

**Ricardo Falter**

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## **Influences of Firm- and Macro-Level Determinants on the Probability of Cross-Border Mergers and Acquisitions**

Master's Thesis

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**Imprint:**

Copyright © 2015 GRIN Verlag  
ISBN: 9783668020719

**This book at GRIN:**

<https://www.grin.com/document/303536>

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# MASTER THESIS

## Influences of Firm- and Macro-Level Determinants on the Probability of Cross-Border Mergers and Acquisitions

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**Programme: Master of Science Finance and Investments**

**Author: Ricardo Falter**

**10/6/2015**

### **Abstract**

While the influences of macro-level determinants on cross-border transactions have been investigated in several studies before, firm-level determinants have mostly been excluded in those studies. This study finds that firm-level determinants have a substantial influence on the probability a firm's decision to acquire a company in a foreign country. The result is even more pronounced in transactions where the acquirer's and the target's business operations are related to each other. In unrelated transactions, it was found that acquirers are more influenced by domestic and foreign stock market valuations as well as the relative value of their currency. This seems to proof the fire-sale theory as well as the risk reduction through diversification theory. It is concluded that unrelated transactions are more opportunistic, while related transactions are based on firm-specific business strategic reasons. A firm's amount of excess cash has been included as a firm-level determinant into the probit model of this study. This variable is fairly new to this kind of studies and its results offer deeper insights into the relationship between transaction probability, determinants and relatedness. This study extends the existing body of academic literature on cross-border mergers and acquisitions by investigating firm- as well as macro-level determinants, while simultaneously taking the relatedness between the transaction parties into account. In order to verify the results, further research into this area is strongly encouraged.

**Preface:**

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**Acknowledgments:**

Foremost, I would like to express my sincere gratitude to my coach Dr. Ben Tims and my co-reader Emre Karali for their continuous support during the work on this master thesis. Their open, honest and inspiring feedback was of utmost importance for the development and success of this study. Since this thesis marks the end of my studies, I would also like to thank my family and friends for their support throughout the past years.

## Contents

1. Introduction .....	3
2. Literature Review .....	7
2.1. Macro-Level Determinants of Cross-border M&A and General FDI .....	8
2.1.1. <i>Exchange Rates</i> .....	8
2.1.2. <i>Institutions</i> .....	9
2.1.3. <i>Taxation</i> .....	9
2.2. Firm-Level Determinants .....	10
2.2.1. <i>General FDI determinants</i> .....	10
2.2.1.1. <i>Asset Intangibility</i> .....	10
2.2.1.2. <i>Firm Size</i> .....	12
2.2.2. <i>Domestic M&amp;A Determinants</i> .....	13
2.2.2.1. <i>Relatedness</i> .....	14
2.2.2.2. <i>Economic Growth</i> .....	17
2.2.2.3. <i>Stock Market Growth</i> .....	18
2.2.2.4. <i>Excess Cash</i> .....	19
2.3. Summary of Determinants .....	21
3. Conceptual Framework .....	22
4. Methodology .....	25
4.1. The Model .....	25
4.2. Data Retrieval and Methodology .....	26
4.3. Firm-Level Variables .....	27
4.4. Macro-Level Variables .....	30
4.5. Data Overview and Descriptive Statistics .....	31
4.5.1. <i>Descriptive Statistics</i> .....	34
5. Results and Discussion .....	35
5.1. Fit of the Models .....	46
5.2. Robustness Checks .....	48
6. Conclusion .....	50
6.1. Limitations .....	52
7. Bibliography .....	54
8. Appendix .....	60