. However, this factor has led to particularly surprising results. In contrast to the literature, GDP growth has a negative influence on the location choice of M&As conducted by French buyers in emerging economies. This finding could be explained by the fact that firms favour other entry modes in emerging countries, following the difficulties faced

by companies for M&A operations in those countries and the slowdown in economic growth. Cultural differences have a weaker, but nevertheless significant influence on the likelihood of locating M&A in emerging countries. This observation confirms the importance of this variable, even though some authors question its influence.

Theoretical and empirical implications

The results of our research have important implications for both research on M&As and companies who intend to invest in mature or emerging economies. First, our empirical study shows the relevance of the eclectic paradigm for the study of location strategies. In today's global business environment, it appears to be particularly important to consider location advantages as emphasized by Dunning (1988, 2000, 2001). Second, our statistical analysis highlights that host-country factors play an important role by influencing the location of mergers and acquisitions. Third, we show that it is necessary to consider different dimensions of host-country characteristics, since their impact varies according to the factors considered. It is interesting to note that the institutional context has the greatest impact on the location of M&As in emerging countries, thus validating the interest of the revised version of the eclectic paradigm (Dunning and Lundan, 2008a). Surprisingly, economic growth has a negative influence on the choice of locating M&As in emerging economies. Despite the proliferation of information and communication technologies, geographic distance appears to be considered by companies when evaluating the possibility of exploiting ownership advantages abroad. In the same way, cultural distance also seems to be perceived as a barrier to M&A operations in emerging countries. Fourth, our empirical study focuses on M&A operations formed by French multinationals who have often been neglected in IB research (Mayrhofer, 2013), by considering both mature and emerging economies. Finally, our analysis

demonstrates that it is essential for managers to consider host country characteristics when forming cross-border M&As and that a specific attention should be dedicated to institutional factors.

CONCLUSION

The objective of this paper was to determine the impact of different host-country characteristics on location choices of M&A operations. Our findings show that the quality of institutions proves to have the greatest impact on the location of mergers and acquisitions in mature and emerging countries. Buyers appear to attach a particular attention to the local institutional context. They also take account of the economic growth of the target country. This factor however reduces the likelihood of locating mergers and acquisitions in emerging countries rather than mature countries. In emerging economies, companies tend to favour other entry modes such as joint ventures in order to reduce the risks associated with these markets. Geographic and cultural differences, who have been widely studied in previous studies, also play a significant role, but their influence remains more limited.

This research also presents some limitations. In fact, our research model focuses on four host-country factors that are likely to influence the location of M&A operations. Other factors may also have an impact on this decision, for instance the network effect. It would also be interesting to extend our sample by introducing buyers from other countries, e.g. from the United Kingdom and Germany who are similarly active in terms of mergers acquisitions. Finally, the classification between mature and emerging countries could be further developed, by differentiating various types of mature and emerging economies, for example EU- and non-EU countries or BRICS (Brazil, Russia, India, China and South Africa) and other emerging countries.

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Table 1: Correlation matrix

Variable	(1)		(2)		(3)		(4)		(5)		(6)		(7)	(8)
Emerging countries (1)	1,00													
Geographic distance (2)	0,59	***	1,00											
Economic environment (3)	0,70	***	0,50		1,00									
Institutional environment (4)	-0,70	***	-0,28	***	-0,51	***	1,00							
Cultural differences (5)	0,37	***	0,56	***	0,42	***	-0,03		1,00					
Capitalization (6)	0,07		0,04		-0,01		-0,11	**	0,07		1,00			
International experience (7)	0,21	***	0,18	***	0,18	***	-0,18	***	0,20	***	0,34	***	1,00	
Diversification (8)	0,02		0,00		0,04		0,06		0,08		0,02		0,00	1,00

***, **, * indicate the degree of significance p<0.01, p<0.05 and p<0.10.

Table 2: Dimensions of distance and location of mergers-acquisitions

	Model (1)		Model (2)		Model (3)	
Constant	1,626	*	-31,0197	***	-30,4966	***
Geographic distance			-0,0003	***	-0,0003	***
Economic environment			-0,9085	***	-0,9048	***
Institutional environment			5,3003	***	5,2741	***
Cultural differences			-0,0044	***	-0,0042	***
Capitalization	-0,0090				0,1188	
International experience	-0,0262	***			-0,0108	
Diversification	-0,2131				-1,3317	
Test Hosmer Lemeshow	15,23	**	59,96	***	142,84	***
ROC criteria	0,63		0,99		0,99	
% concordance	61,60		98,20		98,40	
R^2 (%)	3,96		62,39		62,49	
Adjusted R^2 %	5,66		89,21		89,34	
N	395		395		395	

***, **, * indicate the degree of significance $p<0.01$, $p<0.05$ and $p<0.10$.