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Foreign acquisition entry strategies and performance of Finnish multinationals: The role of entry motives, institutions and host country capabilities

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Suomalaisten monikansallisten yritysten ulkomaiset yritysostostrategiat ja menestyminen . Investointimotiivien, instituutioiden sekä kyvykkyyksien rooli

Tiivistelmä

Monikansalliset yritykset valitsevat tilanteesta riippuen osittaisen, vaiheittaisen tai täysin omisteisen ostostrategian ulkomaisissa yritysostoissa. Yritykset voivat myös lisätä tai vähentää omistusosuuttaan ulkomaisessa ostokohteessa. Tämän tutkimuksen tarkoituksena on analysoida miten ja miksi yritykset valitsevat yritysostostrategiansa, miksi yritykset lisäävät omistustaan ostetuissa yrityksissä sekä miten eri strategiat vaikuttavat yritysostojen menestymiseen erilaisissa institutionaalisissa ympäristöissä.Tutkimuksessa sovelletaan institutionaalista teoriaa sekä ns. Uppsalan kansainvälistymisprosessimallia yhdistettynä ulkomaisten tuotannollisten investointien suorittamisen motiivikirjallisuuteen.

Tutkimuksen empiirisessä osassa sovelletaan case-analyysiä kahdeksan suomalaisen monikansallisen yrityksen suorittamien 26 ulkomaisten yritysostojen analysoinnissa. Tulosten perusteella suomalaiset yritykset suosivat osittaista yritysostoa seuraavissa tilanteissa: a) kun kohdemaan lainsäädännössä on rajoitteita investoinneille; b) yritysostoissa ennen 90-luvun loppua ilman tulevaisuuteen kohdistuvia tulokompensaatiojärjestelyjä ; c) korkean informaalisen institutionaalisen ympäristön tilanteissa; d) kun ostolla haetaan strategista pääomaa mutta kohteen strategiset voimavarat ovat alikehittyneitä; e) resurssiorientoituneissa investoinneissa korkean poliittisen riskin sekä korkean korruptioasteen ympäristöissä. Suomalaiset yritykset suosivat puolestaan vaiheittaista yritysostoa, kun: a) kyseessä on osakkeiden muodossa tapahtuva yritysoston maksaminen; b) kun ostajalla ei ole kohdemaahan ja/tai kohdeyritykseen liittyviä kyvykkyyksiä tai kokemusta; c) kun ostokohde vaatii laajaa uudelleen-organisointia ja kohdemaan markkinat ovat hajanaiset; d) kun yritysoston suorittanut yritys pyrkii markkina-aseman vahvistamiseen markkinoilla, joilla heillä on vajavaisesti kohdemarkkinakyvykkyyksiä ja/tai -tuntemusta. Suomalaiset monikansalliset yritykset suosivat täysin omistettua yritysostoa, kun: a) oston suorittaneella yrityksellä on kohdemaakyvykkyyttä markkina- sekä tehokkuusorientoituneissa yritysostoissa; b) ostokohde on hyvin pieni suhteessa ostajaan; c) ostokohde on ostajan kilpailija; d) yritysoston kohteen toimiala on hyvin kehittynyt ja markkinarakenne yhtenäinen; e) oston suorittaneella yrityksellä on kohdemaakohtaisia kyvykkyyksiä, kokemusta ja yritys pystyy varmistamaan ostokohteen ylimmän johdon pysymisen korkean virallisen institutionaalisen etäisyyden kohdemaissa; tai f) kyseessä on strategisten kyvykkyyksien hankintaan keskittyvä yritysosto.

Tulosten mukaan suomalaiset monikansalliset yritykset lisäsivät omistusosuuttaan ostokohteessa, kun omistusosuusrajoituksia lievennettiin kohdemaassa sekä kun yritykset olivat pystyneet hankkimaan kohdemaakohtaista kyvykkyyttä ja lisäämään luottamusta osittain hankittuun ostokohteeseen. Yritykset puolestaan vähensivät omistusosuuttaan, kun markkinatilanne kohdemaassa muuttui epäsuotuisampaan suuntaan. Yritysoston motiivit vaikuttivat ostostrategioiden valintaan. Tutkimus selittää, miksi optimaalisen ostostrategian valinta on erittäin tärkeää eri tilanteissa.

Asiasanat

Yritysosto, osittainen yritysosto, vaiheittainen yritysosto, täysi yritysosto, yritysoston motiivit, institutionaalinen teoria, omistusosuuden muutos, yritysosto-ostrategiat

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Abstract

MNEs utilize partial, staged and full acquisition strategies when entering into foreign markets. MNEs also may increase and decrease their equity stake in acquired foreign subsidiaries. This research analyzes how and why firms opt for these acquisition strategies, why they increase their equity stake in acquired foreign subsidiary and the performance implications of these strategies in different institutional context. The study integrates institutional theory and Uppsala internationalization process model with literature on motives of FDIs. The study utilizes eight case studies of Finnish MNEs involving 26 acquisitions in advanced, emerging and developing countries. The study finds that Finnish MNEs opt for partial acquisition rather than staged and full acquisition in five contexts. (a) In the presence of host country regulatory restrictions; (b) acquisitions made prior to late 90's without earnout arrangements; (c) high informal institutional environment; (d) explorative strategic asset-seeking acquisitions were the target strategic assets is still under-development; (e) resource-seeking investments in non-transparent regulatory institutions. Finnish MNEs opt for the choice of staged acquisition rather than partial and full acquisition in four contexts specifically: (a) on acquisitions involving stock trade; (b) when the MNEs do not possess either host country capability or target-specific experience or the MNEs possesses either the latter or the former respectively; (c) when the nature of the acquired firm business requires extensive improvements and the target host market structure is fragmented; (d) when the parent MNE seeks for market power consolidation in markets they are deficient in both host country capability and target-specific experience.

Finnish MNEs opt for the choice of full acquisition rather than partial and staged acquisition in six contexts specifically: (a) when the acquiring MNE possesses host country capability in market-seeking and efficiency-seeking acquisitions (b) size of the acquired target is relatively very small compared to the acquiring MNE; (c) when the target is a competitor (d) when the nature of the acquired firm business is well developed and the target host market structure is consolidating (e) when the Finnish MNE possesses host country capability, target-specific experience and ensure the retention of top management personnel's of the acquired target in high formal institutional distance countries (non-transparent regulatory institution and failure in formal institutions); (f) when the Finnish MNE is seeking for exploitative strategic asset-seeking acquisitions. It was found that Finnish MNEs increases their equity stake in acquired foreign subsidiary when (a) host country relieve their regulatory restrictions; (b) when they have acquired host country capability and have gained trust with their partially acquired targets; and they decrease their equity stake in acquisitions when (c) the host country market becomes unfavorable. The motives of FDIs were found to influence Finnish MNEs choice for these acquisition strategies. Finally, the study shows why selecting the optimal acquisition strategy is important in different institutional context.

Keywords

partial acquisition, staged acquisition, full acquisition, acquisition motives, institutional theory, changes in equity stake, acquisition strategies

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The journey for education and knowledge has been a tremendous inspiration for my life. Looking backwards, I am marveled the path I've taken to achieve this far. Each step required dedication, commitment, hard work, and belief in one's ability to improve. It reminds me of the famous quote from an African leader and stalwart that "Knowledge is power. Information is liberating. Education is the premise of progress, in every society, and in every family" *-Kofi Annan-*

As I journey through this wilderness, there were many who stood by me. First of all, my renowned supervisor, Professor Jorma Larimo, I wish to thank you for your constructive and positive criticisms, and for believing my ability to successfully and brilliantly complete my doctoral studies. Professor Jorma, I'm not only indebted to your supervision and commitment to my dissertation, but I'm also indebted to your making the doctoral process a viable atmosphere for learning.

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Oguji Nnamdi

September 2015

Contents

Figures

Tables

Abbreviations

AE	Advanced Economies
EMDC	Emerging Market and Developing Countries
ES	Efficiency-seeking motives
EU	European Union
IB	International Business
IJV	International joint ventures
IMF	International monetary fund
MS	Market-seeking motives
RG	Research Gap
RQ	Research question
RS	Resource-seeking motives
SA	Strategic asset-seeking motives
USA	United States of America
WOS	Wholly owned subsidiaries

1 INTRODUCTION

1.1 Background of the Study

The increasing number of global acquisitions point to international acquisitions as the most important foreign direct investment vehicle for multinationals seeking foreign market entry (Brouthers & Dikova 2010; Zander & Zander 2010). However, most entry mode studies suggest that multinationals (MNEs) explore all entry mode options during internationalization. MNEs are increasingly using acquisitions as growth options. They are also setting up acquisition department/units responsible for the acquisition process and decisions. Consequently, it calls for a need for researchers to explore acquisition strategies as unique entry strategies rather than the dichotomous choice with greenfield investments.

Cross-border acquisitions face unique challenges due to their international nature arising from the liability of foreignness, host country institutional environment/voids and uncertain business environment. Despite these challenges, the total value and number of global mergers and acquisition (M&A) has been increasing in the last two decades at a yearly average of 2 trillion US dollars (WilmerHale 2014). There is a gap for researchers to explore how and why despite these unique challenges, the total amount of global M&A is on the rise.

Multinationals exercise their acquisition strategies in terms of equity ownership in the form of acquiring it fully (i.e. full acquisition), partially (partial acquisition), or in stages (staged acquisition) with the aim to acquire fully over several years. There is also an option to increase and decrease equity stake at post-market entry. The different acquisition strategies confer different levels of control, risks exposure, human resource commitment, financial resource commitment and degree of interdependence between the parent MNE and acquired subsidiary. If MNEs can achieve their strategic intent through partial acquisition than a full acquisition, it's viable for researchers to explore how and when firms can utilize the different acquisition strategies in achieving their strategic motives in foreign markets. It will also be viable to understand the impact of not opting for the optimal acquisition strategies at the time of market entry as extant research on differential performance returns on partial and full acquisitions are inconclusive (See, e.g., Eyssell 1989; Markides & Ittner 1994; Lopez-Duarte & Garcia-Canal 2007; Zhou, Anand & Yu 2007; Swaminathan, Murshed & Hulland 2008; Larimo & Pynnönen 2008; Ertuna & Yamak 2011)

In summary, this dissertation focuses on acquisition strategies and seeks to understand why and how MNEs choose these acquisition strategies when entering into foreign markets. It also aims to understand why these MNEs increase and decrease their equity commitment at post-market entry. Finally, it aims to understand the performance differentials between returns to partial and full acquisition.

1.2 Forms of Acquisition Strategies

Before exploring previous studies and the research questions for this study, it is important to discuss the forms of acquisitions strategies. The intent is to aid and strengthen the motivation of the research objective of this study. It also enables the readers to understand the scope and focus of this dissertation.

Figure 1 shows the different forms of acquisition strategy based on Chen (2008). Partial acquisition is a form of entry mode strategy and a form of an acquisition strategy. In Partial acquisition, the parent firm acquires part of the equity of a local firm (Chen 2008) in the form of a direct investment involving some level of control different from other financial or portfolio investments where the investor does not gain any control of the investment.

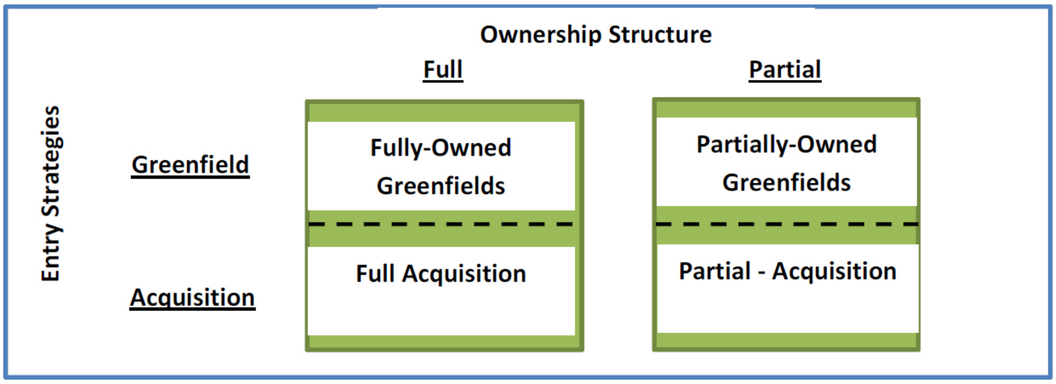

Figure 1. Entry Mode Choices (Adapted from Chen 2008)

From Figure 1, all MNE’s have the option for acquisition or greenfield investment irrespective of the ownership structure they decide to choose. If they decide to set up a wholly owned subsidiary, they can either acquire the entire stake in a local firm (full acquisition), or set up an entirely new investment in foreign markets (full-owned greenfield). If MNEs decide to set up a shared ownership structure, they can decide to acquire some equity stake from an existing local firm (partial acquisition). Alternatively, MNEs can establish joint ventures by sharing ownership of greenfield investments with local partners.

The classification of entry mode choice according to Chen (2008) does not take into cognizance staged acquisition and other complex acquisition structures. As a consequence, it does not depict all possible acquisition types and not suitable for this dissertation. Hence, the dissertation is focused on acquisition strategies; there is a need to develop a new archetype of acquisition strategies used by multinationals in foreign markets.

Acquisitions can be classified in terms of the equity stake acquired during market entry (Parent Equity Levels), the number of foreign parents involved in the acquisitions and the number of transactions. The 2X3 matrix shown in Figure 2 below shows the classification of acquisition based on equity stake, the number of foreign parent and the number of transactions.

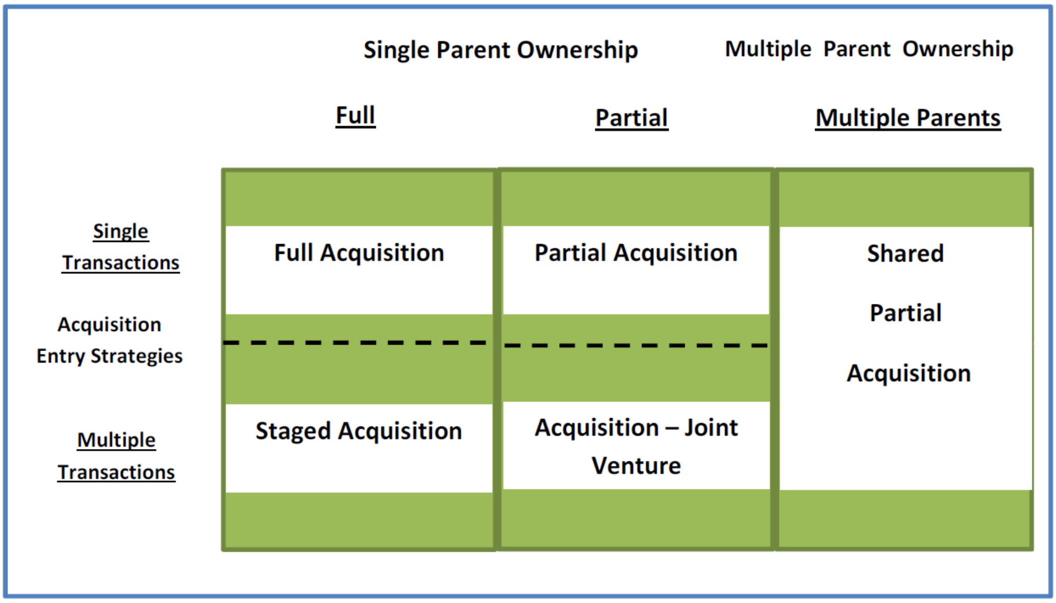

Figure 2. Archetypes of Acquisitions Strategies for Foreign Market Entry

From Figure 2, there is three types of acquisitions for market entry, partial acquisition, staged/sequential acquisition, and full acquisition[1]. These forms of acquisitions are different in terms of legal status and nature of formation and control. In this study, partial acquisition are takeover transactions where the acquiring firm acquires less than 100% (Eyssell 1989; Shahrur 2005; Lopez-Duarte & Garcia-Canal 2007; Zhu, Jog & Otchere 2011) but more than a 15% ownership in the target firm and the target firm continues to list on the public market or exist after the acquisition (Eyssell 1989; Shahrur 2005). The 15% equity stake cutoff helps

[1] Acquisition-Joint Venture and Shared Partial Acquisition is a form of partial acquisition.

to differentiate partial acquisition from other financial or portfolio investments where the investor does not gain any control of the investment.

From the literature, the degree of equity stake that constitutes partial equity varies by authors. Lopez-Duarte and Garcia-Canal (2002; 2004; 2007) operationalize partial acquisition as acquisitions greater than 50% and less than 100%. Zhu et al. (2011) operationalize partial acquisition as acquisitions greater than 5% and less than 100%. Chen and Hennart (2004) operationalize partial acquisition as equity stake within 50% and 80%.

The significant structural characteristics of partial acquisition are that, unlike full acquisition where target firm is delisted from the stock market, the target firm's entity continuous to exist. Also, in partial acquisition the acquirer equity stake becomes part of the existing local firm. According to Lopez-Duarte and Garcia-Canal (2002; 2004), partial acquisition is similar to full acquisition and international joint ventures. Like full acquisition, partial acquisition involves acquiring some equity of an existing firm. Like International Joint Ventures (IJVs), they involve sharing the control and profits of the foreign unit with other shareholders (Lopez-Duarte & Garcia-Canal 2002; Lopez-Duarte & Garcia-Canal 2004; Chari & Chang 2009). In contrast, partial acquisition is different from IJVs. While IJVs are greenfield entries that entail the setting up of a new venture, slower entry into the market, and an additional capacity to the industry. Partial acquisition are faster entry strategies and do not add additional capacity to the industry (Chari & Chang 2009). Additionally, while control in IJV is via negotiated management placements and seats on the IJV board, control in partial acquisition is exercised primarily through board seats in the local target firm (Chari & Chang 2009). Partial acquisition creates access to all the operations of the company, and they share the value and profits accrued to the firm in accordance to their equity stake.

In some instances, target firms for partial acquisition can be acquired by multiple parent MNE's. Such a type of acquisition is known as shared partial acquisition (Lopez-Duarte & Garcia-Canal 2002; 2004). Shared partial acquisition is a form of partial acquisition where two or more foreign partners jointly acquire a local firm. Shared partial acquisition requires the establishment of a cooperative agreement between the different acquiring firms, and the target firm located in the host market. (ibid) It can be made in a single transaction or multiple transactions. When an acquisition involves only one foreign acquirer, it is referred to as pure partial acquisition (Lopez-Duarte & Garcia-Canal 2004). In the context of this dissertation, pure partial acquisition is same as partial acquisition, which is an acquisition with only one foreign acquirer.

Acquisition joint ventures are acquisitions involving a parent firm acquiring equity stake in an already existing joint venture (Tsang 2003). It is a form of partial acquisition. Jakobsen (2008) describe it as a type of investment de facto involving the partial transfer of ownership rights to an existing organization, Estrin and Meyer (2004) refer to this type of entry mode as JV Type II.

Staged acquisition is a partial acquisition in which the parent MNE has the option to acquire full equity ownership (Meyer & Tran 2006). Thus, staged acquisition can be described as a waiting option because it initially requires an initial equity stake with a contractual requirement to acquire the remaining equity over several years (Dapena & Fidalgo 2003; Jakobsen 2008; Meyer & Estrin 2007). Staged acquisition could also be a viable strategy for multinationals that do not have the available resources needed for full acquisition. Consequently, parent MNEs can commit a partial stake with the intention to acquire outright later when resources become available. Staged acquisition can also be a means to overcome either target uncertainty or target market uncertainty by structuring the acquisition deal using earnout provisions (Handler & Hirsch 2014). Earnout provisions involve structuring the acquisition deal based on certain benchmarks or financial performance over a defined period or number of years (Handler & Hirsch 2014). In other words, earnout provisions involve acquiring a partial stake from a target and paying the remaining price of the acquisition based on certain performance outcomes agreed between the acquiring firm and the target firm.

Acquisition can also involve target firms with complex ownership structure that often makes the acquisition process complex and time consuming. Figure 3 shows the characteristics of acquisition targets in terms of ownership dispersion (concentrated ownership vs. blockholder ownership levels) and nature of the target (Private vs. public firm).

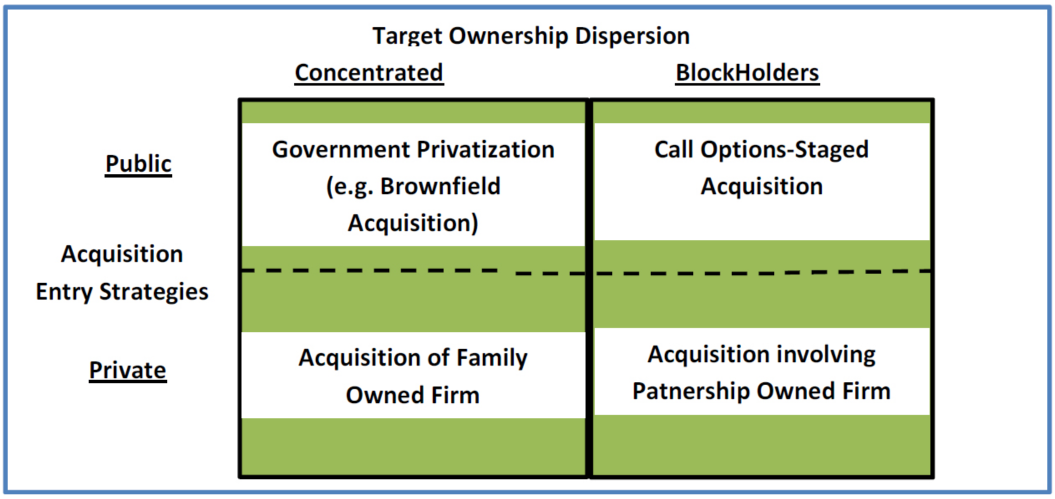

Figure 3. Acquisition Target Structure and Acquisition Strategies

The complex nature of target ownership structures makes staged acquisition a viable acquisition strategy. MNEs can acquire public firms with concentrated ownership (presence of employee ownership, several institutional blockholders - private equity investors, pension funds etc.), by acquiring a partial majority stake from investors/institutional owners willing to sell their shares. It gives them the opportunity to make a call option in the stock exchange market for the remaining equity stake if they are interested in full ownership of the target firm (Call options-Staged Acquisition). Concentrated-public owned firm exist in the form of transfer of ownership to insiders of the firm or broad transfer into public hands by the government (Estrin 2002; Larimo, Marinov & Marinova 2006; Jakobsen 2008). It often, not limited to the diversity of ownership, may require extensive restructuring of the target firm by the acquiring parent, often referred to as Brownfields (Meyer & Estrin 2001). In Brownfield acquisitions, partial acquisition is rarely possible because, on one hand, parent MNE will accept to commit such huge resources for extensive restructuring only in cases where they have a majority or full equity ownership. On the other hand, such restructuring requires majority ownership for the strategic intent of the acquiring MNE to scale through the board of directors. Target firm may be family owned firm (Acquisition of Family Owned Firms) or partnership business involving two or more blockholders (Acquisition involving Partnership Owned Firms). The characteristics of these acquisition targets reinforce their different complexities during the acquisition negotiation and post-integration. For example, Mickelson and Worley (2003) through a case study of the acquisition of a family firm showed that family culture impacts strongly on the acquisition negotiation as well as the integration process.

Full acquisition is an acquisition in which parent MNE's acquire 100% equity. As explained above, the equity levels vary by authors. The structural characteristics of full acquisition are that the parent MNE's excise a degree of control over the target firm and the target firms are delisted from the stock market and become part of the parent MNE. Some authors (e.g. Slangen 2006; Slangen & Hennart 2007) suggest that, fully acquired subsidiary may also have subsidiary autonomy and thus using only MNE control as a proxy for differentiating partial and full acquisition may not be viable.

It is important to note that there are other forms and ways to categorize international acquisition that is beyond the scope of this dissertation. For example, acquisitions can be classified in terms of relatedness of the acquiring firms to that of the parent MNE. For example, conglomerates are a form of growth strategies in which an MNE undergo extensive acquisitions and diversification into unrelated and related industries (Kerr & Darroch 2004; Olusola & Ojenike 2012). Acquisition can also be classified in terms of target firm position in the acquiring firms' value chain (vertical & horizontal acquisitions). Vertical acquisitions entail the acquisition of a supplier or distributor or expanding forward or backward by controlling additional parts of the value chain (Olusola & Ojenike 2012). Horizontal acquisitions entail the acquisition of a company in the same industry such as customers, suppliers, etc. (Shahrur 2005). Finally, acquisitions can also be classified in terms of MNEs program in acquiring multiple target firms over a period (For a literature on multiple acquisitions see Haleblian & Finkelstein 1999, Hayward 2002; Laamanen & Keil 2008; Chatterjee 2009; Shi & Prescott 2010). Multiple or serial acquisitions refer to acquisition program involving a set of inter-related acquisitions aimed at specific target firms (Chatterjee 2009). Scholars on multiple acquisitions argue that acquisition of a target firm may not be an independent or isolated decision to other acquisitions acquired by the parent firm. They suggest that multiple acquisition could rather be merely one part of an all-encompassing sequence of acquisitions jointly aimed at executing a corporate strategy (Shi & Prescott 2010).

In summary, the focus of this study is on partial, staged and full acquisitions. Other forms of acquisitions which are not treated as specific acquisition forms/strategies, where necessary, are considered as mechanisms towards the realizations of these trio acquisition strategies. For example, by exploring the Uppsala model (Johanson & Vahlne 2009) in later chapters of this dissertation, it is argued that target-specific experience (e.g., existence of supplier relationships or distributor relationship) prior to the acquisition increases the likelihood of staged and full acquisitions rather than partial acquisitions. Such a type of acquisition is referred to as vertical acquisition. The next section explores previous studies and discusses the research gaps of the dissertation.

1.3 Previous Study and Research Gaps

Acquisitions are a form of entry mode strategies utilized by Multinationals (MNEs) when entering foreign markets. While there are limited empirical studies focused specifically on acquisition strategies, exploring theoretical lenses applied in entry mode choice literature is useful for the background of this study. Exploring theoretical lenses is also viable for the purpose of developing the research question for this dissertation.

During several decades of entry modes studies, International Business (IB) research has somewhat discussed how MNEs choose among varying entry modes into foreign markets and how such entry modes are related to performance. Scholars have approached these studies from several theoretical perspectives. The dominant theories e.g. transaction cost, Dunning's eclectic paradigm and resource-based theories emphasize how firms minimize cost or maximize revenues under certain circumstances and with the information and knowledge available to managers. They posit that entry mode choices are as a result of locational specific advantages, learning and economic motivations. So far, the studies exploring the dominant theories have either neglected the possibility for partial and staged acquisition, operationalized all acquisition as the same, or in most cases assumes that international joint ventures are same as partial acquisition (e.g. Zejan 1990; Hennart & Park 1993; Cho & Padmanabhan 1995; Hennart, Larimo & Chen 1996; Barkema & Vermeulen 1998; Padmanabhan & Cho 1999; Brouthers & Brouthers 2000; Xu & Shenkar 2002; Larimo 2003; Chen & Zeng 2004).

In parallel to these studies are empirical studies suggesting that entry mode choices are decided based on external institutional environment. Institutions are one aspect of the external environmental that has gained considerable attention in recent years and have been explored via institutional theory (Henisz 2000; Peng 2003). There are two streams of studies utilizing institutional theory on entry mode studies. The first stream focuses on how institutional pressures of the host country or the difference between home and host country institutions influences entry strategies of firms (Arslan 2011; Dikova & Van Witteloostuijn 2007). The assumption of these studies is that formal and informal institutional environment influences entry mode choice of multinationals in foreign markets. They are viewed from both North (1990) and Scott (1995) perspective on institutions and have been operationalized as formal (regulatory) institutions and informal (cultural cognitive/normative) dimensions of institutions. Most studies have accounted for formal aspects of institutions from secondary data sources (e.g., Arslan 2011; Arslan & Larimo, 2011; Dikova & Van Witteloostuijn 2007; Contractor, Lahiri, Elango & Kundu 2014), and have ignored managerial perception as drivers to decision making. More so, recent studies have suggest that existing conceptualization does not provide all aspects of institutions that influence entry mode choice in foreign market, and thus a need for a stronger measure of institutions (Garrido, Gomez, Maicas & Orcos 2014).

The second stream of studies focuses on how firms respond to institutional changes of the host country at post entry in pursuit of survival, legitimacy and performance (Oliver 1991; Oh 2008; Aklamanu 2014). Both streams have been researched from the perspective of institutional-based view of international business (Peng 2003); comparative institutionalism (Hotho & Pedersen 2012) and the neo-institutional theory (Oliver 1991). The assumptions of these studies are that, on one hand, firms respond to dynamics of institutional pressure during post-entry by compromising, complying, avoiding, defying, and manipulating host country institutional pressures in order to gain legitimacy, survival and performance (Oliver 1991; Oh 2008; Aklamanu 2014). On the other hand, firms remain passive at entry as a result of the coerciveness of institutional pressures (Chen & Hennart 2004; Akhigbe, Martin & Whyte 2007; Jakobsen 2008; Chari & Chang 2009; Estrin, Baghdasaryan & Meyer 2009; Xu, Zhou & Phan 2010; Arslan 2011; Arslan & Larimo 2011; Contractor et al. 2014).

In summary, studies exploring the dominant theories have either neglected the possibility for partial and staged acquisition or operationalized all acquisition as the same. While institutional theory have gained attention in entry mode studies, studies have not accounted for all possible dimensions of formal and informal sources of institutional pressures that influence acquisition entry strategies of MNE's at the time of market entry, and thus a need for a stronger measures of institutions. Finally, existing studies assumes that firm responds to institutions at post-entry but remain passive at the time of market entry.

It is argued that, partial and staged acquisitions are a unique entry strategy that deserves further attention. Also, firms respond to institutions at the time of entry. It is of significance for IB research to uncover the role of institutions in influencing the choice of partial, staged and full acquisition and the firm-specific capabilities that enhances MNEs response to host country institutional pressures at the time of market entry. Furthermore, the recent call for a better understanding of the impact of the institutional environment on mergers and acquisitions (Ferreira, Santos, Almeida & Reis 2014), and a need to develop a stronger measures of institutions (Garrido, Gomez, Maicas & Orcos 2014) suggest the timeliness of this research. Thus, the **First Research Gap:** *Previous studies have neglected partial acquisition as an entry strategy and have either assumed that firms remain passive to institutions on entry or have not accounted for all sources of institutional pressures that influence acquisition decisions at the time of entry.*

While researchers and management agree that the initial motives for foreign direct investment cannot be isolated from the strategic choice of multinationals in foreign market. For example, a typical acquisition process starts from setting up acquisition objectives and motives (DePamphilis 2007). However, several entry mode studies (except, e.g. Chen & Hennart 2004; Tahir & Larimo 2006; Chen 2008) have ignored the role of motives on entry mode choice of multinationals in foreign markets. They have assumed that similar motivations drive both partial and full acquisition.

Some studies have begun to look at the differences in the motivations that drives partial and full acquisition, but empirical findings are inconclusive because the findings are contradictory. For example, Chen and Hennart (2004) showed that full acquisitions are motivated for market power consolidation (when partial acquisition is seen as equity less than 80%). Chen (2008) studied the motives for international acquisitions and found that full acquisition are motivated for capability procurement while the motives for partial acquisition (equity cut-off of 95%) are for other strategic consideration (e.g. access to local assets, speeding up entry into rapidly growing markets, control capacity expansions in mature industries, and also for market power consolidation). The contradictory finding could be in part that these studies ignored the existence of staged acquisition. For instance, staged acquisition (partial acquisitions en route to full acquisition) could be used to achieve the same objective as a full acquisition. Furthermore, access to local assets, speeding up entry into rapidly growing markets, control capacity expansions in mature industries and market power consolidation are motives that can also be gained from full acquisition.

Parallel to these studies are studies in finance and accounting that have accounted for synergy, agency, hubris and disciplinary motivations for acquisitions using positive abnormal returns generated by the announcement of the acquisition (e.g. Fernandez & Baixauli 2003; Davidson, Cheng, Rowe & Singh 2004; Torabzadeh & Dube 2007). These studies have not shown the context how different motivations can lead to partial or full acquisition. Capturing the motive of acquisition based on abnormal returns during the announcement of the acquisition could be bias. This is because share-price performance during the announcement of acquisition only expresses the expectations of investors and not the interest or motivation of the organization (Larsson & Finkelstein 1999; Schoenberg 2006; Papadakis & Thanos 2010)

Host country institutions significantly influence entry (Arslan 2011; Arslan & Larimo 2011; Contractor et al. 2014) and post entry strategies (Oliver 1991; Oh 2008; Puck et al. 2009; Santangelo & Meyer 2011; Aklamanu 2014) of multinationals in foreign markets. It is believe that the existing gap between the role of acquisition motives on the choice of acquisition strategies can be bridged by taking into cognizance that host country institutions do not always exert equal amount of coercive pressures on all market entry motives. This is in light of the empirical evidence that the interaction of motives of FDIs with host country institutional environment influences entry mode choice (e.g. Folta 1998; Tahir & Larimo 2006; Paul & Wooster 2008; Roberts, Thompson & Mikolajczyk 2008). I argue that the initial motivation for setting up a subsidiary should influence the acquisition strategies of multinationals in the foreign market. By combining OLI paradigm and the context of host country institutional environment, it is possible to show that partial acquisition have specific motives distinct from fully acquisitions depending on the host country institutional environment. Thus, the **Second Research Gap:** *The literature on acquisition choice has not accounted for how motives of acquisitions, or foreign market entry interacts with home country institutions in influencing the choice of partial, staged and full acquisition at the time of market entry.*

While firms can opt for partial, staged and full acquisitions at the time of market entry, they can also increase and decrease their equity stake at post-market entry. With regards to increasing and decrease in equity stake at post-market entry, there are three respective contributions from previous entry mode studies. These studies have accounted for (a) why international joint ventures changes to wholly owned subsidiaries (Puck, Holtbru & Mohr 2009) or changes in entry modes (Benito, Petersen & Welch 2009); (b) why strategic intentions at the outset differ from the actual operations established (Santangelo & Meyer 2011) and (c) the outcomes of post entry equity changes (Magnusson 2007; Ogasavara & Masiero 2012).

While these studies provide some evidence of changes in entry modes and equity changes in acquired foreign subsidiaries, they do not account for entry mode changes in the context of partial and full acquisition (e.g. Puck et al. 2009; Santangelo & Meyer 2011; Benito, Petersen & Welch, 2009). Others (e.g. Magnusson 2007; Ogasavara & Masiero 2012) did not account for the role of institutional changes in the context of changes in equity. As a result, they are limited in explaining why MNEs do change their equity stake in acquisitions at post-market entry. The study by Puck et al. (2009) showed that IJVs are changed into WOS as a result of (a) acquisition of local knowledge by the foreign IJV partner, (b) reduction in the level of perceived political, economic, social, and legal uncertainty, and (c) as a result of the level of internal isomorphic pressures faced in the IJV.

Santangelo and Meyer (2011) explored why strategic intentions at the outset differ from the actual operations established. Their findings suggest that unforeseen opportunities induce foreign investors with modest initial objectives to revise their strategic intentions at entry and, if favorable conditions emerge, increase their commitment to original intentions. They also found out that in the presence of institutional voids, investors are prone to invest in ex-ante information search that enables them to reduce the likelihood of ex-post commitment decrease. Benito et al. (2009) explored case studies of mode changes and entry mode additions. They re-conceptualized foreign operation mode as one consisting of mode packages in the form of mode continuation, within mode change, mode role change, mode additions and deletions and full mode change. Ogasavara and Masiero (2012) studied the impact of changes in equity on the survival of Japanese foreign subsidiaries in Brazil. Their findings suggest that changes in equity aim at improving the longevity of foreign subsidiaries.

These three streams of studies have the following limitations. First, the timing of increasing commitment decision from IJVs to WOS is different from the timing of commitment decisions in acquisitions. The limited duration of IJVs makes the conversion of IJVs to WOS more evident than in acquisitions. Duration does not limit the decision to increase or decrease commitment decisions in acquisitions. Consequently, the circumstances, mechanisms and reasons leading to the change from IJV to WOS cannot be generalized for equity changes in international acquisitions. Second, the study by Santangelo and Meyer (2011) focuses on all FDI projects and cannot be generalized to acquisition context. Third, the study by Puck et al. (2009) and Magnusson (2007) assumes that ownerships are either wholly owned or partially owned. Ownership in acquisition is a continuum. Thus, it may not necessarily be a full acquisition and may not necessary be divested completely. Fourth, the study by Benito et al. (2009) provides a holistic conceptualization that firms do change their entry modes in the foreign market. However, they did not specifically address the "how and why" question and specifically, in the context of acquisitions. Finally, Ogasavara and Masiero (2012) showed that firms aim to increase their equity stake to improve the longevity of the acquired firm. However, they did not account for the determinants or mechanisms leading to equity changes of the foreign acquired subsidiaries.

In summary, these studies have accounted for possibility in entry mode changes (Magnusson 2007; Benito et al. 2009; Puck et al. 2009; Santangelo and Meyer

2011), and the implications of entry mode changes (Ogasavara & Masiero 2012). However, they have so far not accounted for the role of changes in institutions on changes in the equity stake of foreign acquired subsidiaries. Thus, the **Third Research Gap:** *Studies focused on the post-entry decision has not accounted for the role of changes in host country institutions on why MNEs changes their equity stake in acquisitions at post-market entry.*

IB scholars in the past two decades suggest that entry strategies should influence foreign subsidiary performance. Scholars have debated the performance of international acquisitions in various institutional environments. Empirical findings are inconclusive due to the sparse of measures of subsidiary performance and the negligence of partial acquisition in some of these studies. The first stream of studies has limitations due to their assumption that share price movement on the announcement of the acquisition represents acquisition performance (e.g. Lopez-Duarte & Garcia-Canal 2007; Zhou et al. 2007; Swaminathan et al. 2008; Markides & Ittner 1994; Larimo & Pynnönen 2008). Furthermore, their findings are contradictory. For example, Lopez-Duarte and Garcia-Canal (2007) and Zhou et al. (2007) found that partial acquisition has a positive relationship to value creation. Swaminathan et al. (2008) found no significant relationship to value creation. Markides and Ittner (1994) found no significant difference between return on partial acquirers and full acquirers. Lopez-Duarte and Garcia-Canal (2007) found a significant difference between returns to full acquirers compared to partial acquirers. As a result of these contradictory findings, Larimo and Pynnönen (2008) call for future research on returns to partial acquirers.

The second stream of studies did not consider partial acquisition in their samples. However, they accounted for the achievement of specific projects within the acquisition such as innovative performance (Ahuja & Katila 2001; Cloodt, Hagedoorn & Van Kranenburg 2006); technology performance (Hitt, Ireland, Harrison & Hoskisson 1991; Hagedoorn & Duysters 2002; Grimpe 2007); sourcing performance (Steensma & Corley 2000); introduction of new products (Puranam & Srikanth 2007); and greater coordination benefits from integration (Puranam, Singh & Zollo 2006).

The third stream of studies (e.g. Eyssell 1989; Cannella & Hambrick 1993; Capron 1999; Reus 2004; Slangen 2006; Park, Glaister & Oh 2009; Ahammad & Glaister 2011; Ertuna & Yamak 2011) measured financial and accounting ratios but did not account for partial acquisition (exception to Eyssell 1989; Ertuna & Yamak 2011) in their study. The two studies that treated partial acquisition found (a) no substantive changes in financial performance following positive valuation effects in the announcement of partial acquisition (Eyssell 1989); (b) returns to foreign partial acquirers in Turkey display superior performance by virtue of responding both to the efficiency concerns of transaction cost theory and the legitimacy focus of institutional theory (Ertuna & Yamak 2011).

Share price movement based on event study methodology does not account for the long-term actualization of the motives of acquisition nor does it account for future profitability of the firm (Larsson & Finkelstein 1999; Papadakis & Thanos 2010). Rather, it accounts for returns to shareholders and can be influenced by other events (Schoenberg 2006). The contradictory findings showing, positive, negative and no relationship between acquisition strategies (partial and full acquisition) and shareholder returns point to an important limitation of this measure. Thus, far, the returns to partial acquirer's remain unclear as well as the institutional context were partial acquisition performs better or is the optimal strategy than a full acquisition. In other words, are multinationals considering differential returns (in terms of achieving their strategic motives) to partial and full acquisition in different institutional context? Thus, the **fourth research gap:** *Extant studies have not shown the institutional context in which partial acquisition perform better than full acquisition and have so far operationalized returns to acquisition without taken into cognizance the strategic motives for setting up the subsidiary.*

In summary, the aim of this dissertation is to bridge the gaps in the literature on MNEs acquisition entry strategies, changes in equity at post-market entry and returns to partial and full acquisition in different institutional context. The dissertation integrates institutional theory (North 1990; Peng 2003; Dikova & Van Witteloostuijn 2007; Peng, Wang & Jiang 2008; Arslan 2011; Arslan & Larimo 2011; Contractor et al. 2014) and internationalization process theory (Johanson & Vahlne 2009). It shows on one hand, why multinationals distinctively utilize various acquisition entry strategies at the time of market entry. On the other hand, it shows why multinationals increase and decreases their equity stake in acquired foreign subsidiary in response to host country institutional environment. Furthermore, the dissertation shows that, the degree to which institutions influence acquisition entry strategies depends upon the initial motives for setting up the foreign subsidiary. Finally, the dissertation shows the differential performance returns to full and partial acquisition.

1.4 Research Questions and Limitations of the Study

The above section explored extant literature on acquisition entry strategies, equity changes and returns to partial and full acquisition to uncover the research gaps. This section states the objectives and research questions for the dissertation.

The dissertation combines the four research gaps into one research objectives. ***The main research objective of this dissertation is:***

- To understand how and why MNEs opt for the choice of partial, staged and full acquisitions.

The objective of this dissertation is approached and addressed by four research questions:

1 How do host country institutions and MNEs host country capabilities influence the choice of partial, staged and full acquisition at the time of entry?
2 How do the motives of acquisitions influence MNEs strategic choice for partial, staged and full acquisition at market entry?
3 Why do multinationals increase or decrease their equity commitment in international acquisitions at post-market entry?
4 How do returns to partial acquirers differ to returns on staged and full acquirers?

Answers to this objective and research questions will contribute to our understanding of why firms opt for partial, staged and full acquisition at the time of market entry. It will also contribute to our understanding of why firms decide to change their equity stake by increasing or decreasing their equity commitments in acquired subsidiaries. By exploring internationalization process theory (Johanson & Vahlne 2009), this dissertation will contribute to and extend IB research to the continuum and dynamics in entry mode decisions of multinationals in foreign markets. Furthermore, by accounting for the role of motives on acquisition entry strategies, this study shows how the achievements of these strategic motivations depend on the acquisition strategy and host country institutional environment.

This study has several limitations. First, the study addressed only the acquisition strategies of MNEs and did not discuss other strategies. MNEs also have an option for partial greenfields (IJVs) or full greenfields investments (greenfield WOS).

Second, the empirical aspect of this study focused only on Finnish firms. Although the findings of this study can be generalized to other developed economy firms outside Finland, because international acquisitions by Finnish MNEs are affected by most of the same trends as acquisitions worldwide (Sarala & Vaara 2010: 1373). However, limiting the study to only Finnish firms may still limit the generalizability of the findings. For example, it has been argued that the motives of acquisitions of emerging market economies are different from those of advanced economies (De Beule, Elia & Piscitello 2014). Thus, the motive of Finnish firms may not be same as the motive of emerging market firms. Also, Finnish firms have been described as firms from small and open economies (SMOPEC) whose internationalization are said to be different from those of other advanced economies due their geographic region and small size (Luostarinen 1970; 1979).

Third, the boundaries between the different motives of FDIs (market-seeking, resource-seeking, efficiency-seeking and strategic asset-seeking) are not so clear. For example, brands are immobile strategic assets, yet when firms acquire to produce to serve local markets and retain the strong local brands of the acquired target, they are still envisaged as market-seeking motives. Also, some scholars for example Buckley, Cleg, Cross, Liu, Voss and Zheng (2007) have argued that strategic asset-seeking are a form of resource-seeking motives. Though, in this study care was taken to discuss the influence of each motive on acquisition strategies even in case acquisition involving multiple motives. Nevertheless, a reconceptualization of the motives of FDIs will be a timely research agenda for future studies.

Fourth, the Uppsala internationalization process theory pays less attention to firms' characteristics and focuses more attention on its networks of relationship and capabilities it develops from their relationships. As a result, it accounts that acquisition decisions result from the firms' network position. It assumes that all the firms network partners contributes equal relationship and relevance to the firm and does not account for other firm characteristics that makes one network or partner network more important than the other and results in their preference for acquisition targets.

Finally, the empirical data was collected only from the acquiring firm's managers and may limit the findings of this study. Acquired firm managers also play a significant role in the acquisition decision. For example, Meyer and Estrin (2007) and Jakobsen (2008) argue that sellers' willingness to sell the company is a key determinant of the acquisition decision. Empirical data from both acquiring firm and acquired firm managers would aid more empirical contributions.

It is worth nothing that despite the theoretical and empirical limitations of this study, concerted effort was made to address some of them. First, the argument in support of the choice of the theory for the dissertation in relation to the research questions is augmented in Section 2.4. Also, the theoretical boundaries of the two theories explored, and how they complement each other is discussed in Section 2.4. Finally, Section 2.4 also addressed the critiques of the choice of theory chosen for this study.

1.5 Expected Contributions of the Study

This dissertation is expected to make four significant contributions to theory and research in acquisition entry strategies and performance of acquisitions.

First, the dissertation is expected to contribute to and extend the institutional-based view of international business strategy (Peng 2002; Peng 2003; Peng & Khoury 2009; Arslan 2011; Arslan & Larimo 2011) by accounting for additional aspects of institutions that influences acquisition strategic choices. The formal aspects of institutions are expanded from merely regulatory pressures to include transparency of regulatory institutions and failure in formal institutions. Additionally, rather than using the aggregate measure from Hofstede cultural dimensions in analyzing the informal aspects of institutions, this dissertation explored the manifestation of informal aspects of institutions on acquisitions by focusing on the individualistic vs. collectivistic dimensions of Hofstede that accounts for acquisition negotiation complexities (Graham 1985; McDevitt 2006; Jakobsen 2008).

Second, this study is expected to be one of the first studies to account for ownership continuum or changes in an equity stake in foreign acquired subsidiary. By exploring the Uppsala model to show why multinationals increase and decrease their ownership stake in acquisition, it is expected that the Uppsala model should be useful in capturing changes in entry decision over time. The Uppsala model explicitly shows what commitments decision increases or decreases as a result of the acquisition of knowledge, trust and commitment of both the acquiring MNE and target firms. Unlike the critics of Uppsala model (e.g., Reid 1981; Young & Wilkinson 1989; Melin 1992; Andersen 1993; Oviatt & McDougall 1994; 2005), this dissertation shows that the Uppsala model can be applied to acquisition when acquisition strategies are viewed as a continuum commitments decisions involving changes in equity commitments over time.

Third, while there are several empirical studies that have distinctively studied partial and full acquisition (e.g. Folta 1998; Chen & Hennart 2004; Meyer & Estrin 2007; Jakobsen 2008; Chari & Chang 2009; Arslan 2011; Larimo & Arslan 2011; Contractor et al. 2014), full acquisition and joint ventures (Hennart & Reddy 2000; Lopez-Duarte & Garcia-Canal 2004); this dissertation is expected to be one of the first studies to empirically study staged, full and partial acquisition in a single study and provide empirical evidence as distinctive acquisition strategies used by MNEs in foreign market entry.

Fourth, the dissertation is expected to contribute to the stream of studies that shows that acquisition entry strategies influence subsidiary performance (Lopez-Duarte & Garcia-Canal 2007; Zhou et al. 2007). Though the empirical evidence is inconclusive, this study is expected to show that there are performance differentials between returns to partial, staged and full acquisition.

1.6 Key Concepts

This section discusses several key concepts used in this dissertation. The key concepts were identified based on their significance to the study. They provide the readers clear understanding of the various concepts used in this dissertation and the limits to which they apply. Key concepts and their definitions are summarized in Table 1.

Table 1. Definition of Key Concepts

Key Terms	Definitions	References
Entry Modes	Entry modes refer to the choice of acquisition or greenfield investment strategies. Entry mode in the context of this study is specifically limited to equity-mode investments.	Chen (2008)
Acquisition Strategies	Acquisition strategies refer to the choice for partial, staged or full acquisition	Meyer & Tran (2006); Meyer & Estrin (2007) ; Jakobsen (2008)
Partial Acquisition	Partial acquisition is takeover transactions where the acquiring firm acquires less than 100% but not less than a 15% ownership in the target firm without a legal option to acquire completely over several years.	Eyssell (1989); Shahrur (2005)
Staged Acquisition	An acquisition entry strategy at the time of entry that requires phased transaction using call options or earnout arrangements aimed at acquiring completely after several years. Staged acquisitions usually start from a partial acquisition, but require a commitment to acquire the remaining stake after several years.	Modified from Dapena & Fidalgo (2003); Meyer & Tran (2006); Meyer & Estrin (2007); Jakobsen (2008)
Full Acquisition	Full acquisition is takeover transactions where the acquiring firm acquires 100% ownership in the target firm.	Lopez-Duarte & Garcia-Canal (2007); Zhu, Jog & Otchere (2011); Contractor et al. (2014)
Institutions	Institutions comprise of the formal(regulatory) and Informal (cultural cognitive/normative) aspects of institutions that govern transactions in a society	North (1990); Scott (1995)
Institutional Distance	Differences in formal and informal environment of MNEs home countries and host countries of acquired firms	North (1990); Peng (2003); Estrin et al. (2009)

Formal Institutional Environment	The regulatory institutions of a host country that comprises the regulatory restrictions they impose on foreign ownership, how transparent, corrupt and political risks they impose on foreign businesses	Modified from Arslan (2011); Arslan & Larimo (2011); Contractor et al. (2014)
Informal Institutional Environment	The differences in cultural norms and values between MNEs home countries and host countries of acquired target that imposes constraints and complexities in communication leading to negotiation complexities	Modified from Arslan (2011); Arslan & Larimo (2011); Contractor et al. (2014)
Motives of Acquisitions	Entry motives comprise of market-seeking, efficiency-seeking, resource-seeking and strategic asset-seeking motives of foreign direct investments	Dunning (1993;1998)
Market-Seeking	Market-seeking firms are firms motivated to enter the foreign marker with the aim of serving the market in that country with the sole objective to increase their market size, market growth and adapt to local standards and requirements	Dunning (1993)
Resource-Seeking	Resource-seeking firms are firms that naturally aim to access specific resources in the host country at lower cost levels then they achieve at present in their home countries	Dunning (1993)
Efficiency-Seeking	Efficiency-seeking motives are motives aimed at rationalizing production, distribution, and marketing activities through common governance of and synergy-building among geographically dispersed operations.	Dunning (1993); Gorynia, Jan & Radoslaw (2007)
Strategic-Asset-Seeking	Strategic asset-seeking firms are firms aimed at accessing advanced proprietary technology, immobile strategic assets (e.g., brands) and other capabilities such as human and intellectual capital	Buckley et al. (2007)
Acquisition Performance	Acquisition performance entails the ability of the acquired subsidiaries to meet its strategic objectives	Verbeke, Li & Goerzen (2009); Meglio & Risberg, (2010)
Motive-based Performance	Measuring the performance of acquisition based on the motives of acquisition (market-seeking, efficiency-seeking, resource-seeking & strategic asset-seeking)	Modified from Verbeke, Li & Goerzen (2009); Meglio & Risberg (2010)
Host Country Capability	Host Country Capabilities are capabilities MNEs acquire from knowledge of doing business in a particular host country e.g. having a subsidiary and ongoing business operations in that specific country.	Modified from Eriksson, Johanson, Majkgard & Sharma (1997); Chetty, Eriksson & Lindbergh (2006); Vahlne & Johanson (2013)
Increase in Equity Stake	Increasing equity stake from initial equity stake at entry (does not include staged acquisition with already contractual requirements to acquire the remaining equity over several years)	Modified from Magnusson (2007)
Decrease in Equity stake	Decreasing equity stake from original equity stake or exiting from the market (include changes from full acquisition to partial acquisition or decreasing equity in a partially acquired subsidiaries)	Magnusson (2007)
Target-Specific Experience	Experiences obtained from a previous business relationship with a business partner in a particular host country (e.g. supplier, customer, distributor, competitor relationship).	Modified from Johanson & Vahlne (2009: 1416)

1.7 Positioning of the Study and Structure of the Dissertation

Two main theories were selected to aid the development of the research constructs. These are institutional theory (North 1990; Scott 1995; Peng 2003; Dikova & Van Witteloostuijn 2007) and Internationalization Process Theory (Johanson & Vahlne 2009). Figure 4 shows the focus of previous IB studies addressing the choice of partial and full acquisition.

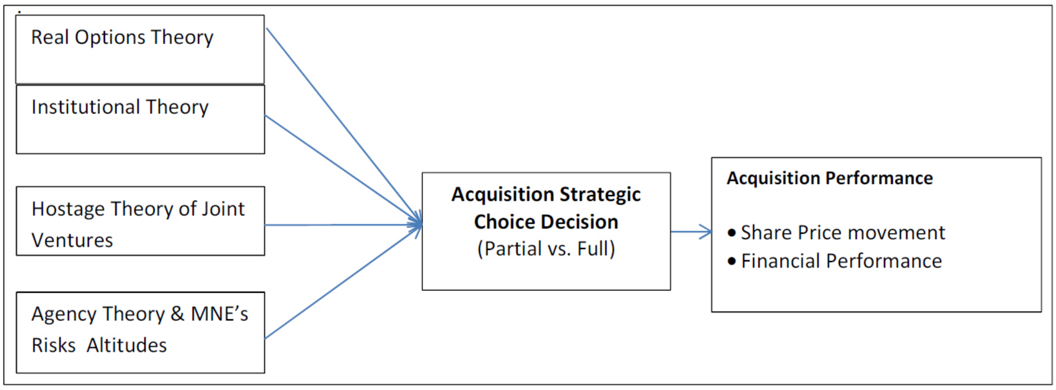

Figure 4. Focus of the previous IB studies on Acquisition Strategies and Performance

Previous studies have mainly addressed acquisition choice decisions (partial and full acquisition) from different theoretical lenses such as institutional theory, hostage theory of joint ventures, real options theory and agency theory. They have approached these studies without taken into cognizance that acquisitions can be a continuum decisions en route to full acquisition, where firms can increase and decrease their equity decisions over time.

The performance of partial and full acquisition has been explored via financial measures (e.g. share price performance, profitability, etc.) without taken into cognizance the initial motives of setting up the subsidiary. They neglected for example that the performance of all subsidiary mandate is not measured by financial profitability (e.g. intra-firm sourcing subsidiaries or R&D subsidiaries).

In the current study, a process theory (Uppsala model) is utilized to capture the acquisition process depicting how the parent firm's interactions with their business networks leads to different acquisition strategies and changes in the equity stake. This is further integrated with institutional theory to capture the institutions that regulate economic activities and the choice available to managers in decision making (North 1990; Scott 1995; Peng 2003; Dikova & Van Witteloostuijn 2007). Institutional theory also moderates the outcomes of firms' interaction with their business networks (Pogrebnyakov & Maitland 2011; Santangelo & Meyer 2011). The two theories explored for this study is integrated with the literature on motives of market entry, host country experience and acquisition performance to discuss the role of motives on acquisition strategies and the actualization of the strategic motives for setting up the subsidiary. Figure 5 shows the focus of the current dissertation.

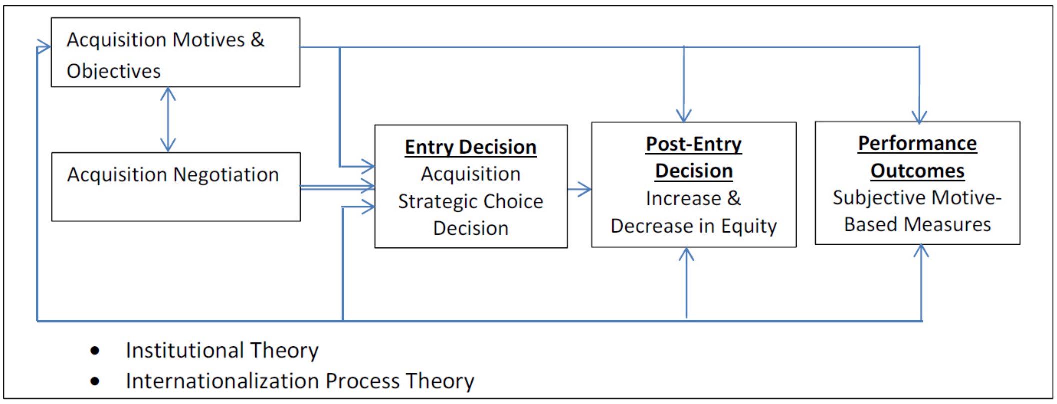

Figure 5. Focus of the current study

Structurally, this dissertation is a monograph study consisting of seven chapters.

CHAPTER ONE introduces the dissertation and outlines its background. It discusses the forms of acquisition strategies to provide the readers a better understanding of the scope and motivation of the study. Chapter one also discusses the research problems, research gaps, research objectives, research questions and also the limitations of the study. The chapter concludes with a discussion on expected contributions of the study, key concepts utilized in the study, positioning the dissertation within streams of acquisition literature and theoretical paradigms**.**

CHAPTER TWO discusses the extant literature on acquisition vs. greenfields/alternative entry mode strategies. It also discusses the literature on strategic motives for acquisition and performance of foreign acquisition. Furthermore, this chapter discusses the two theoretical lenses utilized in the study (institutional theory and Uppsala internationalization process theory). The chapter summarizes with clarifications on the choice of two theories explored for the study. It also discusses the boundaries of the theories and how the chosen theories will be used to answer the research questions.

CHAPTER THREE focuses on the development of conceptual constructs. It shows how formal institutional distance (regulatory restrictions, failure in formal institutions and regulatory transparency) influences the choice of partial, staged, and full acquisition at the time of entry. Also, it shows the role of informal institutional distance (negotiation failures rooted in cultural distance) on these choices. From internationalization process theory, target-specific experience, trust and knowledge opportunities are key constructs explored to show how they influence the choice of partial, staged and full acquisition. This is further integrated with the literature on host country capability a construct rooted in part in internationalization process theory.

CHAPTER FOUR explored the role of institutions, host country capability in the differential performance returns to partial, staged and full acquisition. It also discusses the motive-based performance measure; and develops a more refined approach to capturing the performance of an acquisition in the foreign market to aid future performance studies in IB field. The chapter concludes with a summary of the conceptual framework for the study highlighting the determinants of acquisition strategies, changes in equity stake and performance differentials of acquisition strategies.

CHAPTER FIVE focuses on the research strategy and methods. First, it discusses the philosophical assumption of the study. Based on the philosophical assumption, case study method was chosen as the right research approach for the study. Second, case study as a research strategy for the current study is discussed. It also emphasizes the rationale for multiple case studies and its role in theory building. Based on this discussion, a theory building model is established that details the selection of cases, data collection (interview design), data analysis and reporting the collected data. Hence the dissertation uses the critical realism paradigms, quality criteria in conducting research within this paradigm is utilized to evaluate the validity of the study.

CHAPTER SIX discusses the empirical data in terms of the background of the cases. It shows the timing of investment, acquisition strategies (partial/full/staged) per case firms, motives of investment of case firms and location of investments. Furthermore, within case analysis is done showing the key issues within each case firm acquisition. After that, a cross-case analysis is done to show the key findings of the study. The cross-case analysis is done using the constructs developed in the study. After that, emerging themes are elucidated, generalized and contextualized across cases.

CHAPTER SEVEN starts with discussions on the objective of the study and research questions. The summary of findings of the study is discussed in this section. Each finding is discussed separately to provide a richer understanding and implications. Next, the key contributions of the dissertation both theoretically and empirically are discussed. Furthermore, this chapter discusses the practical and managerial significance in management and international business. Finally, direction for future studies is discussed.

Figure 6 shows the structure of the dissertation as summarized in the discussions above.

CHAPTER 1 INTRODUCTION

- Background of the Study
- Forms of Acquisition
- Previous Study and Research Gaps
- Research Question and Limitations of the Study
- Expected Contributions of the Study
- Key Concepts
- Positioning of the Study and Structure of Dissertation

⇩

CHAPTER 2 THEORITICAL BACKGROUND ON ACQUISITION STRATEGIES

- Literature Review-Acquisition Entry Strategies and Performance
- Strategic Motives Perspective on Foreign Acquisitions
- Institutional Theory
- Internationalization Process Model and Foreign Acquisitions
- Summary of Theoretical Lenses and Theoretical Boundaries

⇩

CHAPTER 3 ACQUISITION ENTRY AND CHANGES IN EQUITY STAKE

- The influence of formal and informal Institutions on Acquisition strategies
- The influence of Target-Specific Experience and Host Country Capability on Acquisition strategies
- The Role of Entry Motives and Institutions on Acquisition Strategies
- Determinants of Equity Changes in Acquired Foreign Subsidiaries

⇩

CHAPTER 4 DIFFERENTIAL RETURNS TO ACQUISITION STRATEGIES

- The Role of Institutions on Differential Performance of Acquisition Strategies
- The Role of Entry Motives on Differential Performance of Acquisition Strategies
- The Role of Host Country Capability on Differential Performance of Acquisition Strategies
- Summary: Determinants of Acquisition Entry, Post Entry and Acquisition Performance

⇩

CHAPTER 5 RESEARCH STRATEGY AND METHODS

- Philosophical Justification: Realism
- Research Approach
- Case Study Research and Theory Building
- Evaluating and Analyzing Data
- Data Evaluation (Quality Approaches to Realism)

⇩

CHAPTER 6 EMPIRICAL ANALYSIS AND RESULTS

- Empirical Data and Background of Case Firms
- Within Case Analysis
- Determinants of Partial, Staged and Full Acquisition at Market Entry
- Acquisition Entry Strategies: The Role of Acquisition Motives
- Determinants of Equity Changes in Acquired foreign Subsidiaries
- Performance Differentials in Partial and Full Acquisitions

CHAPTER 7 CONCLUSIONS AND DISCUSSIONS

- Summary and Findings
- Theoretical and Empirical Contribution
- Practical and Managerial Significance
- Directions for future study

Figure 6. Structure of Dissertation

2 THEORETICAL BACKGROUND ON ACQUISITION STRATEGIES, MOTIVES, AND PERFORMANCE

The main purpose of this chapter is to discuss in more detail literature on acquisition entry strategies, acquisition entry motives and acquisition performance. It provides a better understanding of the scope of previous studies. After the literature review, the subsequent sub-sections discuss the theories utilized for this study, that is, internationalization process theory and institutional theory. The chapter concludes by addressing critiques of the chosen theory, the choice of the theories selected in relation to the research questions and finally, the boundaries of the application of the theories.

2.1 Literature Review on Acquisition Entry Strategies and Performance

Section 1.3 already discussed the summary of existing studies. This section elaborates more detailed discussion of the existing studies.

Scientific database (EBSCO, Proquest, JSTOR, Emerald, ScienceDirect, Palgrave, and Wiley) was used to make keyword and abstract search for the purpose of exploring previous literature. Keyword and abstract search includes words like; partial acquisition, acquisition, staged acquisition, toefold investment, equity decisions, equity commitments, institutions and acquisitions, acquisition performance, entry mode performance. Also, other relevant articles referred from colleagues and conference proceedings were explored. After reading through the papers, articles that are relevant to the subject of the dissertation were selected and explored.

It appears that these articles span across three disciplines: international business, strategic management, and corporate finance. It is structurally efficient to classify previous research within the scope of this dissertation into four research streams. These streams are:

- Studies that focuses on factors that influences the choice of acquisitions entry strategies vs. alternative entry mode choice such as greenfield investments/joint ventures
- Studies that focuses on the role of motives in acquisition entry strategies
- Studies that focuses on post-entry decisions or equity changes at post-market entry
- Studies that focuses on the performance of acquisitions

Table 2 shows the summary of the focus of extant research streams, theoretical lenses explored, authors, and the limitations of the study.

Table 2. Previous Studies on Acquisition Entry Strategies, Post Entry and Performance

Studies that focuses on factors that influences the choice of acquisitions entry strategies			
Authors	**Contributions**	**Theories utilized & Empirical Method**	**Limitations**
Zejan 1990; Hennart & Park 1993; Cho & Padmanabhan 1995; Hennart, Larimo, & Chen 1996; Barkema & Vermeulen 1998; Padmanabhan & Cho 1999; Brouthers & Brouthers 2000; Larimo 2003; Chen & Zeng 2004	• Acquisition is preferred to greenfield when the subsidiary product is not related to those of their parents • Ownership restriction increases the likelihood of greenfield • Previous international experience (greenfield experience, acquisition experience, host country experience, experience in doing business abroad) has a positive influence on MNEs choice for greenfield vs. acquisition	Transaction Cost Economics; Organizational Learning; Information Economics; Industrial Organization Perspective. **Empirical Method** *Quantitative Methodology*	*Negligence of Partial Acquisition* • When a subsidiary product is not related to those of their parents, partial acquisition may be preferred rather than greenfields • Ownership restriction can also lead to the choice of partial acquisition • Ignored the existence of partial, staged and full acquisition as they have treated all as the same *Theoretical Contradictions:* • TCA finds a negative relationship between parent's host-country experience and the choice of acquisition; the information economies argue that parent's host-country experience increases the likelihood of acquisitions.
Xu & Shenkar 2002; Akhigbe et al. 2007; Estrin et al. 2009; Arslan 2011; Arslan & Larimo 2011; Contractor et al. 2014	• Institutional distance & high uncertainty avoidance distance increases the likelihood of lower level of equity ownership or partial acquisition. • Informal institutional distance increases the likelihood of full acquisition • High human resource distance makes experienced investors seek	Institutional Theory **Empirical Method** *Quantitative Methodology*	• The operationalization of institutional environment is not issue-specific or context specific and in most cases rely on secondary data • They assume that liability of foreignness MNEs faces from moving from their home country A to country B would be same as MNEs moving from home country B to A (Cuervo-Cazurra & Genc 2012) • They tend to assume that firms remain passive to

	acquisitions • The joint effect of industry relatedness and high institutional distance results in the choice of minority ownership over full ownership.		institutions at the time of entry.
Chen & Hennart 2004; Xu et al. 2010; Jakobsen 2008; Chari & Chang 2009; Cai , Ees, van Veen & Gubbi 2013	• Partial acquisition is utilized as a hostage against uncertainty of target firm assets • Private firm and firms diversifying into new business area opt for sequential acquisition • Cautious sellers motivate partial acquisition • Partial acquisition is as a result of challenges of targets valuation in different industries, culturally distance & country risks	Hostage Theory of Joint Ventures Agency theory; Transaction Cost Economies; Real Options Theory **Empirical Method** *Quantitative Methodology*	• Neglects the role of external environment on partial acquisition
Studies that focuses on the role of motives in acquisition entry strategies			
Folta 1998; Chen & Hennart 2004; Tahir & Larimo 2006; Chen 2008	• Full acquisition are motivated for strategic asset-seeking motives • Other strategic reasons such as speeding up market entry motivate partial acquisition • WOS is preferable for market-seeking and efficiency-seeking in low cultural distance, large market size, and countries with high levels of economic welfare	Dunning's Eclectic Paradigm; Transaction Cost Economics **Empirical Method** *Quantitative Methodology*	• Assumes that institutions exert equal influences on all market entry motives
Fernandez &	• Market-seeking motivates both partial	Dunning's Eclectic	• Does not explain how the motives of market entry

Baixauli 2003; Sanchez-Peinado, Pla-Barber & Hebert 2007; Gorynia et al. 2007; Torabzadeh & Dube 2007; Roberts, Thompson & Mikolajczyk, 2008	and full acquisition • Market-seeking and efficiency-seeking motives acquisitions • Market-seeking motivates full acquisition and WOS in greenfield • Synergy, hubris, and agency motivate partial acquisitions.	Paradigm **Empirical Method** *Quantitative Methodology (exception of* Gorynia et al. 2007*)*	are distinct for partial, staged and full acquisition at the time of entry.
Studies that focuses on the determinants of equity changes at post market entry			
Akhigbe et al. 2007; Puck et al. 2009; Moskalev 2010; Santangelo & Meyer 2011. Ogasavara & Masiero 2012	• When restrictive M&A laws are relaxed, foreign acquirers tend to increase their preference for controlling equity in M&A. • IJVS are converted into WOS due to the acquisition of local knowledge & reduction of external uncertainty. • Strategic intentions of MNEs at the outset differ from the actual operations established. • Equity changes strengthens the survival and longevity of foreign subsidiaries	Institutional Theory; Transaction Cost Economics; Internationalization Process Theory. **Empirical Method** *Quantitative Methodology*	• The limited duration of IJVs makes the conversion of IJVs to WOS more evident than in acquisitions, thus does cannot be used to explain the changes in equity in acquisitions • Ownership in acquisitions is a continuum and may not necessarily be acquired fully and may not necessary be divested completely. • Does not account for the context leading to the dynamics of commitment decision over time
Studies focusing on the performance of acquisitions			
Lopez-Duarte & Garcia-Canal 2007; Zhou et al. 2007; Larimo &	• Full acquisition create shareholder value while partial acquisition have non-significance relationship to shareholder value creation • Sequential acquisitions are not valued statistically and significantly.		• Share price movement does not account for the long term actualization of the motives of acquisition nor does it account

Pynnönen 2008; Aybar & Ficici 2009; Mantecon 2009.	• Firms that choose partial acquisition in opaque information environment performed better than firms that choose full acquisition • Cross-Border acquisitions do not create shareholder value • Value creation for Partial acquisition needs future research • Toehold investments, equity JVs, use of stock as payment are more valuable for acquirers in cross-border acquisition	*Quantitative Methodology*	for future profitability of the firm • Does not account for how or when partial acquisition performs better than full acquisition
Reus 2004; Slangen 2006; Ahammad & Glaister 2011; Brouthers 2013.	• Knowledge transfer in positively associated with acquisition performance • The degree of integration moderate the relationship between national cultural distance and acquisition performance • Cultural distance has negative effect on acquisition performance. • Firms that follow Institutional theory predicted entry mode performs better than firms that do not.	Transaction Cost Economics; Institutional Theory. **Empirical Method** *Quantitative Methodology*	• Negligence of partial acquisition in acquisition performance relationship • Assumes that all subsidiaries are meant for financial profits • Does not account for how or when partial acquisition performs better than full acquisition
Morosini, Shane & Singh 1998; Hagedoorn & Duysters 2002; Reus 2004; Park et al. 2009	• National cultural distance has a positive association to cross-border acquisition performance • There is a positive relationship between the relatedness of M&As of companies, technological relatedness, the level of R&D intensity of partner-companies in M&As and the technological performance • Knowledge transfer enhances acquisition performance • Organizational cultural compatibility, goal similarity, business relatedness, and international acquisition performance	**Empirical Method** *Quantitative Methodology*	• Negligence of partial acquisition in acquisition performance relationship • Varying classification for acquisition performance • Does not account for how or when partial acquisition performs better than full acquisition
Eyssell 1989; Ertuna & Yamak 2011	• Partial acquirers perform better than full acquirers in emerging markets because of institutional context and transaction cost efficiency effect.		• Neglects that not all acquisitions are motivated for financial profitability

2.1.1 Acquisition vs. Alternative Entry Mode Choice in Foreign Market

There are two streams of studies on acquisition vs. alternative entry mode choice in foreign market. The first stream of studies on acquisition vs. alternative entry mode choice explores the choice of acquisition versus greenfield investments and does neglect the possibility for partial acquisition. The second stream of studies combine literature for acquisitions versus greenfield investment and for joint ventures versus wholly owned subsidiaries to explain the choice of partial acquisition and staged acquisition.

Studies on the choice of acquisition versus greenfield investments consist of studies utilizing several theoretical lenses in an attempt to explain foreign acquisition. Five theories emanate as the dominant theories utilized to explain the choice for foreign acquisitions. These theories are transaction cost/internalization theory, resource base theory, information economics theory, industrial organization perspective and organizational learning perspective. The transaction cost/internalization theory suggests that the choice for acquisition is motivated by the strategic motives of the parent MNEs. That is MNEs seeking for proprietary technological knowledge tend to opt for acquisition to improve their competitive position (Buckley & Casson 1976; Rugman 1981; Hennart 1982; Williamson 1985). The information economics is rooted in real options theory. Information economics discusses how information affects economic decisions (Slangen & Hennart 2007: 409). The central argument in information economics is that information asymmetry influences decisions in transactions (e.g. Hennart & Park 1993; Hennart, Larimo & Chen 1996). Thus, the larger the information asymmetry, firms will not possess adequate knowledge of the actual value of the target firm and would find it difficult to integrate acquired firms (Ravenscraft & Scherer 1987) leading to their preference for greenfield investments (Slangen & Hennart 2007: 409). Similar argument has been made from real options and hostage theory of joint venture and MNEs preference for partial acquisition (Folta 1998; Chen & Hennart 2004; Chari & Chang 2009)

The industrial organization theory utilizes industrial organization literature to argue that entry mode decisions are made with respect to the existing state of the target country industry (concentrated industry vs. growing industries) for which the MNEs is seeking market entry (Slangen & Hennart 2007). The Organizational learning perspective argues that learning contributes to the propensity to develop knowledge (Hennart & Park 1993; Andersson & Svensson 1994; Barkema & Vermeulen 1998; Padmanabhan & Cho 1999; Harzing 2002) Thus, as organizations operates in various environment, over time, it will be exposed to varieties of technological knowledge, market knowledge and environmental activities that will increase their capabilities and tendencies to acquire knowledge (ibid). Organizational learning perspective suggests that experience and learning are the key variables that influence acquisition decisions. For example, scholars suggest that previous acquisition experience leads to a greater tendency for acquisitions (Padmanabhan & Cho 1999; Dikova & Van Witteloostuijn 2007; Slangen & Hennart 2008; Arslan 2011).

These theories/studies have several limitations. First, they are overlapping and in some cases contradictory. For example, while the transaction cost economies finds a negative relationship between parent's host-country experience and the choice of acquisitions (Hennart & Park 1993), the information economies argue that parent's host-country experience increases the likelihood of acquisitions because as managers gain more knowledge about host-country, information asymmetry is reduced, thus the likelihood of acquisitions (Hennart & Park 1993; Hennart et al. 1996).

The second limitation of these studies is that their arguments for the choice of greenfield investments were contingents upon that: in order to avoid the degree of risks associated with acquisitions, MNE's opt for lesser risk or optimize risks and benefits. Thus, they neglected that partial acquisition can still be a means to optimize risks and benefits rather than seeking greenfield investments. For instance, it is suggested that acquisition is preferred to greenfield when the subsidiary product is not related to those of their parents (e.g. Hennart & Park 1993; Hennart et al. 1996; Brouthers & Brouthers 2000; Larimo 2003; Chen & Zeng 2004). Some other studies suggest no significant relationship (e.g. Zejan 1990; Cho & Padmanabhan 1995; Barkema & Vermeulen 1998; Padmanabhan & Cho 1999). It could be that given the availability of acquisitions targets, when a subsidiary product is not related to those of the parent MNE, partial acquisition may be preferred rather than full acquisition and greenfield investment. This is because the acquiring firm may not possess adequate knowledge about the true value of the target firm assets. It is possible that the lack of acquisition targets may be the reason some findings suggest that greenfield establishment was opted for when the subsidiary product is not related to those of the parent MNE.

The third limitation of these studies is that they did not consider ownership restrictions in its distinctive forms. Rather, these studies (e.g. Cho & Padmanabhan 1995; Padmanabhan & Cho 1999) suggest that ownership restriction emanating from host country institutions led to restrictions on acquisition entry and thus the choice of greenfield investments. However, it is pertinent to note that ownership restrictions may not necessarily entail restrictions on acquisition entry but restrictions on the amount of equity stake to be acquired by a foreign acquirer. Thus, the existence of ownership restriction may influence the choice of both partial acquisition and greenfield investments (partial and full ownerships).

Finally, these studies lack contextualization as they tend to group together a large number of MNE's foreign market entries and examine them in aggregate form. Consequently, they imply that MNE's acquisitions are influenced by same factors (Chang & Rosenzweig 2001). Meyer and Gelbuda (2006) argue that the ahistorical, aprocessual and acontextual nature of such studies limits their explanatory power. In summary, these studies have ignored the existence of partial, staged and full acquisition as they have treated all acquisition as the same (Xu, Zhou & Phan 2010). In most cases, most studies dealing with the ownership structure of foreign subsidiary considers partial acquisition as joint ventures (Lopez-Duarte & Garcia-Canal 2004).

The second stream of studies combines argument for acquisitions versus greenfield investment and for joint ventures versus wholly owned subsidiaries to explain the choice of partial acquisition and staged acquisition. For example, by exploring arguments from information asymmetry, Xu et al. (2010) showed how firms in China address their information disadvantage in the acquisition of public firms by choosing a sequential acquisition strategy over a single-transaction acquisition strategy. They argued that diversifying firms faced information asymmetry as a result of lack of the relevant knowledge and experience in the new business. They also posit that private firms in emerging market of China face a high degree of information disadvantage than their state-owned counterparts. This is because state-owned enterprises (SOEs), in contrast, have better access to information on target firms due to their links to and support from the government agencies. Consequently, they suggest that an acquisition is more likely to be sequential if the acquirer is a private firm and if the firm is diversifying into a new business area. (ibid)

Jakobsen (2008) challenged the asymmetric information view on partial acquisition in three transitional economies (Hungary, Poland & Lithuania). He argued that cautious sellers (sellers who desire to attain a share in the expected increase in the firm value), rather than buyers, motivate partial acquisition. Thus, reverse asymmetric information effect (sellers perception to attain a share in the increased value of the firm) overrides buyers informational disadvantage. He showed that while previous market knowledge results into partial acquisition, the presence of a subsidiary prior to recent entry in the host country results into full acquisition. The choice of partial acquisition is seen as often transitory arrangements aimed at full acquisition in the form of staged acquisition (Meyer & Tran 2006; Meyer &

Estrin 2007; Jakobsen 2008). These authors (Meyer & Estrin 2007; Jakobsen 2008) argue that partial acquisition are not primarily decided by the investor based on cost and benefits, rather an outcome of the bilateral bargaining process between buyer and seller. They also suggest that the choice of staged acquisition is as a result of the sellers' willingness and ability to sell the company and the buyers' preference for staged acquisition. It was suggested that the buyers' preference for staged acquisition is because the continued involvement of the previous owner is valuable for the acquirer. (ibid)

Arslan and Larimo (2011) showed that high informal institutional distance between home and host countries of parent and target firms lead to a greater propensity for full acquisition. Contractor et al. (2014) found a positive relationship between high informal institutional distance (high uncertainty avoidance distance) for preference of partial acquisition than full acquisition for acquisitions in India and China. Arslan and Larimo (2011) showed that high formal institutional pressures lead to a greater propensity for partial acquisition. Similarly, Lopez-Duarte and Garcia-Canal (2004) studied the choice between joint ventures and acquisitions in foreign direct investments. Their findings suggest that high country risks influence the managerial decision for partial acquisition because they serve as appropriate entry mode to deal with the country risks countries. While Lopez-Duarte and Garcia-Canal (2004) and Arslan and Larimo (2011) found a positive relationship between high formal institutional environment and the choice of partial acquisition, Contractor et al. (2014) found a positive relationships between high formal institutional distance and MNEs preference for full acquisition. They showed that the joint effect of industry relatedness and high institutional distance results in the choice of partial acquisition over full acquisition (ibid).

Folta (1998) and Chen and Hennart (2004) found a positive relationship between the degree of asset specificity of the investment and a greater propensity for full acquisition than partial acquisition. Chen and Hennart (2004) utilize the hostage theory of joint ventures rooted in the real options perspective and information economics to suggest that partial acquisition is chosen by multinationals to reduce *ex-ante* and *ex-post* cost to compensate the risks and cost of full acquisition. Drawing argument from real option perspective, Chari and Chang (2009) explained that the choice for lower share of equity in local firms are due to (a) difficulty in valuating targets in different industries, (b) problems with integrating local firm's managers in culturally different countries, (c) high cost of separating desired assets from non-desired assets in larger firms, (d) greater exogenous country risks and lower rivalry in the host market. No relationship was found between previous subsidiary in the host country, and the share of equity sought.

Akhigbe et al. (2007) showed that partial acquisition lead to a greater propensity for full acquisition. Cai, Ees, van Veen and Gubbi (2013) combined argument from agency theory, transaction cost economics and organizational tendency for risk averseness to study the influence of acquirer and target ownership structures on the choice of partial and full acquisition by Brazilian firms. They showed that target firm ownership concentration (percentage of corporate equity owned by an individual or identifiable group) increases the likelihood of partial acquisition of the target. They argued that ownership concentration increases the risk averseness of the acquiring firm due to concentrated ownership and control from shareholders. Additionally, they found no support that ownership concentration of the acquirer and the choice of partial acquisition is moderated either by the degree of industry relatedness or by the public status of the target.

In summary, studies exploring the choice of partial acquisition vs. alternative entry mode choice have shown that institutional environment, buyer's information asymmetry and reverse information asymmetry, previous relationship with target firm, ownership concentration of the acquirer and specificity of target firm asset has an effect on the preferential choice for partial, staged or full acquisition. With the exception to Jakobsen (2008), these studies have in most cases explained the choice of partial acquisition by combining arguments for acquisitions versus greenfield and joint ventures versus wholly owned subsidiary. These arguments, though with some contributions to literature, insufficiently explain the choice of partial acquisition over full and staged acquisition.

First, they have not accounted for all aspects of institutions that influence the choice of partial and full acquisition at the time of entry. This is because they did not take into cognizance the issue-specific and context-specific set of formal (regulatory) and informal (cognitive and normative) institutions in a given country (Kostova & Roth 2002) that directly influences the choice of acquisition strategies. Second, these studies assumed that MNEs do remain passive at the time of entry and did not account for the role of host country capability and previous experience with the acquired target that could result in preference for a specific acquisition strategy over another. For example, previous relationship and host country capability prior to target acquisition should enhance certain firm capabilities and their likelihood or preference for certain acquisition strategy (e.g. full acquisition over partial and staged acquisition). Such capabilities could also enhance their ability to integrate successfully the acquired firms and achieve synergies.

2.1.2 Strategic Motive Perspective on Foreign Acquisition

From strategic management and international business studies, the motives of FDIs have been dominated by the paradigm studies of Dunning (1988; 1993) which is based on exploitation of ownership, location and internalization advantages of the firm. Dunning (1988; 1993) proposes four different types of foreign direct investment motives: market-seeking, efficiency-seeking, resource-seeking and strategic asset-seeking motives.

According to Dunning (1988; 1993), resource-seeking firms are motivated to invest overseas to gain access or acquire specific resources. It includes access to raw materials and natural resources, access to cheap and semi-skilled labor and access to technological capacity, management or marketing expertise and organizational skills in more advantageous conditions (ibid). Market-seeking firms are motivated to enter the foreign market with the aim of serving the market in that country (Dunning 1993). Firms aim at market-seeking motive in order to follow their customers to foreign markets, increase their market size and market growth, adapt to local standards and requirements, and reduce transaction cost and psychic distance and to establish a presence in leading competitive markets (ibid).

Efficiency-seeking motives are motives aimed at rationalizing production, distribution, and marketing activities through common governance of and synergy-building among geographically dispersed operations (Dunning 1993; Gorynia et al. 2007). According to Dunning (1993), efficiency-seeking FDI’s aim to take advantage of the differences in the cost of factor endowments and to achieve economies of scale and scope.

Strategic asset-seeking motives are motives aimed at protecting and increasing a firm competitiveness or core competencies by capitalizing on common ownership of a network of activities and capabilities in diverse environments (Dunning 1993; Yang & Kang 2005). Such strategic-assets include access to technology and means of obtaining such technology (Yang & Kang 2005). FDIs aimed at strategic asset-seeking are aimed at accessing advanced proprietary technology, immobile strategic assets (e.g., brands, local distribution networks) and other capabilities such as human and intellectual capital (Buckley et al. 2007).

Nowadays, strategic asset-seeking investments are gaining significance in the competitive global economy. This has led MNE’s to refocus their location needs from access to markets, natural resources and increasing efficiency to access to knowledge-intensive assets and learning. While resource-seeking, efficiency-seeking and market-seeking motives are aimed at decreasing production cost, surmounting trade barriers and utilizing scale economy, the strategic asset-seeking motives are aimed at promoting the long-term competitiveness of the MNE (Yang & Kang 2005).

Some studies have explored how the motives for foreign market entry influence the choice of acquisition strategies. Sanchez-Peinado et al. (2007) account for a positive relationship between market-seeking motives and the choice for full control modes (i.e. full acquisition and WOS in greenfield investments) for capital intensive service FDIs of Spanish multinationals worldwide. Tahir and Larimo (2006) found out that low cultural distance, large market size, and high levels of economic welfare in the target country increases the probability of choosing WOS and undertaking market-seeking and efficiency-seeking FDIs in Asian market. They also showed that low inflation rate, low level of risks and a high level of exchange rate fluctuation in the target country increase the probability of choosing WOS to undertake efficiency-seeking FDIs. Folta (1998) found out that technological seeking motivated FDIs opt for partial acquisition and international joint ventures when there is dissimilarity in business operations, technical subfields, presence of technological uncertainty and fewer rivals in the industry.

Furthermore, Roberts et al. (2008) examined the motives for FDIs in Eastern Europe by analyzing foreign entry by full and partial acquisition of 500 largest companies in Polish manufacturing facilitated by privatization programs spanning between 1993 and 1998. The results point to market-seeking objective behind the location decisions of foreign investors. The partial acquisition in the brewing industries in Poland (e.g. Carsberg Okoim 1986-2004) suggests market-seeking motives. Gorynia et al. (2007) studied the motives and modes of seven case study of FDIs in Poland and found out that acquisitions were motivated by market-seeking and efficiency-seeking motives.

The following summary can be drawn from studies exploring motives of market entry and the choice of acquisition strategies. The relationship between motives of acquisition and acquisition strategies is not clear. It is possible that the missing link could be established by taking cognizance of the interaction with the external environmental (Paul & Wooster 2008; Roberts et al. 2008). Consequently, Section 3.1.3 will address the interaction of the strategic motives for market entry with institutional theory to show how different acquisition motives and strategies are more likely in a particular institutional context compared to others.

2.1.3 Acquisition Performance Literature

There are three distinct ways in which extant acquisition research has operationalized acquisition performance. First, a stream of studies has operationalized acquisition performance using share price movement based on event study methodology (e.g. Markides & Ittner 1994; Cakici, Hessel & Tandon 1996; Chang 1998; Fuller, Netter & Stegemoller 2002; Markelevich 2003; Akhigbe et al. 2004; Lopez-Duarte & Garcia-Canal 2007; Zhou et al. 2007; Larimo & Pynnönen 2008; Swaminathan et al. 2008; Aybar & Ficici 2009; Mantecon 2009; Bednarczyk, Schiereck & Walter 2010; Brockman, Rui & Zou 2013). The second stream has operationalized acquisition performance based on accounting and financial measures (e.g. Eyssell 1989; Cannella & Hambrick 1993; Rahman 1993; Capron 1999; Reus 2004; Slangen 2006; Park et al. 2009; Ahammad & Glaister 2011; Ertuna & Yamak 2011). The third stream of studies has operationalized acquisition performance in terms of achievement of project specific motives and specific programs (e.g. Hitt et al. 1991; Steensma & Corley 2000; Ahuja & Katila 2001; Hagedoorn & Duysters 2002; Cloodt et al. 2006; Puranam, Singh & Chaudhuri 2009; Grimpe 2007; Puranam & Srikanth 2007; Lahovnik & Malenkovic 2011).

The event study methodology assumes that market response to public information about the acquisitions based on the efficient market hypothesis (Aybar & Ficici 2009). That is, markets will understand the true value of an acquisition and will respond favorably to the announcement of the acquisitions leading to positive abnormal returns (ibid). While few of these studies contrast the influence of partial and full acquisition on shareholder value, their findings yielded contradictory findings.

For example, Lopez-Duarte and Garcia-Canal (2007) studied the stock market reaction of 682 Spanish FDIs within 1990-2003 in EU, OECD (non-EU), Latin America, and the rest of the world. Their findings suggested that full acquisition create shareholder value while partial acquisition has a non-significant relationship to shareholder value creation. They also found a positive but not statistically significant relationship between partial acquisition and shareholder value in countries with policy instability. Similarly, Swaminathan et al. (2008) found no significant relationship between partial acquisition and shareholder value. Markides and Ittner (1994) studied shareholder value creation within 1975-1988 through USA cross-border acquisition in Canada, Continental Europe, UK and Pacific. Their findings suggest that partial acquisition is not valued differently from full acquisition. Larimo and Pynnönen (2008) studied 294 Finnish cross-border acquisition and wealth creation within 1986-2006 in USA, Germany, Sweden, Japan and Estonia. Their findings suggest that the abnormal return to partial acquirers needs future research. Zhou et al. (2007) studied the influence of information institutions on acquisition strategies performance of USA Firms in foreign markets. They found out that firms that choose partial acquisition in opaque information environment performed better than firms that choose full acquisition.

Other studies (e.g., Cakici et al. 1996; Chang 1998; Fuller et al. 2002; Markelevich 2003; Akhigbe et al. 2004; Aybar & Ficici 2009; Mantecon 2009; Bednarczyk et al. 2010; Brockman et al. 2013) did not contrast returns to partial and full acquisition. However, some provide evidence for the role of institutions, motives and acquisitions integration in acquisition performance. For example, Brockman et al. (2013) found that in cross-border acquisitions, politically connected bidders tend to perform better than non-politically connected bidders in countries with weak legal systems or high levels of corruption. Mantecon (2009) found that toehold investments, equity JVs, use of stock as payment experienced excess cumulative abnormal returns in the presence of high integration difficulty and valuation uncertainty and investment risks. Markelevich (2003) found that value creating mergers (i.e. mergers aimed at synergies) creates more value than agency-motivated mergers.

The second stream of studies operationalized acquisition performance using accounting and financial measures such as return on assets, return on investments, return on sales, profitability, etc. Most of these studies have treated both partial and full acquisition as same (exception to Eyssell 1989; Ertuna & Yamak 2011). However, they showed that organizational cultural compatibility, goal similarity, business relatedness (Park et al. 2009), knowledge transfer (Reus 2004), resource redeployment and asset divestiture (Capron 1999), cultural distance in the presence of limited integration (Slangen 2006), cultural distance in the presence of strong integration capability (Ahammad & Glaister 2011) influences acquisition performance. While Cannella and Hambrick (1993) found a negative relationship between the departures of executives on acquisition performance, Rahman (1993) found no impact. Finally, the two studies that treated partial acquisition found (1) no substantive changes in financial performance following positive valuation effects (Eyssell 1989); (2) returns to foreign partial acquirers in turkey display superior performance by virtue of responding both to the efficiency concerns of transaction cost theory and the legitimacy focus of institutional theory (Ertuna & Yamak 2011).

The third stream of studies operationalized acquisition performance based on the achievement of project specific motives and specific programs such as knowledge transfer, innovation performance, R&D performance and success of integration. These studies did not take into cognizance the varying acquisition types. The conclusion of these studies is that certain specific factors increase the achievement of specific acquisition motives. For example, Lahovnik and Malenkovic (2011) identified transfer of skills, sharing of activities, strategic realignment and complimentary resources as four motives of acquisitions in bank and financial sector. Ahuja and Katila (2001) found that the relatedness of the knowledge base of the acquired and acquiring firm leads to innovative performance in acquisitions. On the contrary, Cloodt et al. (2006) found a curvilinear relationship to innovative performance. Some other studies found a positive relationship between R&D intensity, relatedness of technologies to technology performance of acquisitions (e.g. Hitt et al. 1991; Hagedoorn & Duysters 2002). Steensma and Corley (2000) found that sourcing imitable technologies through acquisitions results in sourcing performance. Puranam et al. (2006) found that structural integration decreases the likelihood of introducing new products for firms that have not launched products before being acquired and for all firms immediately after acquisition, but these effects disappear as innovation trajectories evolve. Grimpe (2007) found that standardization of systems; linking R&D units and symbiosis integration strategy will lead to the technological success of the acquisition. Puranam et al. (2009) found that experienced acquirers are better able to mitigate the disruptive consequences of the loss of autonomy entailed by integration and no evidence that they can achieve greater coordination benefits from integration.

These three streams of literature have important implications on acquisition performance. These studies show that institutions (political strategy, corruption, legal environment, national country distance), motives of acquisition and integration influences acquisition performance. However, they have two important limitations. First, acquisition performance has been measured in various ways leading to contradictory findings. For example, while studies utilizing event study methodology found no significant relationship between partial acquisition and shareholder value (Swaminathan et al. 2008) or no significantly difference between returns to partial acquisition and full acquisition (Markides & Ittner 1994); studies utilizing accounting and financial measures found that returns to foreign partial acquirers in Turkey display superior performance by virtue of responding both to the efficiency concerns of transaction cost theory and the legitimacy focus of institutional theory (Ertuna & Yamak 2011). The contradictory finding can be attributed in part to the distinct interest of various research disciplines. While event study methodology is dominant in finance and accounting disciplines, finance and accounting measures is dominant by scholars from strategic management and international business. More so, the contradictory finding could be attributed to the fact that share price movement can be influenced by other events (Schoenberg 2006). Share price movement does not account for the long-term actualization of the motives of acquisition nor does it account for future profitability of the firm (Larsson & Finkelstein 1999; Papadakis & Thanos 2010).

Second, studies focused on the achievement of specific motives, and specific programs do not account for the performance of partial acquisition nor did they show the context in which full acquisition performs better than partial acquisition.

These studies mainly considered all acquisitions to be the same. There is need for more refined measures of acquisition performance that takes into account the strategic motives for setting up the subsidiary in foreign markets as it has been argued that the strategic motives for acquiring a subsidiary should play a role in the actualizations of the motives (Verbeke, Li & Goerzen 2009; Meglio & Risberg 2010).

2.2 Institutional Theory

The earlier institutional theorists viewed institutions from economic (North 1990; 1991) and sociological perspectives (Scott 1995). North (1990; 1991) views institutions as humanly devised pressures that shape human interactions. They reduce uncertainty by establishing a stable (not necessarily efficient) structure to human exchange (whether political, social or economic). Institutions provide the basic structure by which human beings create order and attempt to reduce uncertainty in exchange. Institutions are also set up to define the choice set and, therefore, determine transaction and production cost and hence the profitability and feasibility of engaging in economic activities. (ibid) North's perspective on institutional theory focuses on the economic perspective, and the informal and formal dimensions of institutions. The informal institutions exert pressures that come from socially transmitted information and are part of culture (North 1990: 37). Informal institutional pressures arise from the need to structure interaction to reduce uncertainty. They originate from customs, traditions, and codes of conduct. (ibid) Formal Institutions are established to make rules that may increase the effectiveness of informal pressures, modify them, or supersede them (North 1990: 46).

Scott's perspective on institutions focuses on the sociological aspects of institutions. Institutions are viewed as multi-faceted systems incorporating symbolic systems-cognitive constructions, normative rules, and regulative processes carried out through and shaping social behavior (ibid). According to Scott, the cognitive aspects of institutions are pre-occupied on how individuals internally represent their environments. He posits that the cognitive dimension is pre-occupied with our conceptions of who we are and what ways of action make sense for us in a given situation. The cognitive dimension is similar to the debate between internal conformity vs. external conformity (see DiMaggio & Powell 1983). Cognitive aspects of institutions suggest that when organizations are faced with uncertainty or they are confronted with what ways of actions that make sense for them in a given situation, they tend to mimic industry players or mimic existing form of organizations practices in similar circumstances (DiMaggio & Powell 1983). Regulatory aspect deals with rule setting, monitoring, and sanctioning activities (Scott 1995). Regulatory institutions establish rules, inspect or review conformity to them and as necessary, manipulate sanctions, rewards or punishments in an attempt to influence future behavior. The normative aspects of institutions are pre-occupied with formal rules that introduce prescriptive, evaluative, and obligatory dimensions of social life. They include norms and values that both specify how things should be done and define the goals or objectives and the appropriate ways to pursue them. (ibid)

Scott's perspectives on institutions are somewhat different from North perspectives on institutions. While North's perspective focuses on the economic aspects of institutions, Scott perspective tend to focus on sociological aspects. Recent studies in IB suggest that IB scholars tend to combine both economic and sociological perspectives in their study and following Peng and Heath (1996) both perspectives are considered in this dissertation as complimentary. Scott (1995) also suggests that the two perspectives are complementary. For example, it has been argued that the cognitive component is semantically close to culture (Pogrebnyakov & Maitland 2011) and has been referred to as cognitive-cultural component of institutions (Scott 2001; 2008). Formal institutions in North's institutional perspective is also related to regulatory aspects of institutions in Scott (1995) while informal Institutional dimensions in North (1990) is related to the cognitive and normative aspects in Scott (1995).

In international business literature, institutional theory consists of the institutional-based view of international business strategy (Peng 2003; Peng, Wang & Jiang 2008), comparative institutionalism (Harzing & Sorge 2003; Djelic & Ainamo 1999; Ferner, Almond & Colling 2005) and the neo-organizational institutionalism (DiMaggio & Powell 1983; Powell & DiMaggio 1991; Oliver 1997). For a review of these institutional approaches see Hotho and Pedersen (2012).

The institutional-based view of international business strategy was introduced to integrate the interdisciplinary battle between a sociological (Scott 1995) and economic perspective (North 1990) of institutions (Arslan 2011). It comprises of Formal and Informal aspects of institutions (North 1990) and also combines element of the sociological aspects of institutions (Scott 1995). They posit that institutions govern transactions in a society and influence MNEs strategies in terms of the choice of governance arrangement through which firms' economic activities are organized and their performance outcomes. Institutional-based view of international business strategy consists of stream of studies from the new institutional economics literature. These studies assume that the nature of exchange processes or transactions and the amount of frictions that takes place during these transactions are dependent on the institutional context in which they take place (Hotho & Pedersen 2012). They argue that host country institutional environment would influence the cost and uncertainty multinationals would encounter when setting up their subsidiaries and in gaining access to local resources. Consequently, a country with viable institutions will reduce the transaction cost and policy uncertainty in doing business in that country and will enable efficient markets for local resources (Delious & Henisz 2003; Meyer, Estrin, Bhaumik & Peng 2009).

The neo-organizational institutionalism is rooted in sociology and organizational theories (DiMaggio & Powell 1983; Powell & DiMaggio 1991; Oliver 1997). It focuses on organizational forms and organizational practices and how pressures exerted by the internal and external institutionalized practices influences firms strategies (Oliver 1991; Powell & DiMaggio 1991).

The neo-organizational institutionalism argues that organizational practices are shaped by the interaction between the external environment (formal institutions, normative pressures and cultural-cognitive systems) and the organizations leading to institutionalization of norms and practices that explains the homogeneity in organizational forms and practices across organizations in a particular country (Powell & DiMaggio 1991). The neo-organizational institutionalism have been advanced in later works by Kostova (1997; 1999) and Kostova and Zaheer (1999), and have been used to explain differences in organizational practices across different countries and how these differences creates challenges of external and internal legitimacy for organization seeking to establish a foreign subsidiary and transfer of organizational practices to such subsidiaries (Hotho & Pedersen 2012). Thus, the central assumption of the neo-organizational institutionalism is that differences in institutions explains differences in work practices such as HR strategies, corporate social responsibility practices, corruption practices in organizations and variations in entry mode decisions (for example, see Rodriguez, Uhlenbruck & Eden 2005; Ramsey 2005; Gaur, Delios & Singh 2007). It has been suggested that neo-organizational institutionalism is suitable for studies analyzing legitimacy and transferability of particular organizational practices (Hotho & Pedersen 2012).

The third institutional approach to international business is the comparative institutionalism. It is rooted in political science, the sociology of work and comparative political economy (Hotho & Pedersen 2012). They argue that differences in systems of economic coordination and control in market economies such as education systems, financial systems and market relations explains the distinctive economic logic and types of innovation between nations giving rise to for instance different market structures, processes and comparative advantage in some activities for example, between liberal and coordinated societies (Hotho & Pedersen 2012: 247). Studies utilizing comparative institutionalism tend to show that

MNEs operations in foreign countries are influenced on one hand by their home country institutions and on the other hand by the host institutions where they locate their foreign subsidiaries (ibid). For example, studies have found a positive influence between home country and gradual internationalization process (Luostarinen 1994); home country and type of corporate control mechanism (Harzing & Sorge 2003); home country and decision to outsource or diversify in response to industry pressure (Djelic & Ainamo 1999). Recent studies on comparative institutionalism have advanced home and host country institutional effect as creating duality of institutional logics leading to compromise strategy on implementation of organizational practices such as corporate diversity policy (Ferner et al. 2005). Child and Marinova (2014) explored home and host country context of Chinese multinationals and argued that the contextualization of Chinese home and host country institutions is a more predictor of Chinese firms outward FDI's. In summary, comparative institutionalism can be used to show that home country institutions influence the competencies and types of practices of MNEs within a particular home country and why they face specific challenges, for example, liability of home (Steven & Shenkar 2012) when internationalizing into different institutional host countries.

The focus of this dissertation is on how institutions influence acquisition entry strategies. Institutional-based view of international business strategy will be the primary focus of the institutional perspective utilized in this dissertation. Notable IB scholars utilize institutional-based view perspective to explore how formal and informal institutions influence international business strategy. In some cases, they combine the cognitive aspects, normative and regulatory aspects in explaining why the difference in institutions influences MNE's international strategy. The differences in institutions is in most cases referred to as "institutional distance" which measures the difference between host and home countries institutions and how they influence MNE's international strategy (Xu & Shenkar 2002; Ramsey 2005; Pattnaik & Choe 2007; Arslan & Larimo 2010; Arslan 2011; Arslan & Larimo 2011; Pogrebnyakov & Maitland 2011; Contractor et al. 2014; Zhang, Zhong, Wen & Jiang 2014). Some scholars exploring the institutional-based view of international business strategy tend to focus on institutional advancement/decline in host countries and how it influences MNE's strategies (e.g. Lopez-Duarte & Garcia-Canal 2004; Dikova & Van Witteloostuijn 2007). However, both perspectives in many occasions reference secondary data sources (e.g., World Bank, world competitiveness report, EBRD, etc.) that measures the institutional environment of countries on a scale of several factors. Detailed discussions of these studies are discussed below.

Institutional distance perspective argues that institutional differences between home and host countries influence the entry strategy of firms (Xu & Shenkar 2002; Estrin, Baghdasaryan & Meyer 2009; Arslan 2011) as well as the survival of those firms (Gaur & Lu 2007). Institutional distance perspective suggests that the greater the differences in institutional environment, the additional cost of doing business in that country vis-à-vis unfamiliarity hazards, and relational hazards (Gaur & Lu 2007). Thus, the greater the institutional distance, the greater the liability of foreignness and problems in managing relationships at a distance (e.g. costs of monitoring and dispute settlement) (Xu & Shenkar 2002; Ramsey 2005; Pattnaik & Choe 2007; Estrin, Baghdasaryan & Meyer 2009; Arslan 2011). The closer the institutional distance the more the similarities in the legal and political institutional development of the countries. It is suggested that for advanced economies, similarity in institutional development should facilitate the processes both of searching and negotiating for acquisition targets and of post-acquisition restructuring thus should influence the choice of acquisitions. Thus, high institutional differences should lead to the preference for low commitment entry strategies such as partial acquisition and IJVs. (ibid)

Arslan (2011) found strong support that high formal institutional distance leads to the preference for IJVs in entry mode choice of 343 Finnish FDIs into CEE, Asia, and Latin America. Similarly, Arslan and Larimo (2011) found out that high formal institutional distance lead to the preference for partial acquisition. Estrin et al. (2009) found out that high human resource distance resulted in the propensity of experienced investors to pursue acquisitions (partial and full acquisition) and IJVs. Arslan (2011) also found out that informal institutional distance lead to the propensity of Finnish FDIs in CEE, Asia and Latin America to opt for acquisitions and wholly owned subsidiaries (WOS). Xu and Shenkar (2002) propose that other things being equal, an MNE is more likely to enter a foreign market via acquisition where normative and cognitive distances are small.

Using Scott (1995) institutional perspective, Xu, Pan and Beamish (2004) based on a sample of 2,339 Japanese foreign subsidiaries in 45 countries found out that larger regulative and normative distances are negatively associated with the extent of equity ownership and presence of expatriates in foreign subsidiaries of the Japanese MNEs.

Notably from these studies is that they measure differences between home and host country institution and they posit that these differences are the triggers to MNE's strategic choices in foreign markets. These studies are limited in several ways. First, they tend to focus on general level aspects of formal/regulatory, informal/normative aspects of institutions without specifying the issue-specific and context-specific set of formal (regulatory) and informal (cognitive and normative) institutions in a given country (Kostova & Roth 2002) that directly influences the choice of acquisitions. For example, the operationalization of institutional distance utilized by Arslan (2011) to discuss the choice between full acquisition and greenfield was same measures utilized to discuss the choice between partial and full acquisition in Arslan and Larimo (2011). Thus, we cannot assert that the same factors that influence the choice of greenfield vs. acquisitions are same factors that influence the choice of partial vs. full acquisition. Exporting the same measures in different conceptual context (acquisition vs. greenfield & partial vs. full acquisition) does not inform us how managers tradeoff between this choices and does not inform us the specific issues explaining why multinationals carry out their FDIs by taking over existing local firms, but acquiring only partial equity of the target. Consequently, scholars (e.g., Huang & Sternquist 2007; Francis, Zheng & Mukherji 2009) have called for developing a proper set of measures for assessing the multiple dimensions of institutional environment on entry strategies of multinationals in foreign markets.

Studies within the institutional-based view perspective that focuses on the advancement in host country institutions argue that the advancement of host country institutions to standards obtainable in developed and advanced economies ensures adequate institutional protection of investors and protection of proprietary assets. The protection of investors and proprietary assets increases the likelihood of acquisitions (Baums 1993; Pagano & Volpin 2005) and hence reduces the need for costly governance structures such as full ownership (Contractor et al. 2014). On this premise, Dikova and Van Witteloostuijn (2007) studied the entry and establishment modes in transition economies. They found support that greater formal (regulatory) institutional advancement in host countries was positively associated with the likelihood of acquisition and establishment of subsidiaries with shared ownership. Similarly, Lopez-Duarte and Garcia-Canal (2004) studied the choice between joint ventures and acquisitions in foreign direct investments. Their findings suggest that high country risks influence the managerial decision for pure partial acquisition because they serve as appropriate entry mode to deal with the high country risks countries.

Of importance to this dissertation is the formal and informal institutional environment of the host country that influences acquisition strategies at the time of entry and the dynamic aspects of the institutional environment leading to changes in equity commitments in foreign markets. The focus of this dissertation involves case companies from developed country institutions of Finland entering into both developed and emerging economies. Consequently, the focus is on how the host country institutions (developed vs. emerging) influence the acquisition entry strategies of the case firm's acquisitions. Arguments from Scott (1995) regulatory aspects of institutions are used to support discussions on the formal institutional dimensions in North (1990). Similarly, arguments from normative and cognitive aspects of institutions from Scott (1995) are combined in the informal institutional dimensions as they are complementary (Peng & Heath 1996; Scott 1995; Pogrebnyakov & Maitland 2011).

This study takes into cognizance both formal and informal institutional environment on exploring the influence of institutions on acquisition entry strategies. However, it departs from the general measures of formal and informal institutional distance based on secondary data sources. Rather, the focus is on the manifestation of host institutional environment (developed vs. emerging) on the acquisition entry strategies of the case firm through their actual impact on firms acquisition strategies as presented by the acquisition managers of the case firms.

The formal institutional environment used in this dissertation is extended to include transparency/non-transparency of regulatory institutions and failure in formal institutions. Non-transparent regulatory institutions results from inefficiency in the regulatory institutions in enforcing laws (such as copyright, patent and competition laws) and ensuring transparency in information institutions that govern financial transparency and disclosure (Balakrishnan & Koza 1993; Hoskisson, Eden, Lau & Wright 2000; Whittington 2000; Zhou, Anand & Yu 2007). Failure in formal institutions precipitates political risks (such as terrorism, widespread institutionalized corruption and disruption of democracy), and they reduce foreign direct investments in host countries. Such host countries are incapable of developing effective formal institutions that should supersede the effectiveness of informal institutional pressures (North 1990: 46). The informal institutional environment captures the contractual difficulties rooted in cultural difference between the acquiring firm and the management of the target firm in reaching agreement on the acquisition (Graham 1985; McDevitt 2006; Jakobsen 2008).

This study ignores the potential changes in informal institutions on exploring the determinants of increase and decrease in equity stake as a result of changes in the host country institutions. This is based on the assumption that changes in informal institutions takes a very long time (Dikova & Van Witteloostuijn 2007).

2.2.1 Formal Institutions: Regulatory Restrictions and Transparent Institutions

Formal institutions consist of the legal institutions, laws and regulations of the host country that determine transaction and feasibility of engaging in economic activities and hence the profitability and survival of those firms (North 1990; Gaur & Lu 2007). They may increase the effectiveness of informal pressures, modify them, or supersede them (North 1990: 46). Regulatory institutions are the principal mechanism through which formal institutions operate (Scott 1995). They are the regulatory aspect of institutions that deal with rule setting, monitoring, and sanctioning activities (ibid). Host governments use regulatory structures to monitor and restrict the behavior of firms in a country (Xu & Shenkar 2002). These regulatory pressures are coercive and have been said to influence organizational behavior in terms of entry strategies (Henisz 2000; Dikova & Van Witteloostuijn 2007; Francis et al. 2009; Arslan 2011), survival (Gaur & Lau 2007) and performance (Pattnaik & Choe 2007).

Regulatory Formal Institutions: Regulatory formal institutions can restrict foreign investors in certain key industries. They can also restrict the share of equity held by foreign bidders as a whole or in certain key industrial sectors (Moskalev 2010). The share of foreign equity can also be restricted during acquisitions of privatized public firms (Roberts et al. 2008) and restricted due to infringement on industry competition (Brito, Ribeiro & Vasconcelos 2013). Regulatory restrictions can also create the existence of shares without voting rights, and share ownership by parties who are reluctant to sell their shares (Slangen & Hennart 2007), and other institutional ownership such as insurance, pension funds. Regulations allowing the existence of institutional investors as dominant blockholders can restrict or even make it difficult for foreign acquirers to acquire full ownership stake in single transactions. In developing countries, regulatory restrictions can also make it difficult for foreign acquirers to get domestic credit, make it more expensive for foreign acquirers than domestic acquirers (Moskalev 2010).

Moskalev (2010) showed in their study on foreign ownership restrictions and cross-border M&A, that the likelihood that foreign bidders establish cross-border M&A's in which they obtain a controlling stake in the target is greater in the host countries with less restrictive cross-border M&A laws. It has been suggested that restrictive cross-border M&A laws are more obtainable or higher in developing market than in developed markets (Sethi, Guisinger, Phelan & Berg 2003; Khanna, Palepu & Sinha 2005). The reasons for such restrictive laws have been suggested to be as a result of coercion of powerful groups on governments to restrict foreign ownership (Morck, Stangeland & Yeung 2000) and the fear of host government from foreign bidder's expropriation by acquiring domestic firms at prices substantively below those of similar firms in their home countries.

Emerging economies often have a restrictive trade environment or trade barriers compared to developed economies (Beyer & Fening 2012: 32). These restrictive trade environments or trade barriers are aimed at protecting domestic firms from global competition. They include and not limited to restriction on entry modes but also barriers such as tariffs and nontariff barriers and local content requirement (Beyer & Fening 2012: 32). In such host countries, companies can enter only through IJVs or non-equity modes such as exporting or contractual agreements (Bayer & Fening 2012: 34). In summary, regulatory restrictions composes of restrictions on share of equity, restriction on entry modes, restriction on trade, restriction on access to domestic credit for foreign firms and regulations allowing the institutional investors as dominant blockholders.

Regulatory Transparency: Regulatory transparency refers to openness, better organization of legal system, communication of regulatory decisions and accountability of regulatory institutions (OECD 2011). Regulatory transparency has also been coined as a state of institutional maturity (Child & Marinova 2014: 353). A transparent regulatory institution helps in maximizing the efficiency and accountability of regulations thus eliminate inefficiencies in regulatory frameworks of host countries (Globerman & Shapiro 2003). A non-transparent regulatory institution would be incapable of enforcing legislation (for example, property rights, and copyright, patent and competition laws) even though legislation does exist. This is because non-transparency promotes inefficiency, unfair and bias practices, and thus will be incapable of protecting foreign investment, consumers and public interest.

The focus is on information regulatory institutions that govern financial transparency, accounting standards, and disclosure. It has been shown that transparency in information institutions that govern financial transparency and disclosure (i.e. in terms of the amount and frequency of disclosed corporate information), as well as its credibility, varies across countries (Bushman, Piotroski & Smith 2004). It has also been argued that difference in information institutions (such as accounting standards and financial disclosure rules) between parent MNE home country and the target firm host country increases the difficulty and costliness of valuation process in acquisitions (Whittington 2000). This accounts for the varying degree of richness of information from firms' financial reporting and disclosure in different countries (Alford, Jones, Leftwich & Zmijewski 1993; Ball, Kothari & Robin 2000). Consequently, managers have both the incentive and the ability to misrepresent the value of target firm in countries with poor information institutions and opaque disclosure rules (Balakrishnan & Koza 1993; Whittington 2000; Zhou et al. 2007).

IB scholars have discussed the differences in information institutions that give rise to misrepresentation of value of the target firm under the auspices of information economics theory (e.g., Hennart & Park 1993; Hennart et al. 1996) complemented by information asymmetry theory (Akerlof 1970). Strategy and some other IB scholars have also complemented this argument in real options theory (Kogut 1991; Hennart & Reddy 1997; Folta 1998; Folta & Miller 2002; Garner, Nam & Ottoo 2002; McGrath & Nerkar 2004; Brouthers, Brouthers & Werner 2008; Xu et al. 2010) and argument for partial acquisition in hostage theory of IJVs (Chen & Hennart 2004).

Transparency of Regulatory institutions has been shown to have a positive effect on the protection of minority shareholders (Moskalev 2010). These protections increase the likelihood for investors to acquire more equity in target firms (Moskalev 2010). Zhou et al. (2007) showed that acquirers tend to choose partial acquisition in countries with poor information institutions and that partial acquisition perform better than full acquisition in countries characterize with poor information institutions. While regulations can exist, the non-transparency of regulatory institutions to facilitate the achievement of more efficient regulatory outcomes can have effect in foreign acquisitions. Consequently, the existences of regulations allowing foreign ownership are not sufficient to increase higher foreign equity participation.

2.2.2 Failure in Formal Institutions and Informal Institutions

Failure in Formal Institutions: Failure in formal institutions is often not discussed in the literature on institution theory in IB studies especially with regards to how it precipitates informal institutional pressures and its effect on entry strategies and timing of entry. Recently, IB scholars have begun to see the importance of this area of study with a recent call for IB studies to study how conflict, security, and political risk influences international business in challenging times. For example, Bader and Schuste (2014) showed the importance of expatriate social networks in ensuring the psychological well-being of expatriates in terrorism endangered countries. Terrorism is mostly attributed to institutionally failed states (Landis 2013). Such attributes among others, for example, instability in government policies, political risks and changes in the political system occur as a result of a failure in formal institutions. Failure in formal institutions precipitates informal institutional pressures on MNEs and thus should influence MNEs entry strategies and timing of entry.

Failure in formal institutions usually arises as a result of instability in government policies that affects business activities, changes in the political system, including changes of government and widespread corruption in government (Miller 1992; Abidde 2009: 25; Baek 2011; Al Khattab, Al-Yatama, Al Khattab & Aldehayyat

2012). They are often referred to as political instability (Child & Marinova 2014) or “political risks” defined as the impediments that multinationals may face as a result of political decisions and activities of governments or other bodies (Howell & Chaddick 1994; Bremmer 2005). Failure in formal institutions could precipitate undemocratic rule, corruption, social unrest and conflicts, terrorism and wars that reduce foreign direct investments in host countries.

Empirical evidence suggest that firms include terrorism and other political risks assessment in decision making on which international markets to enter, in locating and managing foreign operations (Abadie & Gardeazabal 2003; Czinkota, Knight, Liesch & Steen 2005; Li, Tallman & Ferreira 2005; Wernick 2006) and also in deciding entry mode choice (Brouthers 1995).

The relationship between corruption and/or country risks/political risks and entry mode choice is inconclusive as studies have shown positive, negative and no relationship. In their study on the influence of international risk on entry mode strategy, Brouthers (1995) found that firms will prefer high control entry mode in less risk market and low control or independent entry mode in high risks markets. Lopez-Duarte and Garcia-Canal (2004) studied the choice between IJVs and acquisitions in foreign direct investments. Their findings suggest that high country risks influence the managerial decision for pure partial acquisition because they serve as appropriate entry mode to deal with high risks countries. Driffield, Mickiewicz, Pal and Temouri (2010) found that greater absolute and relative corruption increases the likelihood of IJVs to deal with local corruption. Smarzynska and Wei (2002) showed that high corruption leads to the preference for joint ventures. Demirbag, Glaister and Tatoglu (2007) explored institutional perspective and showed that in an environment with high political pressures and greater corruption differences between the home and host countries, MNEs will select IJVs compared to a wholly owned subsidiary (WOS).

Tekin-Koru (2006) studied foreign investments from 88 countries of origin established in Turkey. The study found that high corruption distance (the difference in the level of corruption in the investor’s home country and the host country) leads to preference for WOS. Uhlenbruck, Rodriguez, Doh and Eden (2006) showed that pervasive corruption leads to the preference of WOS; arbitrary corruption leads to the preference of IJVs. Duanmu (2011) showed that the higher corruption distance it is between home countries of foreign firms and China, the higher probability their MNEs choose WOS over IJVs. Asiedu and Esfahani (2001) showed that the impact of corruption on the choice between WOS and IJVs is insignificant.

The reasons for these contradictory findings could be that these studies gave attention to the nature of corruption rather than the magnitude, arbitrariness or the degree of ambiguity surrounding corrupt transactions (Karhunen & Ledyaeva 2012). It could also be that these studies did not take into cognizance that firms do not remain passive to institutional pressures but rather responds to such corrupt environment. Firms can respond to institutional pressures by leveraging their financial and relational resources in promoting non-corrupt policy (Karhunen & Kosonen 2013). They could also respond to institutional pressure by compromising and cooperation (Aklamanu 2014), avoiding, defying and manipulating host country institutional pressures (Oliver 1991).

Informal Institutions: North (1990; 2005) defines informal institutions as the humanly devised pressures that are embedded in the shared norms, values and beliefs in a society. Informal institutional distance combines cognitive and normative components of institutions in (Scott 1995). Cognitive components of institutions reflect the shared beliefs and perceptions about what constitutes social reality and meaning in a given society (Scott 1995). Thus, the cognitive component of institutions is pre-occupied with our notions of who we are and what ways of action make sense for us in a given situation (ibid). Pogrebnyakov and Maitland (2011) suggest that the cognitive component is morphologically close to culture. It has also been referred to as cognitive-cultural component (Scott 2001; 2008).

Normative institutions are pre-occupied with formal rules that introduce prescriptive, evaluative, and obligatory dimensions of social life (Scott 1995). They include both values and norms. They impose constraints on social behavior, and so they do influence the way in which people do what they are supposed to do. Normative institutions are carriers of institutionalized values and are organized informal structures, and co-optative relations linking the organization with salient external actors. (ibid) Studies have also used cultural distance measure to account for normative institutions (e.g. Delios & Henisz 2000; Yiu & Makino 2002).

Similar to previous research (e.g. Gaur & Lu 2007) the informal institutional environment in this study is considered to include both normative and cognitive aspects in this study. The aspect of informal institution utilized in this dissertation is centered on cultural difference between the acquiring MNE and target firm. This is similar to previous research on informal institutional dimension on entry mode choice (e.g., Yiu & Makino 2002; Estrin et al. 2009; Arslan 2011). Unlike other studies that have measured national cultural differences or business cultural distance or cultures open to foreign idea as a constructs for informal institutional environment, this study focuses on the manifestations of cultural issues and how they influence the choice of acquisition types. First, cultural issues manifest themselves in the form contractual difficulties between the acquiring firm and the management of the target firm in reaching agreement on the acquisition (Jakobsen 2008). Second it manifests itself in difficulties in integrating the acquired firm and the parent MNE (Slangen 2006; Hennart & Slangen 2007; Ahammad & Glaister 2011).

MNEs contractual difficulties in negotiating acquisitions in target countries is among many specific issues that influence the degree of equity commitment of multinationals in foreign market. Jakobsen (2008) suggest that partial acquisition is as a result of contractual difficulties in successfully closing acquisition deals with the target firm. He argued that it may result as sellers may perceive that the deal does not protect the interests of local owners and stakeholders alike. Contractual difficulties are rooted in cultural differences (Drew 1997; Dina 2010). It has been argued that cross-cultural communication is more likely to fail, the higher the normative and cognitive distance between the organizations (Ionascu, Meyer & Estrin 2004). Differences in scripts, schemas, norms or values hamper information sharing between individuals from different cultures and might restrain their ability to search for better alternatives. Consequently, in a cognitive and normative distant market, obstacles to negotiating with labor unions, local owners (e.g. family owners of private firms and other stakeholders) will rise disproportionately and thus hinders parent firm from acquiring larger equities from acquired firms. (ibid) This has also been shown to increase the likelihood that the cross-border acquisition deal will not be completed because of the greater number of issues that are likely to be renegotiated (Dikova, Sahib & Van Witteloostuijn 2010).

It has also been shown that collective cultures that are concerned with self-face are more likely to opt for win-lose negotiations while individualistic culture would opt for integrative or win-win negotiations (McDevitt 2006). Negotiations involving collectivist vs. individualistic cultures could amplify the possibilities to search for better alternatives and could lead to partial acquisition at the time of market entry. For this reason, organizations are structuring earnout payments as options against contractual failures such that they acquire partial equity at the time of entry and pay the remaining equity over several years on pre-determined prices based on the performance of the target after 2-3 years during which they have gained more knowledge about the assets of the target firm.

In summary, in addition to regulatory aspects of institutions discussed in institutional-based view of strategy, transparency of regulatory institutions and failures in formal institutions do also influence entry mode choices. The extension offered in this section allows IB scholars to consider other aspects of formal institutions that influence entry choices. More so, by extending the formal aspects of institutions and focusing on the issue-specific aspects of informal institutions that influences acquisition strategies, it is believed that these measures will capture the multiple dimensions of institutional environment that influences entry strategies of multinationals in foreign markets. It is believed that this multidimensional framework proposed in this study will provide a better understanding of aspects of institutions that influence entry mode choice and aspects of the institutions MNEs respond to when entering foreign markets.

2.3 Internationalization Process Model and Foreign Acquisition

The internationalization process model known as the IP model or Uppsala model (Johanson & Vahlne 1977; Johanson & Vahlne 2009) is rooted in organizational learning and resource dependence theory. There are several theoretical paradigms of this model. The focus of this study is on the 2009 model. However, the 1977 model is referenced where necessary especially with regards to earlier contributions and the role of business relationships in the internationalization of firms. Though the 1977 and 2009 model has different ontological assumptions, however, the basic mechanisms of internationalization in both models are still the same. The following discussion will center on (1) earlier contributions of the 1977, its criticisms and clarifications, (2) distinction between the 1977 and 2009 model and (3) how the 2009 model will be explored in the current study.

Scholars have used the 1977 model (i.e. Johanson & Vahlne 1977) to argue that the choice of acquisition is as a result of learning (e.g. March 1991; Andersson, Johanson & Vahlne 1997; Barkema & Vermeulen 1998; Hayward 2002; Haleblian, Kim & Rajagopalan 2006; Lin, Peng, Yang & Sun 2009). For example, Andersson et al. (1997) developed a model of international acquisition from the internationalization process model. The model depicts how firms undergo international acquisition through learning from a direct/indirect relationship with their business partners with/without a local presence. The model shows three ways international acquisition can occur via learning (Andersson et al. 1997: 81-82). First, international acquisition can result from a direct relationship with a business partner when the firm has or do not have a local presence. In cases when it has a local presence and a direct relationship with the target firm, the main motive underlying such acquisition is a defensive strategy against a potential competitor. In cases when it has a local presence, and no direct relationship with the target firm, the main motive underlying such acquisition is to enter new geographical markets. Second, international acquisition can result from an indirect relationship with a business partner when the acquiring firm has or do not have a local presence. They argued that this type of acquisition is more prone for efficiency-seeking motives where the acquiring firm aims to strengthen their market position or consolidate the MNE capability network. Third, international acquisition can also result in a situation where the acquiring firm has no relationship with any business partner in the local market with or without a local presence. According to them, the first two are organic acquisitions involving incremental steps in the internationalization process of the firm while the latter are non-organic acquisitions. (ibid)

Irrespective of the above attempt to apply Uppsala model in explaining international acquisitions, the model is still been criticized for been deterministic (Reid 1981; Young & Wilkinson 1989; Melin 1992; Andersen 1993). The Uppsala model has also been argued to have a stage assumption, as a consequence, cannot be used to explain internationalization of born global firms and international acquisitions (Andersson, Johanson & Vahlne 1997; Oviatt & McDougall 1994; 2005). Johanson and Vahlne (2009: 1412) clarified these criticisms by arguing that the Uppsala model does not specify the form that increased commitment might take because commitment decisions may increase or decrease depending on their performance. Consequently, the model is by no means deterministic (ibid). The criticisms that the Uppsala model cannot be used to explain international acquisitions because of its four stage model assumption (from no regular export to export via independent agents, sales subsidiary and FDIs) has be clarified that the stage model is not part of the Uppsala model, but rather a summary of the empirical observations on which they based their inductive theoretical arguments (Johanson & Vahlne 2009: 1420).

In this study, it is argued that the Uppsala model can be used to explain international acquisitions. The IP model is suitable to explain foreign acquisitions, on the assumption that an acquisition is much more likely to be successful if it is preceded by some exchange between the acquirer and the target firm (Andersson et al. 1997; Johanson & Vahlne 2009). Thus, acquisitions without previous relationship or experience with the target firm may result in conflicts and a likely chance to fail because the parties will have to learn about each other after the acquisition for post-acquisition integration to go further (ibid). Furthermore, the advancement of the IP model (i.e. Johanson & Vahlne 2009) to one that takes into cognizance the role of business networks, trust and knowledge development in business relationships is an attempt to clarify the criticisms of the IP model. It also enhances our understanding of the model and provides basic mechanics on how Uppsala model can be used to explain international acquisition.

The difference between the 1977 model (Basic Mechanism of Internationalization Johanson and Vahlne 1977) and 2009 version (The Business Network Internationalization Process Model (Johanson & Vahlne 2009) is primarily centered on the recognition of the role of business networks in internationalization, and the advancement of trust in business relationships. The two versions of the IP model are shown in Figure 7 below. The 1977 model is shown in Figure 7[A] and the 2009 model is shown in Figure 7[B].

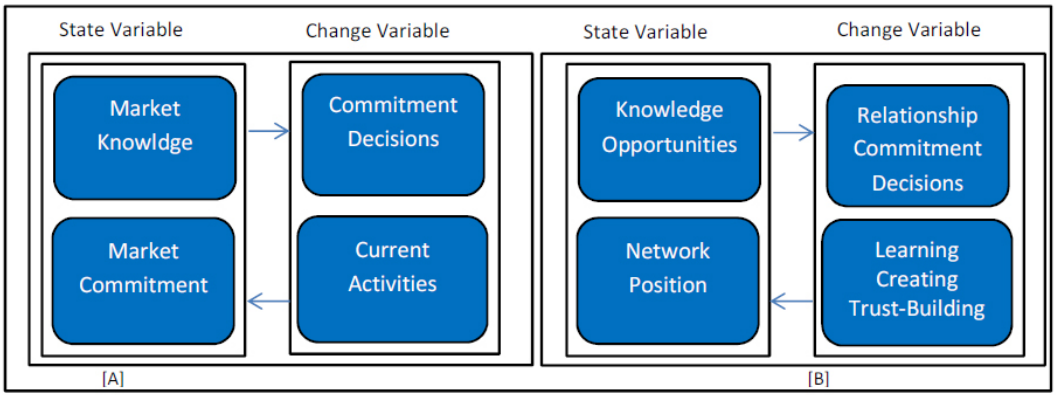

Figure 7. Internationalization Process Model (Johanson and Vahlne 1977; 2009)

The 2009 model like the 1977 model (See Figure 7[A] and 7[B]) has the state and change variable. The state variable refers to the state that impact on the change variable. The state and change variable also impact on each other. While the change variable in the 1977 model consists of current activities, the 2009 model consist of trust-building and knowledge creation. The 2009 model is one of a dynamic process depicting how mutual relationships commitment between a firm and its partner networks builds up their knowledge and opportunities. The four variables in the 2009 model are network position, knowledge opportunities, relationship commitment decisions, and learning and creating trust building.

Network position: The model assumes that the existing business relationships a firm occupies within its business network make up the network position of the firm. According to Johanson and Vahlne (2009: 1423), the network position makes it possible for the firm to identify and exploit opportunities, determine which geographical market to enter and the corresponding entry mode to use to enter the geographical market. Thus, a firm's network position is pivotal to how, when and where its internationalization process will start (ibid).

Partial acquisition can also serve as previous/existing relationships that form part of a firm's network position. Through partial acquisition acquiring MNEs and partially acquired firms can learn from each other, identify and exploit opportunities. By complimenting this argument with the fact that firms can have business relationship with a target firm before undergoing acquisitions, it is argued that partial acquisition and target-specific experience (relationship-specific knowledge) can provide a platform (state variable) where knowledge, trust or commitment to the firm-specific relationships develops that leads into later commitment decision. The later commitment decision can be increasing commitments such as increasing equity stake in the acquisition or decreasing equity commitments depending on the outcome of previous commitment decisions.

Knowledge Opportunities: The 2009 model assumes that knowledge opportunities serves as the basis for relationship commitment decisions. Thus, the knowledge opportunities that is inherent in firms relationships with its partner firms initiates the process of learning, creating opportunities and building trust. Depending on the outcomes of learning, the attainment of knowledge opportunties ultimately changes the firms' network position to a higher or lower level.

Full acquisition or increased equity commitments could be seen as knowledge opportunities and as an outcome or consequence of trust building and relationship the partners develop during their interaction in previous exchange relationships (e.g., partial acquisition, Joint venture relationship, customer relationships, supplier relationships, distributor relationships). It could also be seen as opportunity that develops (opportunity development) as a result of the interaction between partners who build knowledge together and come to trust each other as they commit themselves further to the relationship (Johanson & Vahlne 2009). Opportunity development entails gradually and sequentially increasing recognition (learning) and exploitation (commitment) of an opportunity in the existence of trust (ibid). The opportunity that develops from this relationship (e.g., full acquisition) may be unilateral, with the parent firm learning about the target firm needs, capabilities, markets and networks (ibid: 1419). It may also be bilateral when the two firms in interaction identify an opportunity (e.g., a joint venture or a merger or sellers willingness to accept full acquisition). Moreover, it may also be multilateral when multiple firms identify an opportunity (e.g., a shared partial acquisition). Conversely, in the absence of opportunity development, firms could find no reasons to keep their ongoing relationship with the target firm. In the case of an already existing partial or full acquisition, the relationship may be dissolved, and consequently parent MNE will divest their investments.

Learning, trust-building and relationship commitment decisions: The nature and the presence of direct relationship with existing partner firm drive the dynamic and cumulative process of learning as well as trust building and their subsequent relationship commitment decisions.

Firms that have valuable network partners or existing relationship in the target market or with a target firm in a target market have privileged access to information about the market, the target firm, and their business network. This makes up the firm network position and thus provides the firm with alliance learning, closeness centrality (the extent to which a firm occupies a central position such that it has independent access to other network ties) and structural hole position (a firm's brokerage locations between two otherwise disconnected firms in the network) (Lin et al. 2009). Market research may be unable to identify such privilege information the firm has access to (Johanson & Vahlne 2009: 1420). Consequently, the firm enjoys insidership within its network, and opportunity recognition and development is likely to be an outcome of the ongoing business activities (ibid: 1423). It is supposed that firms that enjoy such insidership position will have a tendency to increase their commitments or make full acquisition. For example, studies have found support that firms increase their commitments or acquire partner firms (e.g., Vanhaverbeke, Duysters & Noorderhaven 2002; Akhigbe et al. 2007; Fatica 2010; Yang, Li & Peng 2011) as a result of explorative alliance learning (Yang et al. 2011).

When the existing or previous relationships with a target firm is that of a partial acquisition without an option to acquire fully, a firm willing to increase their commitment or equity stake can still acquire more equity through renegotiations with the target firm. If it is a public listed firm, this could be achieved by acquiring the remaining equity from the public market offerings. The firm's willingness to increase equity stake in target firm will result from trust and the positive outcome of learning and relationships building. Otherwise, the outcome will be the one of decreasing commitments in the target firm. Building trust in business relationship takes time (Madhok 2006: 7) because it is not based on formal agreements but a shared history of at least minimal satisfactory and or successful joint business experience (Johanson & Vahlne 2009: 1418). This explains why the increment in commitments decisions in acquisitions may take several years.

Learning from previous relationship entails learning about partner's/acquisition target's culture, learning about the partner/target assets, business environment and organizational processes. Learning from previous relationship builds the stockpile of knowledge the acquiring firm needs to make the next commitment decisions. However, knowledge about the partner and the outcome of relationship building are not the only factors that impact the commitment decisions of the acquiring firms. For example, Santangelo and Meyer (2011) showed that the process of learning, opportunity creation and trust building are moderated by institutional influences. Institutional influences lead to the difference between realized and intended strategies of multinationals (ibid). Thus, internationalization process is not only influenced by business networks, network positions, and business relationships; rather institutions moderate the outcomes of state and change variables in the internationalization process (Pogrebnyakov & Maitland 2011).

In summary, the 2009 Uppsala model is the focus of this dissertation. It is explored and integrated with institutional theory and other literature in this dissertation. In doing so, the focus is on the Internationalization Process Model and not the four stages/sequential progressive development in internationalization (from no regular export to export via independent agents, sales subsidiary and FDIs). More so, certain theoretical boundaries are applied to ensure the explication of the assumptions that bound the theory (Andersen 1993). These boundaries are discussed in more details in Section 2.4.2.

2.4 Summary of Theoretical Lenses and Theoretical Boundaries

This section clarifies the critiques for the choice of theories utilized in this dissertation. It also discussed the appropriateness of theories utilized for the dissertation and how they are utilized to address the research questions. Finally, the theoretical boundaries of the choice of theories utilized are discussed.

2.4.1 Clarifications on Choice of Theories

There is also a recent Uppsala model referred to as the 2013 model (Vahlne & Johanson 2013). One might argue why the choice of the 2009 model rather than the 2013 model? There is also a recent argument by Vahlne and Johanson (2013) that the eclectic paradigm cannot be combined with the Uppsala model because both studies have different assumptions. Finally, some proponents of the choice of theory chosen for this dissertation have argued why not combine argued TCE with Institutional theory? Clarifications to these theoretical issues and questions are discussed in the following discussions.

The recent integration of dynamic capability theories (Teece, Pisano & Shuen 1997; Zollo & Winter 2002; Vergne & Durand 2011) to the internationalization process model (Vahnle & Johanson 2013) in an attempt to address the evolution of multinational enterprise provides evidence of the central assumption of this study. That is, the ongoing interactions between firms and their environment build up a firm capability referred in this dissertation as host country capability. The 2009 model was utilized because it provided specific constructs needed to explain international acquisitions. More so, some constructs in the 2013 model are complimentary to constructs in the 2009 model.

For example, Vahlne and Johanson (2013) refer to opportunity development capability as capabilities needed to identify opportunities and to mobilize relevant resources both within the own firm and within other firms involved in the opportunity. Opportunity development capability is not different from the opportunity development referred in Johanson and Vahlne (2009) as both result from the interaction between partners who build knowledge together and come to trust each other as they commit themselves further to the relationship. They also refer to internationalization capability as the capability required to approach and develop different markets and locations under various circumstances. These are general operational capabilities needed to manage the operations of a firm in diverse markets which is beyond the scope of this study. Finally, they refer to networking capability as relational capability needed to build, sustain and coordinate relationships in a network type context. As with their (2009) model, a firm enjoys a specific network position because of their relational or network capability. Thus, both are complimentary.

The recent argument by Vahlne and Johanson (2013) that the eclectic paradigm cannot be combined with the Uppsala model because both studies have different assumptions deserves some clarifications. They argued that while the eclectic paradigm is rooted in neo-classical economics primarily for macroeconomic studies, they cannot be combined with the Uppsala model rooted in behavioral theory because they are mainly for micro-level studies. I contend that we cannot make a realist argument that macroeconomic theories cannot be combined with microeconomics theory to explain the evolution of MNEs because several studies have successfully combined or tried to reconcile eclectic paradigm and microeconomics theories. For example, with transaction cost economics to explain the evolution of MNEs (see Rugman 2010; Dadzie 2012). While this study does not attempt to use the eclectic advantages i.e. Ownership, Location and Internalization advantages in explaining the choice of acquisition strategies, it does however explore the motives of FDIs postulated by this paradigm as it provides a descriptive and holistic explanation of the motives of outward foreign direct investment (Rugman 2010). As Rugman also suggested, these motives of outward FDIs can be successfully combined with internalization theory (microeconomics theory). Rugman suggested that market-seeking, efficiency-seeking and resource-seeking motives are situations where host country specific advantages matters and home country advantage do not matter when determining outward FDIs. In contrast, strategic asset-seeking motives are situations in which both host country specific advantages and home country specific advantages matters (ibid).

Finally, some proponents of the choice of theory chosen for this dissertation may argue that combining TCE and institutional theory are more compatible with this study than the choice of theories explored because TCE and institutional theory are theoretically complimentary to advance IB studies on entry strategies. Brouthers and Hennart (2007) posit that IB field can be advanced by the combinative effects of institutional factors with other decision-making criteria, such as TCE dimensions. In retrospection, Martinez and Dacin (1999) supported the combinative effects of TCE and institutional theory as they both address the efficiency and legitimacy concerns of their respective limitations in providing a full-scale explanation of organizational behavior. This support is shared in recent studies such as Puck et al. (2009) and Zhang, Zhong, Wen and Jiang (2014) that combined both TCE and institutional theory to explain the choice of conversion of ownerships strategies and the choice of control ownership strategies of multinationals.

TCE does not capture the "How" and "Why" questions leading to the resource commitments of parent MNEs. It ignores the sociological aspects (Granovetter 1985; Martinez & Dacin 1999; Lu 2002) and the complexities of the market environment (Zhang et al. 2014: 1) which the integration of Uppsala model and institutional theory offers a better complementarity than TCE and institutional theory. TCE studies explore the reasons behind the transactions not the causes of the reasons leading to these transactions and do not capture other motivations influencing firms' strategic behavior when proprietary assets are not their primary motivation. Asset specificity of the target firm only matters when it affects the primary strategic motives of investments of the parent MNEs. A firm with high R&D capability investing in resource-seeking investments may not be primarily concerned with the specificity of their assets and may still opt for partial and full acquisition. Rather than focusing on the asset specificity of the investment, focusing on the motives provides a useful way to capture the primary strategic reasons motivating the investment decisions of parent MNEs. Finally, construct from TCE are already captured within the theories selected for this study. For example, cultural aspects in TCE are already integrated into informal institutions in institutional theory. Experience is captured from the Uppsala model. Asset specificity of the investments is incorporated in strategic asset-seeking motives.

Two main theories were explored to aid the development of constructs and theoretical framework to answer the research questions. Figure 8 shows acquisitions as events and the levels of analysis that affects the acquisition event.

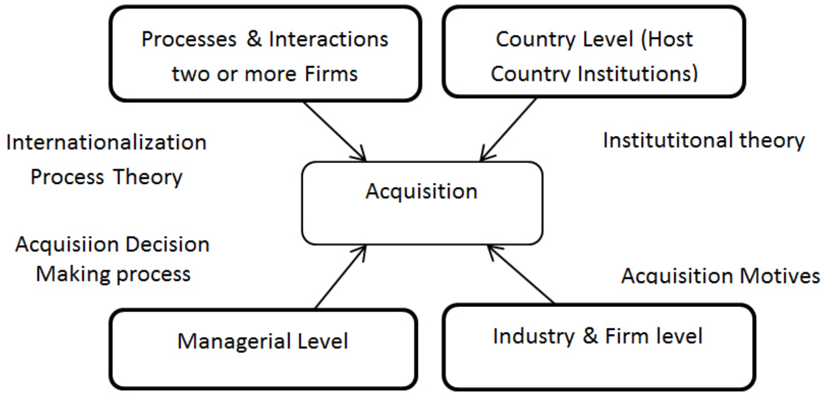

Figure 8. Acquisition as Events and Choice of Theories

The choice of multiple theories reflects the complex nature of acquisition events as they can be viewed on multiple levels of analysis. By integrating multiple theoretical lenses, it is possible to address the different phases of the acquisition process and capture the multiple levels of analysis that influences acquisition decisions.

Acquisition is a process that starts from interactions between two or more firms and such interaction evolves into several outcomes. Examples includes, IJVs buyouts (Puck et al. 2009); learning, development of knowledge opportunities and capabilities (Eriksson, Johanson, Majkgard & Sharma 1997; Chetty et al. 2006; Johanson & Vahlne 2009). Due to this interaction process, it was necessary to integrate a process theory "internationalization process theory" to elucidate the capabilities parent firms attain due to their interaction with target firms and target environment. It has been argued that such firm-type interaction is best studied using dynamic theories (Monge 1990). Thus, internationalization process theory (Johanson and Vahlne 2009) was utilized because it captures the evolving interactions between firms before the acquisition decision, during and after the decision (change and state variables). More so, it was essential to integrate institutional theory and internationalization process theory to answer the research questions of this study because empirical evidence suggest that the outcomes of firms interactions is moderated by institutional influences (Santangelo & Meyer 2011).

There are several studies linking acquisition to industry drivers such as maturity of industry, growth of industry, concentration of industry and industry consolidation (Chen & Hennart 2004; Chen 2008). For example, Chen and Hennart (2004) found a positive relationship between the concentration of industries and the likelihood of Japanese MNEs preference for full acquisition. They argued that their preference is aimed at market power consolidation. Similar industry driver but a contradictory finding is established in Chen (2008) who showed that partial acquisition are aimed at speeding up entry into rapidly growing markets, control capacity expansions in mature industries and also for market power consolidation. Thus, there are industry drivers leading to acquisitions. Not limited to industry drivers, there are also other strategic motivations (e.g., resource motives, acquiring competencies and immobile strategic assets) within the MNE that trigger acquisition decisions. Consequently, the choice of exploring Dunning strategic motives of FDIs is aimed at capturing all possible strategic reasons that motivate acquisition decisions.

While internationalization process theory focuses on overall process level activities, the institutional theory focuses on the country levels. The Dunning's strategic motives capture the manifestation of the industry drivers and other motivations leading to acquisition decisions within the firm. Thus far, these theoretical lenses are complementary to each other and provide additional constructs to capture events in the acquisition process leading to entry decisions, changes in entry decisions and acquisition performance.

Finally, acquisition decisions involve managerial decision making. A typical acquisition decision making process starts with developing objectives/motives and passes through systematic search and screening, negotiation, due diligence, deal closure, acquisition integration and post-deal evaluation (Parenteau & Weston 2003; Carpenter & Sanders 2007; DePamphilis 2007; Garbuio, Lovallo & Horn 2010). This process steps reflects the need for multiple theoretical lenses. For example, setting of motives in the acquisition decision-making process is captured by the Dunning's strategic motives of FDIs. Institutional theory captures most of the relevant factors explored in the search, screening, negotiation and due diligence stages in the acquisition process. Institutional theory predicts the variation in the degree of FDIs inflows into emerging and developing countries compared to advanced economies (Asiedu 2002; 2006; UNCTAD 2010; Owusu & Habiyakare 2011). Institutional theory predicts that the high cost of screening of targets and due diligence in developing and emerging economies is due to the poor information institutions that govern financial transparency (Balakrishnan & Koza 1993; Whittington 2000; Zhou et al. 2007; Moskalev 2010). Institutional theory (informal institutions) also captures the potential negotiation complexities that may emerge when negotiating acquisition deals in cultural distance markets (Graham 1985; McDevitt 2006; Jackobsen 2008). Finally, institutional theory depicts the performance of acquisitions (Chacar, Newburry & Vissa 2010; Reddy, Locke & Scrimgeour 2010; Ramanathan et al. 2010; Doran & Ryan 2012; Feres & Reynaud 2012; Brito, Ribeiro & Vasconcelos 2013).

2.4.2 Theoretical Boundaries and Research Questions

Based on the discussions in Section 2.2-2.4, this section discusses how these theories are integrated to answer the research questions, the boundaries of the application of these theories and their underlying assumptions. Figure 9 shows the two main theories integrated with motives of foreign market entry (Dunning 1993) in relation to the four research questions (RQ).

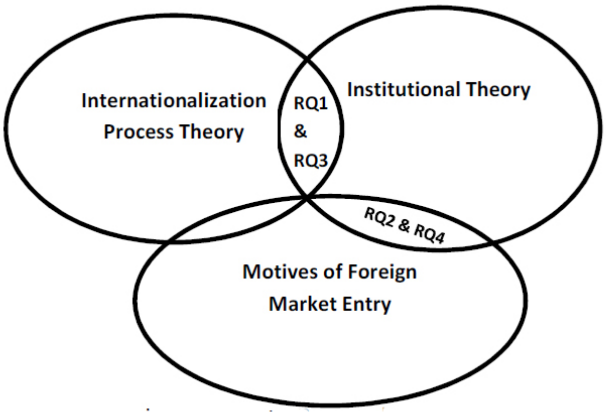

Figure 9. Theoretical Lenses in Relation to Research Questions

To provide answers to RQ1 and RQ3, internationalization process theory is combined with institutional theory (North 1990; Scott 1995; Peng 2003; Dikova & Van Witteloostuijn 2007) and was further integrated with the concept of host country capability (modified from Eriksson et al. 1997; Chetty et al. 2006; Chen 2008; Slangen & Hennart 2008; Puck et al. 2009; Vahlne & Johanson 2013) to understand which factors influence MNEs decision for partial, staged and full acquisition at the time of entry. To provide answers to RQ2 and RQ4, institutional theory (North 1990; Scott 1995; Peng 2003; Dikova & Van Witteloostuijn 2007; Arslan 2011; Arslan & Larimo 2011) will be combined with the literature on foreign entry motives based on OLI paradigm (Dunning 1988; 1993).

In this study, it is assumed that a firm's acquisition entry strategies can start through existing or no relationship with a target firm (Andersson et al. 1997). It can also occur as a result of the acquisition of host country capability acquired due to the firms' market presence and ongoing business in a particular host country (Chen 2008; Jacobsen 2008). Leapfrog entries involve entries without existing relationship with the target firm nor previous market entry or ongoing business in a particular host country (Andersson et al. 1997). Gradual entries involve entries in which the firm has had an existing business relationship with the target firm or an ongoing presence in the market before the acquisition (ibid). State variables such as knowledge opportunities, host country capability, target-specific experience explains the outcomes of the relationship (Johanson & Vahlne 2009). Change variables include the outcomes of the relationship such as acquisition strategies. Learning and creating trust building relationship also shows the evolution of the relationship (Johanson & Vahlne 2009). The boundaries of the application of the theories are illustrated in figure 10.

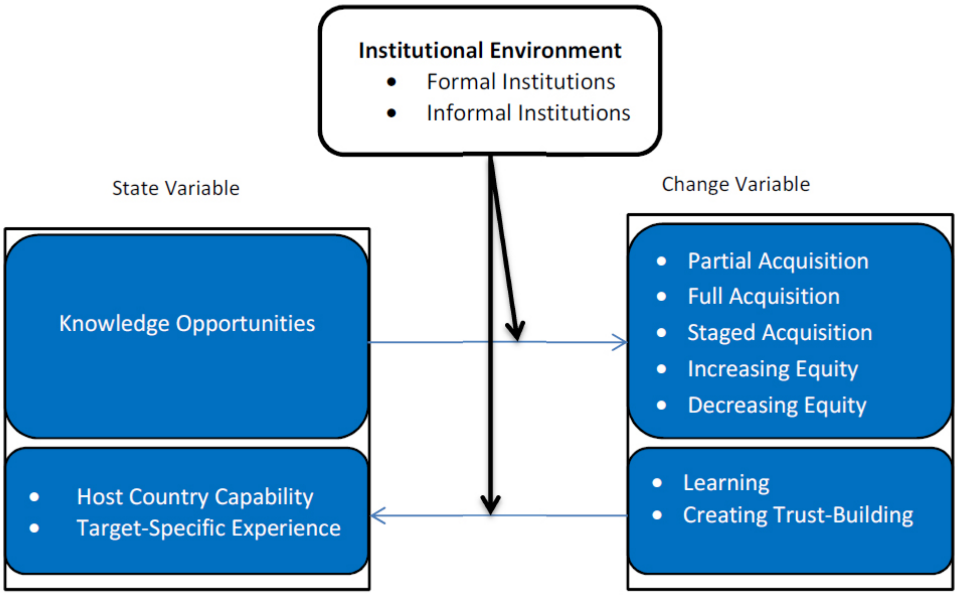

Figure 10. Boundaries of Integration Uppsala Model and Institutional Theory

The firm's network position is made up of its valuable network partners or existing relationship with a target firm in a host country that provides the company privileged access to information about the market, their relationship partners and their business network (Johanson & Vahlne 2009). The existing relationship between a parent MNE and a foreign target (e.g., distributor relationship, supplier-customer relationship, partial acquisition, etc.) builds the MNE target-specific experience. The target-specific experience evolves into knowledge opportunities (Johanson & Vahlne 2009) for which an acquisition by the parent MNE is an outcome of that relationship. Through this acquisition and accumulation of knowledge about doing business in the host country (Slangen & Hennart 2008) develops the MNE host country capability (modified from Eriksson et al. 1997; Chetty et al. 2006; Chen 2008; Puck et al. 2009; Vahlne & Johanson 2013) that enables it to initiate the next commitment decisions such as full acquisition. An increase (e.g. full acquisition) or decrease (e.g. market exit or divestments) in equity stake depends on the outcomes of learning and trust building. Increasing commitment decisions enables the firm to effectively exploit local market opportunities (Johanson & Vahlne 2009). Exploiting local market opportunities may also require subsequent full acquisition and can aim at developing new competencies or product market extension.

The institutional environment (formal and informal institutional constraints) moderates the relationship between the state and change variable which leads to the difference between realized and intended strategies (Pogrebnyakov & Maitland 2011; Santangelo & Meyer 2011). Institutional theory argues that institutions are coercive and restraints firm investment choices, the internationalization process model, depicts that parent MNEs interactions with other firms leads to relationship development, trust building and experiences that further build up certain capabilities for the MNE. Consequently, parent MNE can respond to host country institutional environment at the time of entry by the acquisition of host country capabilities: - knowledge gained from ongoing business operations in a particular host country (modified from Chetty et al. 2006; Puck et al. 2009).

Specifically on RQ1, the integration of institutional theory and internationalization process theory argues that host country capability, target-specific experience and formal and informal institutional environment should influence the choice of acquisition strategies. Specifically on RQ3, the internationalization process theory provides means to capture the acquisition process, learning and knowledge opportunities that develops through MNEs interactions or relationships with the target firm. At market entry, the intended strategies might have been restrained due to the institutional environment or knowledge about the target business. Changes in institutional environment or the acquisition of host country capability may initiate a reconsideration of MNEs acquisition strategies leading to changes in equity stake at post-market entry.

Specifically on RQ2, the integration of institutional theory and literature on foreign entry motives (Dunning 1988; 1993) depicts that while multinationals can aim at any motives for foreign market entry, the host country institutional environment and MNEs host country capability makes it more suitable for certain entry motives and thus the choice of the acquisition strategies used by the multinationals. This assumption is shown in Figure 11.

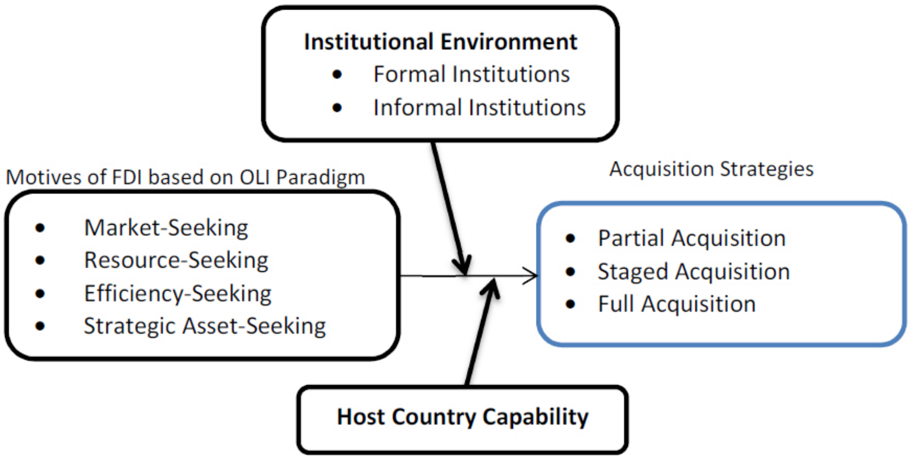

Figure 11. Boundaries: Institutional Theory, Host Country Capability, and FDI Motives

To provide answers to RQ 4, institutional theory and literature on foreign entry motives based on OLI paradigm (Dunning 1988; 1993) was further integrated with the concept of host country capability (Eriksson et al. 1997; Chetty et al. 2006; Chen 2008; Slangen & Hennart 2008; Puck et al. 2009; Vahlne & Johanson 2013) to discuss the performance differentials between returns to partial and full acquisition. It is assumed that there are performance differentials between returns to partial acquirers and full acquirers (Zhou et al. 2007; Ertuna & Yamak 2011). By integrating internationalization process theory, institutional theory, motives of FDIs and host country capability it is argued that firms that take into cognizance the prediction of these theories should most likely achieved their intended motives than firms that do not. The integration of these theories and literature will be discussed in more details in Chapter 3.

3 ACQUISITION ENTRY STRATEGIES AND CHANGES IN EQUITY STAKE

3.1 Determinants of Acquisition Entry Strategies

This section integrates the theories discussed above to develop constructs that will be used in the empirical section on the determinants of acquisition entry strategies and changes in equity stake. These constructs are further integrated to form the theoretical framework of the dissertation.

3.1.1 Formal and Informal Institutional Environment and Acquisition Strategies

One of the aims of this study is the role of host country institutions and MNEs capabilities in influencing the choice of partial, staged and full acquisition at the time of entry. The focus is to understand on one hand, the role of host country institutions on the choice of partial, staged and full acquisition strategies. On the other hand, to understand MNEs internal capabilities that enable them to respond to the different forms of institutional pressures arising from informal institutional environment of host countries at the time of entry. This section specifically focuses on the role of host country institutions on these acquisition strategies and will discuss the internal capabilities MNEs develop that enable them to respond to host country institutions at the time of market entry.

Host countries with regulatory restrictions on foreign acquisitions or share of equity sought by multinationals or in the form of restriction on trade influence MNEs choice for partial acquisition at the time of entry. It is expected that MNEs entering such restrictive host countries will opt for partial acquisition than staged and full acquisition. For example, Moskalev (2010) showed that the likelihood that foreign bidders establish cross-border M&A's in which they obtain a controlling stake in the target is greater in the host countries with less restrictive cross-border M&A laws. Arslan (2011) showed that formal institutions increase the likelihood of partial acquisition.

Similarly, as transparency of regulatory institutions has an effect on the protection of minority shareholders (Moskalev 2010) and on the quality of information institutions that govern financial transparency and disclosure (Bushman, Piotroski & Smith 2004). It is expected that firms from transparent home countries entering host countries characterized by non-transparent regulatory institutions will opt for lower commitment entry strategies such as partial acquisition. This is because non-transparency increases the difficulty and costliness of valuation process in acquisitions (Whittington 2000) and a reason for managers to misrepresent the value of target firm (Balakrishnan & Koza 1993; Whittington 2000; Zhou et al. 2007). As a result, managers will opt for partial acquisition as foothold strategy and a hostage for the target firm owners if the underlying assets are a "lemon" (Chen & Hennart 2004).

Restrictive formal institutions are coercive and deter entry or lead to lower commitment entry strategies. In the absence of restrictive formal regulatory environment, MNEs are still faced with non-transparent regulatory institutions, corruption, and the broader political risks. However, MNEs can develop certain capabilities capable of managing and responding to these institutional constraints. These capabilities are further discussed in Section 3.1.2.

Formal regulatory restrictions on acquisitions come mainly in the form of governments restricting majority foreign ownerships (Moskalev 2010). Other forms include regulations allowing the existence of shares without voting rights and existence of institutional investors as dominant blockholders who are usually reluctant to sell their shares (Slangen & Hennart 2007). These restrictive regulations are coercive, consequently, multinationals would have little choice but to conform to regulatory pressures because nonconforming to regulatory restrictions would lead to penalties such as denied entry (Doz, Bartlett & Prahalad 1981; Rosenzweig & Singh 1991; Francis et al 2009). MNEs entering such restrictive host countries are expected to opt for partial acquisition rather than staged and full acquisition.

A transparent regulatory institution helps in maximizing the efficiency and accountability of regulations thus eliminate inefficiencies in regulatory frameworks of host countries (Globerman & Shapiro 2003). Section 2.2.1 argues that non-transparent regulatory institution would be incapable of enforcing legislation even though legislation does exist. Section 2.2.1 also argues that such institutions will be incapable of protecting foreign investment. In a non-transparent regulatory institution, managers have both the incentive and the ability to misrepresent the value of target firm due to poor information institutions and opaque disclosure rules (Balakrishnan & Koza 1993; Whittington 2000; Zhou et al. 2007). This increases the difficulty and costliness of valuation process in acquisitions (Whittington 2000), and such institutions are more likely to be incapable of protecting minority shareholders (Moskalev 2010) and thus the choice of partial acquisition (Zhou et al. 2007; Moskalev 2010). It is argued that under such institutions firms can opt for both partial and staged acquisition rather than full acquisition at the time of market entry. Staged acquisition gives the MNEs a waiting option and an exit clause to gain knowledge about the host country institutions and the actual value of the target firm. Staged acquisition also provides the acquiring MNE an option to withdraw from the market if the underlying asset is a lemon (Chen & Hennart 2004), or the institutions become too unfavorable. In contrarily, MNEs will have a preference for full acquisition when entering a host country characterized by transparent regulatory institutions.

Similar to non-transparent regulatory institutions, failure in formal institutions should have the same influence on MNEs acquisition strategies at the time of market entry. Failure in formal institutions usually arises as a result of instability in government policies that affects business activities, changes in the political system, including changes of government and widespread corruption in government (Miller 1992). Failure in formal institutions is often referred to as "political risks". They are impediments to multinationals operating in such host countries (Howell & Chaddick 1994; Bremmer 2005). This is because they create undemocratic rule, corruption, social unrest and conflicts, terrorism and wars that reduce FDIs in host countries (ibid). In such host countries, it is expected that MNEs will opt for partial and staged acquisition. This is similar to previous studies that find a positive relationship between high country risks or political risk market and choice of low control entry modes, shared equity entries and partial acquisition (Brouthers 1995, Smarzynska & Wei 2002; Lopez-Duarte & Garcia-Canal 2004; Demirbag, Glaister & Tatoglu 2007; Driffield et al. 2010).

As argued in Section 2.2.2, the aspect of informal institutions that influence acquisition entry strategies is the contractual difficulties in negotiating acquisition in informal institutional environment. Specifically on contractual difficulties, it was argued that contractual difficulties arise as a result of cultural difference between the acquiring firm and the management of the target firm in reaching agreement on the acquisition deal. MNEs will opt for partial acquisition as a result of contractual difficulties in successfully closing acquisition deals with the target firm (Jakobsen 2008). Contractual difficulties take the form of seller's perception that the deal does not protect the interests of local owners and stakeholders alike (ibid). This perception increases the more the differences in scripts, schemas, norms or values that hamper information sharing between individuals from different cultures thus, restraining their ability to search for better alternatives (Ionascu et al. 2004). This perception also increases the greater the difference in informal institutional environment (normative and cognitive distance) because it increases the likelihood that cross-cultural communication will fail (Ionascu et al. 2004). Consequently, in an informal institutional environment, obstacles to negotiating with labor unions, local owners e.g. family owners of private firms and other stakeholders will rise inexplicably (Ionascu et al. 2004) and firms aiming to gain market entry will opt for partial acquisition. However, with the provision of earnout payments, contractual difficulties can be circumvented. Thus, it is also expected that staged acquisition can be opted for in response to contractual difficulties.

3.1.2 Target-Specific Experience, Host Country Capability, Acquisition Strategies

This section argues that MNEs do not remain passive when confronted with both formal and informal institutional pressures at the time of market entry. They respond to these institutional pressures by developing certain capabilities through knowledge acquired during their ongoing business relationship with a target firm and host country experience. By combining arguments from two theoretical lenses, internationalization process theory (Johanson & Vahlne 2009), neo-organizational institutionalism-institutional theory (Oliver 1997; Kostova & Zaheer 1999) and general literature on MNE response to failed institutions (Frynas & Mellahi 2003), it is shown that target-specific experience provides the MNE a response to informal institutional constraints. It is also shown that host country experience through ongoing business in a particular host country develops a firm's host country capability and provides the firms with adequate knowledge in dealing with host country formal and informal institutional constraints.

Target-specific experience refers to experiences that accumulate into knowledge about a specific business partner. Johanson and Vahlne (2009: 1416) refer to this knowledge as relationship-specific knowledge. According to them, firms that have valuable network partners or existing relationship in a host country market or with a target firm in host country market has privileged access to information about the market, their relationship partners and their business network. The business relationships constitute knowledge development within an MNE because it provides privileged access to information about the market (Andersson et al. 1997; Johanson & Vahlne 1977; Johanson & Vahlne 2009). A firm's business networks makes up the firm network positions and provides the firm with alliance learning, closeness centrality and structural hole position (Lin et al. 2009). Consequently, the firm enjoys insidership within its network (Johanson & Vahlne 2009). The insidership position has been said to drive a firm's number of acquisitions in foreign markets (Lin et al. 2009). Market knowledge is attained from existing relationship or target-specific experience. It is expected that firms that have existing relationship with a specific target (Target-specific experience) in the form of customer, supplier, distributor relationship or collaborative relationship will most likely opt for staged and full acquisition. This is because, during such collaborative relationship, they have gained knowledge about each other business, the nature of targets assets and network value. Lin et al. (2009) argues that such learning from previous relationships affects firms' decisions towards future acquisitions.

While target-specific experience can drive acquisition commitment decisions, commitment decisions also depend on the outcomes of learning (Johanson & Vahlne 2009) and the nature of the institutional environment (Lin et al. 2009). An increasing and positive outcome of learning is one in which the MNE has acquired market knowledge and attain a positive business relationship with the target firm. Johanson and Vahlne (2009) suggest that increasing market knowledge and knowledge about a partner firm business is likely to result in increasing commitment decisions. From the perspective of acquisitions, it is expected that MNEs that have existing business relationship with a specific target will most likely in the event of positive learning outcomes gain increased market knowledge about the host country market. Full acquisition is most likely an outcome of the business relationship.

It has been argued that ambiguity about the knowledge of the target business asset and network value increases the higher the informal institutional difference between the parent MNE and the target firm (Folta 1998; Chari & Chang 2009; Xu et al. 2010; Quimet 2013). Though, a relationship with the target firm might exist, contractual difficulties could still arise due to the informal institutional distance between the parent MNE and host country of the target firm. Also, the outcomes of knowledge of the partner business and host market knowledge may suggest a cautious investment approach. Consequently, it is expected that MNEs will opt for staged acquisition. The choice of staged acquisition serves as contractual bridges to negotiation failures through earnout arrangements linking the acquisition purchase price to future performance of the target firm. Furthermore, staged acquisition can also be in response to gaining sufficient time in developing knowledge of managing the operations of the business in foreign markets. It can also be in response to allow sufficient time to gain effective host country capability in dealing with formal institutional constraints of target host country such as non-transparent regulatory institutions and failure in formal institutions.

MNE's can develop effective mechanisms and strategies to deal with non-transparent regulatory institutions and failure in formal institutions (e.g., political risks). Oliver (1991) suggests that firms can pacify, balance and bargain with the sources of institutional pressures that affect their business operations. Frynas and Mellahi (2003) suggest that firms can be active actors capable of acquiring and upgrading firm-specific resources and capabilities for coping with or even benefiting from institutional pressures such as political risk. Similar studies show that some multinationals increase investments in corrupt emerging countries because such corrupt government provides them incentive and opportunity to overcome liability of foreignness and to influence government decisions to their sole advantage (La Porta, Lopez-de-Silanes, Shleifer & Vishny 1999; Anand, Ashforth & Joshi 2005; Rodriguez et al. 2005).

Experience and institutional knowledge in dealing with inefficient regulatory institutions and political risks are pivotal in enabling firms to develop the needed capabilities to deal with these types of institutional pressures. They are also needed in developing an effective compromise, bargaining and manipulating strategy in dealing with host country institutional pressures. The role of MNE's experience or experiential knowledge in entry mode studies has been investigated from several theoretical lenses. Nevertheless the findings are inconclusive as some studies found positive (Anderson & Svensson 1994; Barkema & Vermeulen 1998; Harzing 2002), negative (Barkema & Vermeulen 1998; Padmanabhan & Cho 1999; Brouthers & Brouthers 2000) and no relationship (Cho & Padmanabhan 1995; Meyer & Estrin 1997; Larimo 2003) between experiential knowledge and the choice of acquisition and greenfield investment. The reasons for this contradiction is because these studies explored different theoretical lenses, explored various categories of experiences (e.g. international experience, host country experience, acquisition experience and greenfield experience)(Slangen & Hennart, 2007). While the experience gained from several years of international business operations (international experience) might be relevant for developing effective capabilities to respond to institutional pressures. It is argued that on one hand, some experiential knowledge is not transferable and on the other hand, host country capability is the context specific experience that provides firms with adequate knowledge in dealing with host country institutional pressures.

Host country capability is defined as capabilities derived from knowledge MNEs acquire by doing business in a particular country through the ongoing business operations in a particular host country (modified from Chetty et al. 2006; Slangen & Hennart 2008a). This involves having a subsidiary in the host country or an established joint venture or partial acquisition in the host country. Some authors such as Chetty et al. (2006), Slangen and Hennart (2008a) and Chen (2008) define such capability as host country experience based on the number of years of doing business in the host country (e.g. subsidiary). In this dissertation, it is argued that host country experience enables the parent MNE to develop its operational capabilities in the host country through learning and innovation. Unlike the assumption of Chetty et al. (2006), institutional knowledge is rarely transferable especially in emerging economies. As a result, institutional knowledge should also be country specific. Learning in such host country could include host country institutional knowledge (Eriksson et al. 1997; Puck et al. 2009) and knowledge of an ongoing business in the host country (Chetty et al. 2006; Puck et al. 2009). They are country specific (Mu, Gnyawali & Hatfield 2007; Mudambi, Mudambi & Navarra 2007; Michailova & Zhan 2014) and contributes to the overall operational capabilities of the firm (Vahlne & Johanson 2013). Such capabilities cannot be acquired via exporting operations (Marinova, Marinov & Yaprak 2004), consequently, it is necessary that such host country knowledge be referred to as host country capabilities rather than experiences that might be duration specific (e.g. business partner relationships, etc.).

The acquisition of host country capability requires an ongoing operation in a specific host country in order to gain greater familiarity of the local competitor, intimate knowledge of the market (Marinova et al. 2004). The acquisition of host country capability ensures legitimacy aimed at averting consumer discrimination in favor of local providers (ibid). Host country capability develops a firm's institutional knowledge. Institutional knowledge is the perceived knowledge of business, currency laws, financial practices, and business culture (Chetty et al. 2006). It is used to understand both the formal and informal institutional differences between countries (ibid). It consists of knowledge about the laws, norms and governance standards and structures in specific countries (Eriksson et al. 1997).

What differentiate host country capability and other forms of experiences in previous literature (e.g., acquisition experience, international experience, host country experience) is that it is not limited to host country experience. It includes capabilities derived from an ongoing business in the form of signing a contract with a new distributor or agent in the host country (Chetty et al. 2006: 700). It includes capability needed to expand the business considerably with an existing customer in the host country; doing business with one or more new customers within the existing market and entering new country markets with existing customers (ibid). These experiences results into knowledge opportunities (Johanson & Vahlne 2009). Other experiences referred in the IB literature are born in disaggregate measures. They are expressed in the form of internationalization experience, and general business experience conveyed in the number of years of doing business in a particular country. These are no host country capability as defined in this dissertation. For example, having a non-operational subsidiary in a host country or tax heaven subsidiary does not constitute host country capability.

It is believed that MNEs that do possess host country capability will opt for full acquisition while MNEs that do not possess host country capability will opt for partial and staged acquisition at the time of market entry. Firms that possess host country capability are acquainted with the cultural knowledge of the host country and how to do business in the host country. They also possess the institutional knowledge and have developed operational capabilities on how to effectively manage and create new business opportunities in the host country. Conversely, in the absence of host country capability, firms would opt for partial and staged acquisition as both strategies provides them foothold strategy to learn and develop necessary competencies needed to operate and successfully do business in the host country.

Conclusively, this section shows that firms do not remain passive to formal and informal institutional constraints during the time of entry. Firms respond to these institutions with host country capability and experiences gained from ongoing business with a particular business target (target-specific experience).

3.1.3 Entry Motives, Institutions, and Acquisition Strategies

This section establishes how the motives of market entry interact with host country institutional environment in predicting MNE choice for partial, staged and full acquisition. Thus, institutional theory and motives of FDIs (Dunning 1993; 1998) will be integrated into this section.

The motives of entering a foreign market should play a fundamental role in the strategic entry mode choice chosen by the MNEs. Several studies have advanced our knowledge on the specific role of entry motives in the entry mode choice of MNEs in foreign market (e.g. Sanchez-Peinado et al. 2007; Chen 2008; Tahir & Larimo 2006; Buckley et al. 2007). However, they have assumed that institutional factors exert same pressures on all entry motives of MNEs in foreign markets. Institutional factors do not exert equal amount of pressures on all market entry motives. By integrating OLI paradigm and institutional theory, it is shown that certain forms of acquisition strategies are preferable in a particular institutional environment at the time of market entry.

Dunning and Lundan (2008) provide a perspective on how to integrate OLI paradigm with the institutional environment. However, their perspective focuses on certain home country advantages (Oa-Ownership-asset advantage and Oi-Ownership-institutional advantage) MNEs develop due to how they are embedded in their home country. It also focuses on how national level institutions are shaped by the activities of both indigenous firms and foreign-owned MNEs. This is also similar to the argument of comparative institutionalism that MNEs innovations are hinged on their embeddedness in home country systems of economic coordination, education systems, financial systems and market relations (Hotho & Pedersen 2012: 247).

In this section, the focus is on how host country institutions impact the strategic motives and corresponding acquisition strategies of parent MNE in host countries. While comparative differences in institutions will give rise to differences in MNEs capabilities and responses leading to variation in entry mode choices used by different countries when entering foreign market (Hotho & Pedersen 2012: 247). However, such studies will require evolutionary studies linking how organizations internally generated and externally imposed incentives such as regulations and norms, affect all areas of managerial decision-making. Furthermore, data for such studies are rarely available. For this reason, macro-level institutional environment (the institutional-based view of international business) is sought for in exploring the relationships between entry motives, institutional environment and the acquisition choice of MNEs in foreign markets.

Section 2.2 discussed the formal and informal aspects of the institutional environment. Section 2.1.2 discussed the motives of FDIs. This section integrates Sections 2.2 and 2.2.1. However, the impact of entry motives on the formal regulatory environment will be neglected, because regulatory pressures are coercive and irrespective of the motives, MNEs will have to conform to the regulatory restrictions. Additionally, failure to comply with regulatory restriction would lead to denial of acquisition entry. Thus, this section will focus on how regulatory transparency, failure in formal institutions and informal institutional constraints interacts with entry motives in influencing the acquisition strategies.

As discussed in Section 2.1.2, Dunning (1993; 1998) proposes four different motives for foreign market entry (market-seeking, efficiency-seeking, resource-seeking, and strategic asset-seeking motives). In this section, it is argued that the various motives of foreign market entry respond differently to the host country institutional environment (i.e. regulatory transparency, failure in formal institutions and informal institutional constraints).

Acquisition aimed at market-seeking motives entails that the acquired firm is involved in major value chain activities such as procurement, production, marketing and sales (Dunning 1993; 1998). Market-seeking motives aim at entering and serving the local markets, improve market position in the domestic market, acquire marketing skills and marketing management expertise and gain access to adjacent markets (Marinova, Marinov & Yaprak 2004). Such acquired firms will require local responsiveness by adapting their goods to the needs and tastes of the local customers (Dunning 1993). To achieve local responsiveness, the acquired firms are required to strongly adapt within their local environment by maintaining stakeholder relationships such as close ties with their customers, participate in local networks to obtain local market knowledge and access to distribution networks (Slangen & Beugelsdijk 2010). Furthermore, such acquired firms will need access to institutions required for firm survival and legitimacy (Meyer & Rowan 1977).

Multinationals from developed economies entering host countries characterized by non-transparent regulatory institutions, political risks and institutionalized corruption are expected to need local ownership in the form of equity stake in market-seeking acquisitions in order to survive and gain legitimacy. Allowing for local ownership would provide the MNEs powerful access to governmental institutions and an ability to have people within the organization to deal with regulatory institutions and political risks of host countries. Local ownership also provides the firm with access to complex institutional networks needed for firm survival. Thus, firms with market-seeking motives entering host countries with non-transparent regulatory institutions, political risks, and institutionalized corruption will prefer partial and staged acquisition than full acquisition.

Resource-seeking acquisitions are aimed at gaining access to/or to acquire specific resources in the host country at relatively lower cost levels compared to their home countries (Dunning 1993; Filippov 2010: 314). It includes access to raw materials and agricultural products, access to cheap and semi-skilled labor, and access to technological capacity, management or marketing expertise and organizational skills in more advantageous conditions (Dunning 1993). Recently, access to management and marketing expertise, organizational skills, and technological capacity are considered specifically as strategic asset-seeking motives and will be considered as such in this study. The latter are resources that are embedded in the local environment and would require greater interaction with the host countries for MNEs to exploit these resources effectively. For example, natural resources are controlled by state-owned firms in most countries. Most acquisitions aimed at exploiting natural resources are acquired via privatization of the state-owned firms.

According to Uhlenbruck and Castro (1998: 627), host governments do not give up their ownership entirely in resource-seeking acquisitions; rather they want to retain control of these resources. Both when they give up their ownership partially or fully, the terms of the purchasing agreement may go far beyond the sales price. For example, it may come with political clauses such as protection of employment of nationals, regional development, limitation on liquidating the business, insisting that the management team be staffed with nationals, and limitations on the number of lay-offs. (ibid) Governments also provide direct means for the survival of these acquisitions through securing financing, guaranteeing government procurement, allowing tax breaks, restricting imports and limiting new entry (ibid).

Thus far, it is pertinent to argue that host country institutions interact strongly in resource-seeking acquisitions. On one hand, governments have a strong interest in resource-seeking FDIs. On the other hand, governments provide the necessary policy, network and protection for such acquisition to survive. Consequently, the government can provide the needed knowledge and assistance in dealing with political risks and institutionalized corruption in the host countries. MNEs entering such market will prefer partial and staged acquisition rather than full acquisition because giving host government a stake will serve as a powerful resource to MNEs in dealing with regulatory institutions and political risks of host countries.

Acquisitions aimed at efficiency-seeking motives aims at increasing a firm's efficiency by exploiting the benefits of economies of scale and scope, or common ownership (Dunning 1993). Efficiency-seeking FDIs have been suggested to take place sequentially after firms have undergone market-seeking and resource-seeking FDIs (Dunning 1993). Efficiency-seeking acquisitions are also aimed at diversifying activities between two countries or regions with contrasting factor endowment. For example, when multinationals locate information and value adding activities in developed locations while labor intensive and natural resource operations are located in developing locations to take advantage of the difference in factor endowments. Efficiency-seeking acquisitions could be in the form of market-seeking or resource-seeking acquisition but the holistic motivation underlying such acquisition is to increase a firm's efficiency by exploiting the benefits of economies of scale and scope, or common ownership. (ibid) Such acquisitions require tight integration to achieve the sole aim of the economies of scale and scope. The aim of tightly integrating such subsidiaries is to ensure extensive sharing of all type of resources and the adoption of parent firm organizational processes while increasing synergistic benefits (Pablo 1994). Most efficiency-seeking FDIs take place in host countries that are open and have well-developed infrastructures and are located in regionally integrated markets (Dunning 1993: 59).

The institutional environment should have greater interactions with efficiency-seeking acquisitions. The need to integrate such subsidiary tightly to achieve economies of scale and scope drives such acquisitions to take place in developed country institutions. Tightly integrating acquired subsidiaries is more feasible for fully acquired subsidiaries than partially acquired subsidiaries. Developed country institutions have well-developed infrastructures and stable political and transparent institutions. In summary, efficiency-seeking acquisitions are more likely to be full acquisitions in countries characterize with non-failure in formal institutions and transparent regulatory institutions.

Strategic asset-seeking motives are aimed at protecting or increasing a firm's core competence (Dunning 2001). Strategic asset-seeking motives is the most significant changes in the motives of FDI's over the last two decades (Dunning 1998) as firms are seeking ways to procure capabilities needed for competitive advantage. Examples of strategic asset-seeking acquisitions are acquisitions aimed at acquiring specific technologies, marketing, and management expertise. Strategic asset-seeking acquisitions also include acquisitions aimed at intra-firm sourcing, i.e., an acquisition aimed at sourcing and procuring major components and products.

Most strategic asset-seeking FDIs take place in developed economies (Makino, Lau & Yeh 2002) because advanced strategic assets and sophisticated customer segments tend to be spatially concentrated in developed economies (Dunning 1998). Developed economies have established transparent regulatory institutions; stable political environment and supporting institutions that govern the rules of business thus reduce the bottlenecks and need for a local stake in foreign acquisitions. Developed economies also have less intervention in multinational operations compared to the level of intervention in less developed and developing economies (Poynter 1985). Consequently, it is likely that strategic asset-seeking acquisitions should have less institutional interaction with host country formal institutions and firms seeking for such acquisition will have a greater preference for a full acquisition than partial and staged acquisition.

Based on the above discussion, the following summary can be drawn from the interaction of entry motives on non-transparent regulatory institutions, high political risks and institutionalized corruption in predicting acquisition entry. Multinationals from developed economies entering host countries characterize by non-transparent regulatory institutions, high political risks, and institutionalized corruption will prefer partial acquisition and staged acquisition than full acquisition for market-seeking and resource-seeking motives. More so, multinationals from developed economies entering host countries characterize by transparent regulatory institutions, stable political environment, and less corruption will have preference for full acquisition than partial and staged acquisition for Strategic asset-seeking and Efficiency-seeking motives.

Contractual difficulties are one way in which informal institutional environment of host countries manifests themselves in decisions regarding acquisition strategies at the time of entry (Jakobsen 2008; McDevitt 2006). Consumer ethnocentrism (Mummendey, Klink & Brown 2001; Ayub & Jehn 2006) is another form in which informal institutional environment manifest especially with regards to market-seeking and resource-seeking motives.

Market-seeking and resource-seeking acquisitions are independent of their parent MNEs and thus require less integration because they are embedded in their local environment (Slangen & Beugelsdijk 2010). The need to avoid consumer ethnocentrism will prompt MNEs to retain local partner to enhance local responsiveness. This will lead to a preference for partial acquisition rather than staged or full acquisition for market-seeking acquisitions in a highly informal institutional environment. Resource-seeking acquisitions are mostly aimed at securing raw materials. Such raw materials are embedded in host countries and have interactions with the host country institutions. Consumers could also exercise ethnocentrism due to fear of foreign country resource exploitation (Moeller, Harvey, Griffith & Richey 2013). To gain legitimacy and survival, it is expected that parent MNE will opt for partial acquisition in an informal institutional distance environment just to enable the efficient flow of raw materials to the parent MNE. Thus, firms investing in resource-seeking acquisition will more likely opt for partial acquisition rather than staged or full acquisition.

Unlike market-seeking and resource-seeking acquisitions, strategic asset-seeking and efficiency-seeking will require tight integration to gain access to knowledge and competencies as well as to achieve economies of scale and scope. Most efficiency-seeking investment takes place in developed countries, and such countries share close informal institutional environment. Also, strategic asset-seeking investment is not strongly embedded in the local institutions, firms entering with such motives will opt for full acquisition rather than partial or staged acquisition.

Based on the discussion above, it can be summarized that multinationals from developed economies entering informal institutional distance countries would prefer full acquisition over partial and staged acquisition for Strategic asset-seeking and Efficiency-seeking acquisitions. Multinationals from developed economies entering informal institutional distant countries would prefer partial acquisition over staged and full acquisition for resource-seeking and market-seeking FDIs.

3.2 Determinants of Equity Changes in Acquisition

The section integrates internationalization process theory (Johanson & Vahlne 1977; 2009) and institutional-based view of International Business (Peng 2002; 2003; Peng & Khoury 2009; Arslan 2011; Arslan & Larimo 2011) to discuss the determinants of increasing and decreasing equity commitment decisions of MNE's at post-acquisition entry.

The discussion below will center on the role of partial acquisition at the time of market entry as a precursor to changes in equity stake when the acquiring MNE have (1) build trust, (2) gained market knowledge and host country capability and, (3) have also gained knowledge of target firm assets. Also, the discussion below will also discuss the role of attractive market conditions and subsequent changes in formal institutions as determinants of changes in equity stake.

Drawing from internationalization process theory (Johanson and Vahlne 2009), mutual relationships commitment with firms and their partner firm's network builds a firm knowledge and opportunities (Knowledge Opportunities). Partial acquisition serves as a platform (state variable) where knowledge, trust, and commitment can develop that leads into later commitment decision. MNEs without previous relationship with a target firm may seek for partial acquisition due to information asymmetry faced by parent firms (Folta 1998; Tong, Alessandri, Reuer & Chintakananda 2008; Chari & Chang 2009; Xu et al. 2010) as a result of differences in financial institution that govern financial transparency and disclosure (Balakrishnan & Koza 1993; Whittington 2000; Zhou et al. 2007) that makes assets valuation costly. Chen and Hennart (2004) argued that parent firms confronted with these challenges opt for partial acquisition as a means to build reciprocity or a "hostage" into acquisition contracts, something that the seller would want to avoid if the underlying assets of the firm are a "lemon". Entering foreign markets via partial acquisition can serve as a foothold strategy. The outcomes of learning from the partial commitment will determine the next commitment decisions that will be embarked upon by the acquiring firm. During the foothold strategy (partial acquisition), the acquiring firm can gain valuable knowledge about the market (market knowledge), specifically, knowledge of formal and informal institutions of the host country (institutional knowledge) and knowledge of the acquired target assets (target-specific knowledge).

Trust and commitment between the acquiring firm and the partially acquired target should be an antecedent to knowledge sharing and thus the performance of the alliance relationship (Das & Teng 1998; Yuliani & Vanessa 2007; Ali 2013). It is believed that increasing levels of trust or commitments to the relationship between the parent firm and partially acquired firm should enhance the tendency of the acquiring MNE to increase their equity commitments in the partially acquired targets. In contrary, the failure of both parties to develop a mutual trust and commitment to their relationship may hinder knowledge sharing and knowledge opportunities. Empirical evidence suggests that the lack of knowledge sharing and trust between strategic partners has a positive impact on the survival of alliance relationship (Fryxell, Dooley & Vryza 2002). Thus, in the absence of knowledge opportunities or trust, parent MNEs will otherwise decrease their commitment to the target firm.

Furthermore, MNEs will change their equity stake in partially acquired subsidiary when they have gained more knowledge about the target firm business assets. Empirical evidence suggest that MNEs that do not possess sufficient knowledge of the value of the target firm assets and business are more likely to opt for partial acquisition at the time of market entry, especially in technology acquisitions (Folta 1998; Folta & Miller 2002; Ransbotham & Mitra 2010). These studies argue that MNEs opted for partial acquisition as a waiting period to enable the parent MNE to gain target-specific knowledge and market knowledge. During this period, the acquiring MNE becomes an insider, thereby enabling them to gather information on the target and target technology. This gives them information advantage over outsiders when subsequently buying out the target (Folta 1998; Folta & Miller 2002; Ransbotham & Mitra 2010). Dapena and Fidalgo (2003) argue that partial acquisition is a waiting option that gives the parent MNE an opportunity to learn more about the firm and to have a more accurate view of its true nature and value to be created. It is expected that as the acquiring MNE gain more knowledge about the target firm business processes, technologies and feasibility of such technology, they will increase their equity commitments. This enables them to take advantage of the business potentials and to control the application and economic benefits that should accrue from them. (ibid)

In addition to learning about the target assets, partial acquisition also gives the parent MNE a means to acquire host country capability before making full acquisition. During the partial stake, the parent MNE can gain institutional knowledge that provides the MNE knowledge on how to deal with challenges arising from restrictive M&A laws, non-transparent institutions, institutionalized corruption and political risks of host countries. Empirical evidence suggests that MNEs use subsidiary's relations and networks for learning ownership regulations which in turn facilitates post-entry mode change (Ye 2012). Empirical evidence also suggests that partial equity could provide a platform for host country political strategy response such as developing political strategies in host countries (Boddewyn & Brewer 1994; Schuler 1996). It could also be a platform for shaping government policy (Lord 2000) through financial incentive (e.g., hiring individuals with government experience, providing contributions to government), constituency building (e.g., approaching government, mobilizing grassroots), and information strategy (e.g., lobbying, testifying before government bodies, commissioning think tanks) (Hillman 2003). More so, gaining host country capability enable the

MNE to know how best to deal with host country institutions or even profiting from institutional pressures (Frynas & Mellahi 2003) and the likelihood to increase their investment commitments even in corrupt emerging countries (La Porta et al. 1999; Anand, Ashforth, & Joshi 2005; Rodriguez et al. 2005).

In addition to the above discussions, the attractiveness of the host market should enhance MNEs option to increase their equity stake. Magnusson (2007) found support that the desire of MNEs to succeed in important markets drives firms to increases their equity stake in acquired foreign subsidiaries especially when the market is attractive. Song (2014) found that MNEs exit the market when the market becomes unfavorable. When markets are attractive, there is a tendency of MNEs to invest and commit more resources to exploit the inherent market opportunities (Magnusson 2007; Puck et al. 2009; Song 2014). Thus, the attractiveness of the host country markets should more than less likely, enhance the interest of the MNEs to increase their equity commitments in acquired foreign subsidiary.

Whereas, several existing institutional theory-based studies assumes that host country institutions remain static as firms develop strategies to cope with these institutions (e.g., North 1990; Porter 1990; Khanna & Palepu 1997; La Porta, Lopez-de-Silanes, Shleifer & Vishny 2000; Aguilera & Jackson 2003; Peng, Wang & Jiang 2008). It is argued that institutions do not remain static because they change over time (Greenwood & Hinings 1996; Hoffman 1999; Newman 2000; Peng 2003; Thornton 2002; Kim, Kim & Hoskisson 2010). Specifically, the focus is on changes in formal institutions because changes in informal institutions take a very long time (Dikova & Van Witteloostuijn 2007).

Several empirical studies have documented changes in institutions and the resultant changes in MNEs strategies. In Central and Eastern Europe, empirical studies have documented changes in ownership stake and equity stake as a result of changes in formal institutional environment (See Marinov, Cox, Hooley & Marinova 1997; Larimo 2001). Changes in formal institutional environment (regulatory restriction, transparency of regulatory institutions and failure in formal institutions) can trigger changes in commitment decisions. Host countries can remove regulatory restrictions and develop better transparent regulatory institutions and stability in their democratic process over time. Several countries in Central and Eastern Europe after liberalization and accession into the European Union are key examples of states where improvement in these institutions lead to increased foreign commitments (Gelbuda, Meyer & Delious 2008). Relieving regulatory restrictions on foreign ownership increase the preference for acquiring MNE to increase their equity stake in acquisition. Similarly, legislation allowing institutional owners as dominant blockholders may be relieved making it possible for parent

MNE to opt for increased equity in partially acquired targets. The reason why parent firms would want to increase their equity stake as a result of changes in institutional environment is because majority ownership provides the parent MNE's ability to have control over the composition of the board of directors to enhance decision making for the MNE. It has also been suggested that evolving ownership stake to majority ownership is positively associated with subsidiary survival and longevity (Blodgett 1992; Dhanaraj & Beamish 2004).

In contrast to the previous discussion, it is also possible for MNEs to decrease their commitment or even divest their investment when host countries become hostile and unattractive. The host country may be aggressive to foreign investors, and the government may be allured by powerful local politicians to nationalize investments (Gao 2009). Parent MNE may be unable to negotiate successfully with shareholders unwilling to sell their ownership stake and over time the actualization of their motives may not be achieved and thus managers may be willing to divest or reduce commitments. Knowledge about the host country market may turn out not to be attractive as initially conceived by the parent MNEs during the partial equity stake at the time of market entry. While in an attractive market, the potential for success is favorable, in an unattractive market as previously misconceived; the potential for failure is doomed (Magnusson 2007; Song 2014).

In summary, host country capability, trust and relationship commitments, the attractiveness of the market and changes in formal institutional environment should increase the likelihood that parent MNEs will increase their equity stake in acquired foreign subsidiaries. Furthermore, increasing foreign ownership restrictions and the unattractiveness of the foreign market would increase the likelihood that parent MNEs will decrease their equity stake in acquired subsidiaries.

4 DIFFERENTIAL RETURNS TO PARTIAL, STAGED AND FULL ACQUISITION

This section integrates the literature on the performance of acquisition with constructs from theories explored to develop constructs that will be used in the empirical section on returns to partial, staged and full acquirers. This chapter concludes with a section (Section 4.4) discussing the summary of discussions on determinants of acquisition entry strategies, changes in equity stake and differential performance returns to partial, staged and full acquisition.

4.1 The Role of Institutions: Returns to Partial and Full Acquisition

This section discusses how returns to partial acquirers can be different to returns on full acquisition. While it does not intend to quantify the performance returns, it shows that with certain acquisition entry strategies firms can achieve their initial motivation in different institutional context. Thus, this section discusses the impact of regulatory institutions, regulatory transparency and failed institutions on the performance of partial and full acquisitions.

Formal institutions can influence the performance of acquisition strategies through regulatory pressures of host countries, transparency of regulatory institutions and failure in formal institutions precipitating political risk and corruption. While these set of formal institutional pressures can influence firms strategic choice at entry, their continual existence or introduction of new forms can determine how firms reap the benefits of their investment. The literature have documented several forms of regulatory pressures that influence performance of firms. They include public equity market regulations (Chacar et al. 2010); corporate governance regulations (Reddy et al. 2010; Chacar et al. 2010); antitrust regulations (Chacar et al. 2010; Brito et al. 2013); product market regulation (Chacar et al. 2010), industry-specific regulations (Ramanathan et al. 2010; Doran & Ryan 2012; Feres & Reynaud 2012); labor market regulations (Chacar et al. 2010); and other regulatory laws making it difficult or more expensive for foreign acquirers to get domestic credit than domestic acquirers (Moskalev 2010).

Regulations for public equity market and market for corporate control form part of regulatory jurisdictions of host country financial institutions that govern how corporations determine the sources of their finances and relationship between shareholders and management of the corporations. While corporate control regulations aim at reducing principal-agency problems, the market for corporate control serves as sources of finances for the organization through public offerings (Chacar et al. 2010). It also provides avenues for organizations to monitor and acquire well-performing firms and for shareholders to replace non-performing managers. It is believed that developed markets will have developed corporate control market that sets the “rules of game” on the principal-agency relationship and sources of firm’s finances. (ibid)

Chacar et al. (2010) showed that developed corporate control market has a positive effect on firm performance persistence because it gives MNEs ability to acquire well-performing firms and smaller competitive players in the industry. Reddy et al. (2010) showed that firms that adopted the New Zealand securities commission recommendations on average, had a positive influence in firms Tobin’s Q, ratio of market value to book value of assets (MB) and return on asset (ROA). The recommendation includes establishing subcommittees for audit and remuneration and having a majority of non-executive/independent directors on the board of seven members.

There is empirical support that the presence of external governance provisions (i.e., regulations on board structure allowing more outside independent directors of a company) has a positive impact on firms’ performance (e.g., Gompers et al. 2003; Lin 2011). Other studies have shown that certain reforms on corporate governance had a positive impact on firm performance. For example, Brown and Caylor (2009) showed that exchange reforms allowing board guidelines in each proxy statement is associated with a higher Tobin’s Q. Brown and Caylor (2009) showed that corporate governance regulations ensuring that no former CEO serves on board; nonemployees do not participate in company pension plans; CEO serves on no more than two boards of other public companies; and auditors were ratified at the most recent annual meeting has an influence on firms performance.

Some studies have focused on industry-specific formal regulations (e.g., Ramanathan, Black, Nath & Muyldermans 2010; Doran & Ryan 2012; Feres & Reynaud 2012). Industry-specific regulations are regulations aimed at a specific industry for example regulations on emissions/pollutions. Feres and Reynaud (2012) showed that formal regulations regulating the environmental pollution on firms in the Brazilian market increased the environmental performance of firms. Ramanathan et al. (2010) showed that environmental regulations in the UK negatively influence innovation performance in the short run. Doran and Ryan (2012) showed that environmental regulations explain a firm's decision to engage in eco-innovation and eco-innovation determines a firm's performance (turnover per worker).

Chacar et al. (2010) showed that product liability laws (a product market institution) has a positive influence on firms performance persistence. They argued that product liability laws increase the cost of new product introduction which tends to be higher for new market entrants. This cost decreases the rate of new product introduction for new firms and thus less product competition for existing players leading to firm performance persistence. They also found that stronger antitrust regulation (a form of product market institution) decreases firm performance persistence because it compels firms to compete based on product attributes. It also encourages freer new market entrants and thus increases competitive intensity and thus decrease performance persistence. (ibid)

Thus far, regulatory institutions of host countries influence firm's performance. MNEs whose home country regulatory institutions are very similar to that of the host country targets will incur less cost. This is because they can export home country knowledge about policy and regulatory institutions (McGahan & Victer 2010). This reduces the liability of foreignness and the cost of doing business abroad (Eden & Miller 2004). It also reduces the liability of home and in turn reduces the cost of adaptation of business practices in the legal context (Steven & Shenkar 2012). As a consequence, MNEs that opt for the choice of full acquisition can take full benefits of this similarity (product liability laws, public equity market, industry specific laws, and labor market regulations) in regulatory institutions to maximize their synergies related benefits and performance outcomes.

More so, it is been argued that home country institutions define high performing firms within its institutional context (Volberda, Weerdt, Verwaal, Stienstra & Verdu 2012). As a result, MNEs whose home country institutions are similar to target host countries have experiential knowledge on what strategic choices within an institutional context define high-performing firms. With full acquisition, parent MNEs can export such knowledge successfully at ease without interference from local owners. On the contrarily, with partial acquisition, the total transfer of all management knowledge and know-how from parent MNEs is highly unattainable and as such, parent MNEs are unable to maximize their synergistic benefits.

Based on the aforementioned discussion, it can be summarized that firms that opt for full acquisition will achieve their strategic motives than those that opt for partial acquisition the more similar the regulatory institutions of parent MNE home country and acquired target host country. In contrast, Firms that opt for partial acquisition will perform better than those that opt for full acquisition the larger the dissimilarity in regulatory institutions of the MNE home country and acquired target host country.

Similar to the argument above, a parent MNE from a more transparent home country entering transparent host countries will incur less agency cost or contracting cost in conducting acquisitions because transactions will be governed by the same "rules of game" familiar with the parent MNEs. Transparent regulatory institutions will promote transparent regulatory practices such as product market laws, labor market laws, industry-specific regulations, corporate governance practice, disclosure and accounting practices in financial reports.

Extant literature has shown that countries with transparent regulatory institutions have better protection of minority shareholders and likelihood that foreign investors tend to acquire more equity in target firms (Moskalev 2010). Foreign firms entering such host countries will obtain same regulatory information as domestic firms thus enabling a fair playing environment (Chacar et al. 2010) for companies to compete based on product attributes. Transparency in Regulatory institutions have been shown to increase the economic and financial performance of firms (Bijalwan & Madan 2013) because it strengthens a country ability to attract new business and decreases the cost of investing and transaction cost (cost of making ad hoc payment to acquire information from institutions). It is assumed that entering such host countries with full acquisition than partial acquisition will optimize the high cost of integration of assets and low transactions cost of doing business, in turn leading to maximization of investments and efficient use of scarce resources.

On the contrarily, non-transparent regulatory institutions have been attributed to performance failures because of regulatory agencies ineptitude in enforcing legislation in punishing offenders and protecting minority shareholders (Mohamad 2002). MNEs from advanced economies entering host countries with non-transparent regulatory institutions will incur an additional cost of investment due to lack of knowledge of host country institutions. The ineffectiveness of such regulatory frameworks makes parent MNEs more vulnerable to institutional constraints of host countries than domestic firms. As domestic firms may have resources and capabilities more tailored to local markets and institutions, they can capitalize on the liability of foreignness of parent MNE to exploit the product marketplace leading to parent MNE performance failure.

Studies have shown a positive relationship between non-transparent regulatory institutions and the choice for partial acquisition (Folta 1998; Folta & Miller 2002; Garner et al. 2002; McGrath & Nerkar 2004; Zhou et al. 2007; Brouthers et al. 2008; Xu et al. 2010). These studies argue that non-transparent regulatory institutions increases information asymmetry. Zhou et al. (2007) found support that stock market reacts more favorably to partial acquisition than to full acquisition based on the quality of the target nation's information institution. It is assumed that partial acquisition will perform better than full acquisition in non-transparent regulatory environment. This is because allowing for local ownership will provide the MNEs powerful access to governmental institutions and an ability to have people within the organization to deal with non-transparent regulatory institutions of host countries.

As argued previously, firms would opt for low control entry modes such as partial acquisition in high political risks institutions (Brouthers 1995; Smarzynska & Wei 2002; Lopez-Duarte & Garcia-Canal 2004; Demirbag et al. 2007; Driffield et al. 2010), because political risks and undemocratic rule is not a favorable business environment for foreign MNEs due to policy instability and governance instability. It was further argued that such investment climate does not safeguard the invested capital of MNEs (Samimi, Monfared, Moghaddasi & Azizi 2011). With regards to corruption, it was argued that MNEs from advanced economies that opt for full acquisition when entering host countries characterized by perceived high corruption will incur substantial cost of developing knowledge of how to work with corrupt governments. Due to the liability of home (Morgan 2012) in dealing with corrupt practices, they will perceive the bribing of politicians as unethical. Domestic players may engage in bribing to overcome various redundant administrative and regulatory obstacles giving them a competitive edge over the foreign firms in exploiting the product marketplace.

There is documented evidence that in high corrupt society MNEs indulging in corrupt practices performs better than those that do not (Francis et al. 2009; Brockman et al. 2013). This is expecially true for MNEs from relatively similar corrupt countries and inevitably do not face the challenges of liability of home and duality of institutional pressures (Morgan 2012). Liability of home and duality of institutional pressures originates from pressures of conformity from the variety of institutional pressures of home and host countries (ibid). MNEs from less corrupt and political stable countries entering high corrupt countries will exhibit post-merger long-term performance failure compared to their peers that are politically connected to host country institutions (Steven & Shenkar 2012). It is expected that full acquisition will achieve poorly under this circumstance. In contrarily, entering via partial acquisition will give the MNEs local partners with local knowledge of host country institutions and how to respond to corrupt practices and institutional constraints of host countries. Mobarak and Purbasari (2006) found strong evidence that in joint venture schemes, MNEs are more likely to choose politically connected partners in Indonesia. This is because corruption, nepotism, and bribery are of first-order importance in Indonesia. As a result, politically connected firms can gain licenses to import raw materials than non-politically connected firms. (ibid)

Based on the discussion above, it can be summarized that MNEs that opt for full acquisition will achieve their strategic motives than those that opt for partial acquisition in a host country characterized by non-failure in formal institutions (political stability and less corruption). MNEs that opt for partial acquisition will perform better than those that opt for full acquisition in a host country characterized by failure in formal institutions (political instability and perceived high corruption).

4.2 Host Country Capability: Performance Returns to Partial and Full Acquisition

MNEs that possess host country capability have effective mechanisms and strategies to deal with non-transparent regulatory institutions and failed formal institutions (e.g., political risks). Ability to deal with such institutions is more likely to enhance their acquisition performance.

As argued previously, in the presence of non-transparent regulatory institution, it is expected that host countries would be incapable of enforcing legislation such as property rights, and copyright, patent and competition laws. It was further argued that MNEs entering such host countries with partial acquisition can achieve their strategic motives better than those that entered via full acquisition. This is because acquiring partially mitigates the risks arising from misrepresentation of the value of the target firm (Balakrishnan & Koza 1993; Whittington 2000; Zhou et al. 2007).

MNEs can develop certain host country capability to respond to non-transparent regulatory institutions and failure in formal institutions. Oliver (1991) suggests that firms can pacify, balance and bargain with the sources of institutional pressures that affect their business operations. Bruckman et al. (2013) showed that in countries with weak legal systems, MNEs political strategies (connected to institutions) is strongly corrected to post-merger performance because it provides the MNE ability to bribe politicians and regulatory institutions to overcome various redundant administrative and regulatory obstacles. Aklamanu (2014) found support that through the acquisition of experiential institutional knowledge, Finnish retailers in Russia responded to such institutional pressures by selecting the right environment in the host country to establish their operations, creating a new environment and cooperating with the environment.

Zhu and Qian (2014) showed that increasing host country acquisition experience of USA multinationals in countries with weak property rights protection (PRP) increases acquirers likelihood to gain value through acquisitions. According to them, increasing host country acquisition experience in host countries with weak property right protection increases their likelihood to effectively exploit local market opportunities through the acquired targets (Zhu & Qian 2014: 4) by strengthening the power of the parent MNEs and changing the power and dependence relationship between the parent MNE and acquired target (Zhu & Qian 2014: 9). Host country acquisition experience is a form of host country experience, and a means to acquire host country capability. Consequently, it is expected that firms that do possess host country capabilities that opt for the choice of full acquisition can achieve their strategic motives.

4.3 Towards a Motive Measure of Acquired Subsidiary Performance

One of the secondary contributions of this dissertation is to bridge the gap on measures of acquisition performance relationship by contributing to the call for motive-based performance measures (Verbeke et al. 2009; Meglio & Risberg 2010). This is because all subsidiaries are not established for financial returns and timing differences between setting up the subsidiary and assessing the financial performance may make financial measures not suitable for all studies (Anderson 1990; Glaister & Buckley 1998; Brouthers 2013). The performance of acquisitions is best captured by assessing acquiring firm achievement of initial motives of setting up the foreign subsidiary, herein referred to as "motive-based performance measure". The aim of this section is not to ignore financial measures. One would expect a positive relationship between the achievement of these motives and financial performance. However, the utmost goal is that the motive-based measure provides more robust evaluation of the performance of the foreign subsidiaries especially when there are subsidiaries of the sample firms whose motives cannot be easily computed financially (e.g., R&D affiliates & other capability procurements affiliates).

By motive-based performance measure, the aim is to explore the motives of acquisitions of multinationals based on Dunning's Paradigm (market-seeking, resource-seeking, efficiency-seeking and strategic asset-seeking motives). The aim of this section is to identify the initial motives of entering the foreign markets and access the acquisition performance based on the achievements of the initial motives of market entry.

Proponents of the motive-based performance measure could argue that the boundaries between the Dunning's motives of market entry are not so clear. For example, how separable are resource-seeking motives from strategic asset-seeking motives? Buckley et al. (2007) argued that strategic asset-seeking are a form of resource-seeking motives. While acknowledging that strategic asset-seeking is a form of resource-seeking, however, as Dunning, (2001: 183) put it *"The locational requirements of strategic asset-seeking FDI are different from those of natural resource, market or efficiency-seeking FDI, in as much as the former is attracted less by the need to reduce production costs, overcome trade barriers, and exploit economies of scale, but more by the presence of high-quality physical and human infrastructure and a favorable political and commercial ethos towards M&As and cooperative alliances"*. While it is also argued that firms can pursue a combination of motives, and the motives of FDI's can change. In other words, separating these motives into its distinctive forms may question its validity. I argue that the additional benefit of focusing on the primary motives outweighs the existing assumption that all firms combine all motives during acquisition as implied by assessing both financial and non-financial motivated acquisitions with financial measures. Further discussions will focus on how different motives of acquisitions should be measured.

Market-seeking firms are firms that seek market entry for the purpose of serving the market in that country. For such firms, increasing their market size, market share and hence financial profitability of the business will be at their foremost objective. Acquisitions aimed at market-seeking motives can be measured based on a combination of growth in market share and financial profitability. Literature has documented several market-seeking measures of performance. Market-seeking measures tend to concentrate on objective and subjective measures. While objective measures are measures that use secondary data sources such as accounting data, the subjective measures uses response from respondent based on their perception of the performance of acquisition in terms of market share, reputation, market access, marketing (Brouthers 2013) and sales growth (Datta 1991; Mishra 2006; Brouthers 2013)

Resource-seeking firms are motivated to invest overseas to gain access or acquire specific resources. These resources include physical resources used as raw materials and supply of cheap, unskilled and semi-skilled labor in more advantageous conditions (Dunning 1993). Examples of physical resources include agricultural products, mineral fuels, industry minerals, and metals. Most resource-seeking acquisitions take place in under-developed and developing economies as such economies are rich in natural resources and have the availability of unskilled and semi-skilled labor. (ibid) Resource-seeking acquisitions accounts for a moderate share of acquisitions in Central and Eastern Europe (Uhlenbruck 1997), Africa (Gerlach & Liu 2010) and Latin America (Fones & Butt-Philip 2011). Resource-seeking acquisitions are primarily undertaken to minimize production cost and secure sources of supply (Dunning 1993; 1998; Dadzie 2012). Resource-seeking acquisitions are primarily production-oriented and exports output to foreign parent and for local market needs. To access such resources in advantageous conditions, parent MNEs would need to transfer expertise knowledge and management capabilities to increase the productivity of the acquired firm. It is expected that such subsidiaries will experience an increase in productivity or productivity growth in post-acquisition. Sourcing performance (in terms of availability of critical raw materials, and price) and export growth should serve as a better proxy to access the performance of such acquisitions.

Efficiency-seeking motives are motives aimed at rationalizing production, distribution, and marketing activities through common governance of and synergy-building among geographically dispersed operations (Dunning 1993; Gorynia et al. 2007). According to Dunning (1993), the aim of efficiency-seeking FDI's is to take advantage of the differences in the cost of factor endowments and to achieve economies of scale and scope. Zhang and Yuk (1998) showed that export-oriented FDIs are efficiency-seeking FDIs. It is expected that post-acquisition export intensity or export growth of the acquired subsidiary can serve as a proxy for measuring the performance of efficiency-seeking acquisitions. Whereas, in resource-seeking acquisitions, exports are primarily focused on export to the parent MNE, efficiency-seeking acquisitions will involve exports to other subsidiaries and markets. In addition to exports, efficiency-seeking FDIs also involve cost savings as it primarily aims at gaining economies of scale and scope. One would expect cost synergies as one measure in accessing the performance of efficiency-seeking acquisitions.

Strategic asset-seeking motives are motives aimed at protecting and increasing a firm competitiveness or core competencies (Dunning 1993; Yang & Kang 2005). Strategic assets-seeking acquisitions are aimed to gain access to technology and specialized competencies that improve the competitive advantage of the firm (ibid). There are existing literature on technology acquisitions. These studies have accessed the performance of strategic seeking acquisitions (e.g technological acquisitions) based on; the number of new product development or product qualification aftermath of the acquisition (Ahuja & Katila 2001; Reus 2004; Puranam & Srikanth 2007); the number of patents granted to the acquiring firm aftermath of the acquisition (Hagedoorn & Duysters 2002; Cloodt et al. 2006); and R&D performance (Hitt et al. 1991; Cassiman, Colombo, Garrone & Veuglers 2005).

Table 3 below shows the performance measures according to the acquisition motives. It depicts why the different motive of acquisitions requires a distinctive way to capture the performance of acquisitions. These measures are further strengthened and validated in the empirical section.

Table 3. Motive Base Performance Measure

Motives of Acquisitions	Performance Measure
Market-Seeking Motives	• Market Share • Market Reputation • Market access • Sales growth
Efficiency-Seeking motives	• Export Growth • Cost Synergies
Resource-Seeking Motives	• Export Growth • Sourcing Savings (availability of critical raw materials & price savings
Strategic Asset-Seeking motives	• R&D Performance • Number of Patents • Number of New Product Lunch • Product Qualification to Market

4.4 Summary of Acquisition Strategies, Post Entry Changes, and Performance

Institutional theory and internationalization process theory are the two theories utilized in this dissertation. From the extended model of institutional-based view of international business, regulatory restrictions, transparency of regulatory institutions, failure in formal institutions, contractual difficulties were the construct developed for this study. Figure 12 depicts the conceptual framework of the study.

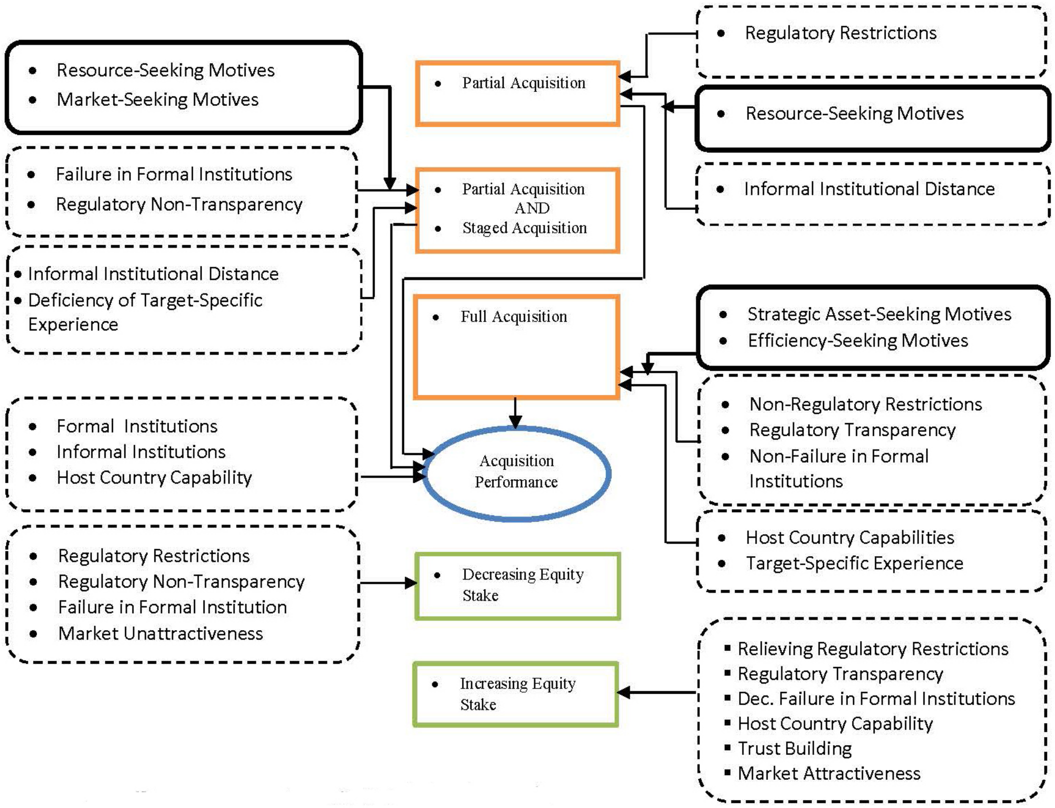

Figure 12. Conceptual framework for the study

From institutional theory, it was shown that institutions influence the investment decisions of firms (Xu & Shenkar 2002; Peng 2002; 2003; Dikova & Van Witteloostuijn 2007; Estrin et al. 2009; Peng & Khoury 2009; Arslan 2011; Arslan & Larimo 2011; Santangelo & Meyer 2011).

It was further argued that institutions do not exert an equal amount of pressures on all entry motives. By exploring the motives of foreign market entry based on OLI paradigm (Dunning 1993; 1998) that is, market-seeking, resource-seeking, efficiency-seeking and strategic asset-seeking, it was shown that the institutional impact on entry strategies varies depending on the motives of foreign market entry.

Furthermore, it was shown that institutional environments do not remain static but vary over time. As a result, equity or ownership stake in acquisition is a continuum and managers do exercise an option to increase their equity stake. Internationalization process theory (Johanson & Vahlne 1977; 2009) and institutional theory (Peng 2002; 2003; Peng & Khoury 2009; Arslan 2011; Arslan & Larimo 2011) was integrated to discuss the determinants of increasing and decreasing equity commitment decisions of MNE's in acquisitions at post-market entry.

Finally, it was shown that institutions influence the performance of acquired firms (Markides & Ittner 1994; Dhanaraj & Beamish 2004; Lopez-Duarte & Garcia-Canal 2007; Pattnaik & Choe 2007; Aybar & Ficici 2009; Brouthers 2013). It was argued that institutions should have an influence on returns to partial, staged and full acquisition. It was also shown that host country institutional environment and host country capability should confer differential performance returns on partial and full acquisition. Table 4 shows the summaries of predictions drawn from the literature.

Table 4. Summary of Literature: Acquisition Entry Strategies and Performance

1. Host country regulatory restrictions increase the likelihood of partial acquisition.
2. Non-transparent regulatory institutions and political risks increase the likelihood of partial and staged acquisition rather than full acquisition.
3. Firms that have target-specific experience will opt for staged and full acquisition and firms that have host country capability will opt for full acquisition. In contrarily, firms that are deficient in partner specific experience or host country experience will opt for partial and staged acquisition as means to gain market and host country institutional knowledge.
4. Multinationals from developed economies entering host countries characterize by non-transparent regulatory institutions, high political risks and institutionalized corruption will prefer partial acquisition and staged acquisition rather than full acquisition for market-seeking and resource-seeking acquisition.
5. Multinationals from developed economies entering host countries characterize by transparent regulatory institutions, stable political environment and less corruption will have preference for full acquisition rather than partial and staged acquisition for strategic asset-seeking and efficiency-seeking acquisition.
6. Multinationals from developed economies entering informal institutional distant countries are likely to opt for full acquisition over partial or staged acquisition for strategic and efficiency-seeking acquisition.
7. Multinationals from developed economies entering informal institutional distant countries are likely to opt for partial acquisition over staged or full acquisition for resource-seeking and market-seeking acquisition.
8. The gaining of host country capability, trust and relationship commitments will lead to increasing equity commitment in foreign market.
9. Market attractiveness will lead to increasingly equity commitment in foreign market.
10. Changes in formal institutional environments in terms of relieving foreign ownership restrictions, changes to transparent regulatory institutions and non-failure in formal institutions would increase the likelihood that parent MNES will increase their equity stake in acquired foreign subsidiaries.
11. Increasing foreign ownership restrictions and the unattractiveness of the foreign market would increase the likelihood that parent MNEs will decrease their equity stake in acquired subsidiaries.
12. Full acquisition performs better in transparent regulatory institutions, non-regulatory restrictive institutions and non-failure in formal institutions.
13. Partial acquisition performs better in non-transparent regulatory institutions, regulatory restrictive institutions and failure in formal institutions.
14. The acquisition of host country capability increases the likelihood that full acquirers are able to achieve their strategic motives in institutional distance host countries.

5 RESEARCH STRATEGY AND METHODS

This section discusses the research strategy, and method used. First, the philosophical assumption used when conducting the research is discussed. Second, this section discuss case study as a research strategy and how multiple case studies will be used in theory building for the dissertation. Finally, the data collection method, data analysis method and the interview process is discussed.

5.1 Philosophical Justification: Critical Realism

There are several philosophical stances to a research. Table 5 below shows five philosophical stance to research (combined from Guba & Lincoln 1994; Healy & Perry 2000; Torraco 2002; Stiles 2003; Easton 2010). From the description of the various philosophical stances and for the purposes of exploratory research into acquisition entry strategies and performance outcomes, realism stance was chosen for this dissertation project. The realism stance of this dissertation is specifically transcendental realist ontology referred by Easton (2010) as critical realism, herein referred to as realism.

Realist approach aims to explain and examine the underlying mechanism of a particular phenomenon (Easton 2010; Stiles 2003). Realist believes that people's subjective interpretation of the social world (phenomenology stance) and theoretical frameworks/extant research findings can be combined in order to determine the underlying mechanism that influences people's actions (Easton 2010). The reason for these combination is because the realist believes that there is a "real" world to discover even though it is only imperfectly understood (Guba & Lincoln 1994; Healy & Perry 2000; Easton 2010). Thus, in order to discover this real world, realist believes that people's subjective perception of the world provides a window on to a reality beyond those perceptions, through which a picture of reality can be triangulated with other perceptions (Healy & Perry 2000). This is distinct from the idealist/constructivist where people's subjective perception of the world represents the true world (Healy & Perry 2000).

Table 5. Philosophical Stance to Research

Positivism	**Empiricism**	**Realism**	**Phenomenology**	**Idealism (Constructivism)**
Epistemology: Positivism entails a philosophical approach to research where the researcher takes an isolated stance while undergoing the research using objective methodologies.	Same as Positivism	People understanding of the social world should influence their behavior. The bias in explanation of the world from people's subjective interpretation can be mediated through the use of theoretical frameworks to determine the underlying mechanism that influences people's actions.	Phenomenology entails a philosophical approach to research where the researcher believes that the world is socially constructed from the interpretation of people within it or the subjective interpretation of the information available.	Knowledge is created through understanding and explanation of how social experience is created and given meaning.
Methodology • Constructing a set of theoretical statements that are generalizable and reliable • Requires theoretical background to guide data collection • The use of questionnaires for data collection and analytical, statistical analysis such as, hypothesis testing, random sampling, etc.	• Does not require theoretical background to guide data collection (Data is not theory driven) • The use of questionnaires for data collection, and analytical statistical analysis.	• Reliance on the use of mixed methods, semi structured interviews, group observations supported by extant research • Use of case study research approach • In-depth interviews and focus groups methodologies with interview procedure • Interview questions comprise of a set of predetermined outside reality which the researcher is investigating	• Requires direct experimental contact with the subject under research • Do not focus on generalizability of findings • The use of qualitative approach (in-depth interviews, case studies, observations) to data collection and interpretation	• Requires theory to be developed from observation • It's the extreme form of Phenomenology • No outside reality is meant to intrude into the research • Example includes grounded theory (etc.)
Theoretical Approach Deductive	Deductive	Deductive & Inductive	Inductive	Inductive
Ontology: Objective	Objective	Objective	Subjective	Inter-subjective
Limitations: • It only refines and extends what is already known • Not suitable for social science phenomenon that reflects real life experiences	Same as positivism	Same as Phenomenology	• Unclear results & less precision than positivist approach • The research values and purpose can influence the outcome of the research	• It excludes real, economic and technological dimensions of business • Similar limitations as in phenomenology

Critical realist view reality as one that consist of empirical, actual and the real world (Alvesson & Sköldberg 2009). The empirical world includes those things we can observe. The actual world refers to those things that happen independently of the researcher. The real world includes those mechanisms that are productive of different events. Thus, the task of the researcher is to explore the real world and how it relates to the empirical and actual. While realist shares some similarity with positivist in the objective world (I.e., patterns & generalization and in finding causalities), it also differs from positivist. Realist focuses on the unobservable mechanisms disregarded by the positivist that explains the observable events positivist seek to explain (ibid). More so, the focus of causalities in critical realism differs from that of positivism. While critical realist view causality in terms of contextual and emergent, positivist view causality in terms of universally predictable pattern (ibid: 42).

Critical realism is an emergent philosophical stance, and it is still gaining recognition in the academic literature. However, researchers are often challenged on how to proceed with applying critical realism in their research methodology. The following section discusses several research methodologies on how to conduct a realist research.

The type of methodology does not significantly inform the philosophical stance of a researcher but how the methodology was used provides the distinction between paradigms that operates within the qualitative research.

In an attempt for generalization, realist can use structural equation modeling to model structures with complex independencies and multi-item scales (Healy & Perry 2000). This suggests that realism does span the use of both qualitative and quantitative methods in analyzing research data. Healy and Perry (2000) argues that because of the interest in extrinsic reality, realist can approach their methodology via in-depth interviews and focus groups methodologies (e.g. case study methodology) with well-articulated interview procedure. Realist researcher can also approach their methodology via instrumental case study research (Healy & Perry 2000). Instrumental case study research is a type of case study research where the case itself is secondary, and the focus of the study is likely to be known in advance and constructed around established theory or methods. The interest of the researcher, in this case, is to extend theory or identify patterns and themes and compare these with other cases (Grandy 2010).

The important aspect of applying critical realism in research is not the chosen methodology but the philosophical underpinning on how the methodology was applied. The methodologies discussed above are well-grounded methodologies already in existence before the emergence of critical realism. However, how the researcher can use the chosen methodology defines his critical realist stance. Realists go beyond the mere scope of extending theory or identify patterns and themes when using instrumental case study research. They go beyond the focus of analytical generalization as with Eisenhardt (1989) case study methodology. Realist focuses on ontological depth of reality, and they discard research approaches that focus on the surface (Alvesson & Sköldberg 2009: 43). Realist focuses on the unobservable mechanisms (constructs) (Alvesson & Sköldberg 2009: 43) and context (contextualized explanation) (Welch et al. 2011) that explains the observable phenomenon.

The current study approaches the critical realist stance using case study methodology. Critical realism has been argued to be suitable for case study methodology because it justifies the study of any situation (Easton 2010). Case study research method is also suitable for M&A research because of the complex causal, and the contextual and contemporary nature of acquisitions (Bengtsson and Larsson 2012). Case study research is chosen for this study to answer the "how and why" questions in a contemporary phenomenon such as M&A. Case study research provides a possibility to explain inductively other such factors that may explain acquisition strategies that are not captured by existing theories. Case study research approach supports the combination of predetermined outside reality for further investigation (Easton 2010) for which critical realism advocates.

One fundamental challenge is how to apply case study methodology in critical realism. Applying case study methodology in critical realism must ensure that the focus is on extricating entities and the mechanisms that connect and combine them to cause events to occur (Easton 2010). In other words, the focus is on structured mechanisms that cause particular events to occur. These mechanisms can produce different events. The same events may also have different mechanisms. (ibid) With regards to the present study, the same mechanism can cause partial, staged and full acquisitions to occur. Similarly, partial, staged and full acquisition can also be caused by different mechanisms.

As with the debate over how many cases fulfill a proper case study methodology (Eisenhardt's 1989; Dyer & Wilkins 1991; Ragin 1997; Dooley 2002; Yin 2003), there is also no absolute measure of how many cases should a critical realism research be limited to (Easton 2010: 119). Critical realism can be applied regardless of the numbers of cases involved, as long as the process of the case study methodology involves a thoughtful, in-depth research or ontological depth of reality with the objective of understanding why things are the way they are (Easton 2010: 119). Achieving ontological depth of reality does not entail interviewing people in depth (Bhaskar 1998: 199) or limiting data collection to interview response, but ensuring comparative analysis of different cases (Danermark, Ekstrom, Jakobsen & Karlson, 2002) and ensuring contextualized explanation (Welch et al. 2011). Because observations are imperfect, critical realist believes that they are unlikely to reveal the complete truth or complete understanding of the truth. As a result, critical realist researcher collects further data to distinguish among alternative explanations of the truth.

In the current study, critical realism stance has been applied in the case study methodology as follows. First, multiple case studies were selected for the dissertation. Second, rather than focusing on the case studies as the unit of analysis (See clarifications and definitions in 5.2 below), the focus is on the acquisition decisions (i.e. the cases). This implies that each acquisition decision is treated as a case while the case company is treated as the case study. By this way, the critical realist can focus in depth on the uniqueness and context of each acquisition decision as each acquisition decision is context specific (Meyer 2001). This is also similar to embedded case selection design (Yin 1989). The data collection was not limited to interview data but also data collected from company websites, company documents given to the researcher from the case companies as well as previous researches and theories on entry mode choice. Comparative analysis was ensured through with-in and cross-case analysis.

Critical realist stance is applied in this dissertation project because of its ontological appropriateness. First, although studies on entry mode choice have been researched widely in the extant literature and various theoretical lenses have been explored. However, there have been limited studies on the strategic context where companies utilized partial, staged and full acquisition as entry strategies. More so, some studies that have studied partial acquisition have utilized the same institutional framework used to differentiate the choice of acquisition vs. greenfields to study the choice of partial acquisition vs. full acquisition (e.g. Arslan 2011; Arslan & Larimo 2011). They ignored that social phenomena such as actions and institutions are concept dependent (Easton 2010: 120).

Thus far, there is a “real" world about partial, staged and full acquisition to discover even though it is only imperfectly understood. While existing theories/literature serves as data sources in realism, the participants’ interviews are only a representation of the summaries and not a word-for-word account of reality (Layder 1998). Consequently, the only way to understand, describe and evaluate reality or the social world is to go beyond what is articulated by individuals and explore prior theoretical ideas, concepts, models or propositions that can be helpful in explaining external/objective reality (ibid).

Second, studies on entry mode choice tend to ignore dynamic nature of these entry strategies at post-entry (decreasing and increasing equity stake in acquisitions) and studies on performance of partial, staged and full acquisition are limited or have basically assumed that all subsidiaries are designed to generate financial profits. These studies have ignored the dynamic nature of these strategies and overlooked other objectives of foreign subsidiaries beyond those elements of the social environment that are compliant to quantification because of their positivist philosophical stance in an attempt to measure rational decision making in terms of cause and effects (Bitektine 2008). This has led to a situation where theories have been tested so far only on those elements of the social environment that are amenable to quantification thus limiting the generalizability of these theories in explaining the elements of the social environment that are not amenable to quantification (ibid).

Third, while acknowledging the deficiency in previous studies, it is however argued that the findings of this extant literature on entry mode choice and performance and the well-established theoretical lenses can help inform and guide future research that attempts to close this gap. The benefits of incorporating additional insights from extant literature outweigh the potential benefits of starting from scratch and upholding only the phenomenology/idealist stance (i.e. without the possibility of inculcating prior studies or theoretical frameworks).

Finally, idealist/phenomenology stance has been criticized for the degree in which researcher subjective interpretation of the data has a greater influence on the research findings (Stiles 2003). Critical realism stance gives an alternative to this criticism because it provides a means to avoid this limitation through generalization, contextualization, triangulation and other quantitative approaches to measuring extrinsic reality (ibid).

5.2 Case Study Research Approach

Case study research approach is the chosen research approach for this study. Case study is a research strategy/approach and not a methodological choice. There seems to be ambiguity in the literature that a case study is a methodological option for qualitative research. It is pertinent to emphasize that a case study is a research strategy and not a methodological option (Piekkari, Welch & Paavilainen 2009). Thus, case study research can be approached utilizing any or multiples of the methodological approaches vis-à-vis quantitative, qualitative, mixed methods. It can employ various data collection processes such as participant observation, document analysis, surveys, questionnaires, interviews, and Delphi processes

(Dooley 2002; Piekkari et al. 2009). Before proceeding further as to how case study research approach will be applied in the current study, it is relevant to emphasize some fundamental differences between a case study research, a case, and a case study.

Dooley (2002) defines a case as an account of an activity, event, or problem or an account of an activity that describes a series of events that reflect the activity or problem. A case is a descriptive research document, which is often presented in narrative form, based on a real-life situation or event (Merseth 1994). While a case represents an account of an activity, event or problem, case studies emphasize the study and the contextual analysis of a limited number of events or conditions and their relationships (Dooley 2002). According to Yin (1994), a case study research is a "scholarly inquiry" that aims at investigating contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used". Piekkari et al. (2009) defines case study research as an analysis that examines, through the use of variety of sources, a phenomenon in its naturalistic context, with the purpose of "confronting" theory with the empirical word. In summary, a case represents any activity or event, a case study represents the study of the activity or event and case study research is the research strategy used to undertake the case study (Dooley 2002). For the current study, the company is the case study, but the acquisitions are the cases, and case study research is the research strategy undertaken for the case study. The next section discusses how case study is used for theory building for the dissertation.

5.3 Case Study Research and Theory Building

The current study is focused on theory building as it aims to understand the context of Finnish firm's acquisition strategy decisions. MNEs may have several acquisitions in the same host country or several acquisitions in different host countries, and each of these acquisition decisions is made case by case or are independent decisions. Consequently, the focus is on the individual acquisition decisions or cases to understand the context leading to their acquisition strategies. This study develops constructs via existing theories, integrate deductive and inductive theoretical approaches to develop alternative theoretical framework that explains how and why Finnish MNEs opt for partial, staged and full acquisition at the time of market entry. It also develops constructs that explain why they change their equity stake at post-market entry and how these acquisition strategies influence the performance of the acquired subsidiary.

Yin and Eisenhardt's suggest that case study can be used for theory building and theory testing, but did not account for how a theory building case study is different from a theory testing case study research. Dooley (2002) suggests several ways to use case study for theory building through the fulfillment of specific phases of the general method of theory building vis-à-vis conceptualize, operationalize, confirm, apply and refine. First, case or cases should be applied to already conceptualized and operationalized theory using standard case study research and series of quasi-experimental studies. Second, case(s) should be used for confirmation or disconfirmation of an already conceptualized and operationalized theory using standard case study research and series of quasi-experimental studies. Third, case(s) should be used for the purpose of creating or advancing conceptualizing and operationalizing of a theory using grounded theory research and meta-analysis research. (ibid) Similar to Eisenhardt' s and Yin view on the use of multiple case studies for theory building, Dooley (2002) also advocated that multiple case studies should be used for continuous refinement and development of a fully developed theory.

Furthermore, Dooley (2002) outlines six steps in which these four roles can be utilized to account for methodological rigor, validity, and reliability. First, the researcher should determine and define the research questions. Second, the researcher should select the cases and determine data-gathering and analysis techniques. Third, the researcher should prepare to collect data; fourth, the researcher should collect data in the field. Fifth, the researcher, should evaluate and analyze the data and finally, the researcher should prepare the report. Figure 13 summarizes seven steps how case study research is utilized in this study for theory building.

Theory Building Process	Methods
1) Define the research questions	• Literature Synthesis (Table 2.0)
2) Case Selection	• Theoritical Sampling • Multiple Cases & Embedded Design • Dairy of Correspondence & Informed Consent form
3) Data-gathering techniques	• Data gathering: Primarily qualitative • Archival Documents
4) Prepare to collect data	• Organization of qualitative database • Pilot study
5) Data Collection	• Face- to- Face interviews using digital tape recorder • Semi-structured interview; Laddering interview • Theoretical Saturation
6) Data Analysis	• Axial coding, Selective Coding, Open Coding • Manaul Data Analysis • Within Case Analysis (Embedded Design) • Cross Case Analysis (Commonalities + Contextualization)
7) Report Findings	• Analytical reporting • Inductive & Deductive Reporting

Data Evaluation

Figure 13. Theory Building Process for Current Study

Figure 13 is compiled from Eisenhardt's (1989); Yin (2003); Dooley (2002) and Sinkovics, Penz & Ghauri (2008). Details of Steps 1 to 5 of the theory building process are discussed below. Detailed discussions on analyzing the data (step 6) as well as reporting findings (step 7) are discussed in Section 5.4. Also, the quality criteria (data evaluation) utilized for realism theory building process is discussed in Section 5.5.

Defining the research questions: The dissertation drew insight from Yin and Eisenhardt's view on qualitative case study research. According to them, the researcher requires a clear and well-defined research questions. The research question should ask the why and how questions. Determining the research questions also requires a literature review that adds face validity to the research project (Dooley 2002). The research questions for this dissertation ask the "how" and "why" questions. The literature review and synthesis was conducted during this phase. In selecting cases suitable for the research, I opted for multiple case studies rather than a single case study. Multiple cases were selected to enable comparison across organizational context (Welch et al. 2011), to increase the strength of the findings, and to enable analytical generalization (Eisenhardt 1989). Thus, the multiple case studies is applied to already conceptualized and operationalized theory to confirm or disconfirm already constructs derived from existing theories and to develop new theories in the form of constructs for later theory testing or advance the conceptualization and operationalization of constructs (ibid).

Case Selection: Theoretical sampling process was used in selecting the multiple cases utilized for this dissertation (Eisenhardt 1989). For the present study, the process shown in Table 6 (modified from Yin 1989: 54; Curtis, Gesler, Smith & Washburn 2000: 1002; Suri 2011: 70) was undertaken to ensure theoretical sampling.

Table 6. Theoretical Sampling Process for Current Study

Activities	**Description**
1.Definition of key constructs	(a) *Partial Acquisition:* (See Table 1) (b) *Staged Acquisition*: (See Table 1) (c) *Full Acquisition*: (See Table 1) (d) *Increased Equity Stake*: (See Table 1) (e) *Decreased Equity Stake*: (See Table 1) (f) *Firm Domicile*: The MNEs must be domiciled in Finland or Finland is the home country of the firm, and its headquarters located in Finland. (g) *Institutional Distance*: The acquisitions was made in institutional similar or institutional distance environment (IMF classification based on advanced economies, emerging and developing economies aided this selection)
2. Suitable Database	Thompson Database & FDI Internal databank of the marketing department of the University of Vaasa was used as a reference database to find appropriate Finnish firms (Case studies)
3. Selection Process	(a) Cases should be acquisitions made within 2000-2013 (b) Choose a case that is conceptually driven by the theoretical framework that underpins the research question from the outset; and/or, (c) Choose a case to replicate previous case(s) to test the emerging theory; or, (d) Choose a case that is a polar opposite/that provides variation in the contextual factors to extend the emerging theory. (e) Theoretical saturation

Theoretical sampling or theory-based sampling involves the selecting of cases that represent vital theoretical construct about the phenomenon under study (Suri 2011: 70). The aim of theoretical sampling is to select cases that are relevant to the research questions to enable the replication or to extend the emergent theory (Eisenhardt 1989). Theoretical sampling requires the setting out operational definitions of dependent variables/key constructs under study (Suri 2011: 70). Theoretical sampling was applied in the following ways.

First, key constructs already defined in Table 1 enabled the selection of appropriate case study. Second, a suitable source for the appropriate case study was identified. The FDI Internal databank of the marketing department of the University of Vaasa and Thompson database was selected as suitable sources of case studies for the dissertation. The key constructs already identified was used to find case studies from the database. That is the focus was on case studies that have partial, staged and full acquisitions and or have increased and decreased equity stake in their foreign acquired subsidiary. It is worth nothing that the database does not have any classification for staged acquisition as defined in this study. For this reason, equity changes in the form of increasing equity stake served as a proxy for staged acquisition (the actual classification of the acquisition cases as staged or if it was a mere increasing ownership stake was verified during the interview).

For the selection process, the first criterion was the year when the acquisition was made. For the current study, the acquisitions made between the years 2000 to 2013 were selected. This is because it is more feasible to find managers that will have adequate knowledge of the acquisition decisions within this range of period. Thus, case studies that have only acquisitions (cases) made outside these range of period were excluded from the list of suitable case studies.

The second criteria utilized was to select suitable cases based on: (a) Choose a case that is conceptually driven by the theoretical framework that underpins the research question from the outset; and/or, (b) Choose a case to replicate previous case(s) to test the emerging theory; or, (c) Choose a case that is a polar opposite/that provides variation in the contextual factors to extend the emerging theory.

To fulfill this trio sub- criteria's, the type of acquisition strategies was one dimension in selecting the suitable case studies. Only case companies that have at least more than one acquisition strategies (partial and full acquisition or partial and increasing ownership stake, full acquisition and increasing ownership stake, partial acquisition and decreasing ownership stake, full acquisition and decreasing ownership stake) within this period were selected. Thus, case studies that do not meet these criteria were dropped out of the sample. By applying this logic, the final sample consisted of cases studies that have more than two acquisition strategies (filling theoretical categories); similar acquisition strategies (replication); different acquisition strategies (polar opposite).

After suitable case studies have been selected, suitable acquisition cases were selected. Theoretical saturation was used to select suitable cases within the case studies. Most of the MNEs selected undergo several acquisitions within this period selected. When same acquisition strategies and several acquisition strategies have been made in same host countries, a maximum of two acquisitions was selected. The institutional context played a significant role in the final selection of suitable cases. Cases were preferably selected when the institutional contexts provide an entirely new context in the study. For example, KONE & KONECRANES acquisitions in African context were preferable selected because of the unique context of Africa and limited studies in this institutional context.

The original result of case selection after the above selection criteria resulted in fourteen Finnish MNEs (UPM-KYMMENE AHLSTRÖM, KONE, KONECRANES, CARGOTEC; FAZER; ATRIA; COMPONENTA; KEMIRA; HK RUOKATALO; FINFOREST; METSO; LAHDEN POLTTIMO; SNELLMAN). The last five firms (HK RUOKATALO; FINFOREST; METSO; LAHDEN POLTTIMO; SNELLMAN) were dropped out of the case studies explored in this study. This was because the current acquisition manager informed that they are unaware of decisions regarding the acquisitions, and no one is available in the company that has sufficient knowledge of key decisions regarding the mentioned acquisitions. Furthermore, after conducting the interviews, CARGOTEC was dropped out because the response from the manager was not adequate for this study. This was because the interviewing manager did not want to comment on specific acquisition decisions (cases). As noted earlier, acquisitions are case by case. Using such general responses does not provide the context and does not fulfill the embedded design case study methodology used in this study. The final case studies (companies) were eight and the number of cases selected is shown in Table 7.

Table 7. Case Studies acquisition strategies and geographic locations

S/NO	Names of Finnish Companies	No of Staged Acquisition	No Partial Acquisition	No. Full Acquisition	No Equity Changes	Location of Investment
A	UPM-KYMMENE		1	2	1	South Africa, Germany; Russia
B	AHLSTRÖM		1	1		USA; Sweden
C	ATRIA	2	1		1	Estonia, Sweden, Russia
D	KONECRANES	1		1		Morocco, South Africa
E	KEMIRA	2		2		USA, Russia, Netherlands
F	KONE	1	2	3	1	Egypt, Kenya, Israel, Bulgaria, Europe, Saudi Arabia
G	COMPONENTA	1		1		Turkey & Sweden
H	FAZER	2		2		Denmark, Norway (2), Sweden
TOTAL		9	5	12	3	

Table 7 shows the case studies, the number of partial acquisition, full acquisition and changes in equity stake. The final sample consisted of eight Finnish multinationals that made international acquisitions in the form of partial acquisition, staged acquisition and full acquisition or have in some cases increased or decreased their equity stake in their acquired foreign subsidiaries.

As already discussed, the staged acquisitions were confirmed during the interview based on the conceptual meaning of staged acquisition in this study. Cases involving changes in equity stake were not regarded as separate cases because they were previously partial acquisition and have been considered as a case (i.e. a partial acquisition case where equity has changed). There was a total of twenty-six acquisition cases in total selected from these eight case studies/firms for this study. Originally from the selection criteria, there were twenty-three acquisition cases suitable. During the interview, three cases (case 1, case 15 and case 20) emerged as the responding managers referred to the cases and wanted to comment on the acquisition decision. Rather than eliminating these three cases out of the final cases, it was decided to include them for two reasons. First, the year of these acquisitions (case 1 and case 15) falls outside the scope of the period selected, second, the ability to find responding managers which was the justification for the period selected for the cases have been solved. Third, case 20 specifically referred to several acquisitions with same motives within the same institutional context (EU). It was believed that the addition of these cases would add to theory development for the current study and thus they were added to the final set of suitable cases for the study.

After the final selection of case studies and cases, email was sent to the respective acquisition managers if they can participate in the interview process. The email specifically sought the acquisition managers responsible for key decisions during the acquisition of the cases selected for the case study. The contact of all case companies was added to Excel spreadsheets to keep a **diary of correspondence** between the interviewee organization and the author. The dairy of correspondence includes names, address, company name, telephone number, e-mail address and other contacts within the organization contacted if applicable. The managers were contacted by email and after two weeks if no response is received they were further called through phone numbers and reminded about the email. If these did not prove successful, they were further contacted through someone in the company the author have a close rapport or someone internal to the organization to remind the interviewee. This proved to be successful in cases where consent from the interviewer was difficult. The acquisition managers were also informed during the email that they should give consent to the interview by confirming any suitable data and time. The confirmed acceptable date of the interview was also added to dairy of correspondence. A copy of **Informed Consent Form** is shown in Appendix A.

Data-gathering Techniques: With regards to data gathering techniques, the dissertation primarily utilized qualitative data gathering method. The qualitative data includes interview data and archival data from company websites and power point presentations during the interview. The author made a request for soft copies of all power point presentations to be sent via email. In cases where there is confidential information, they were either removed before sending to the author or the case study managers informed not to publish the official versions in the dissertation. These documents were read and also added to the transcribed data in suitable sentences while maintaining confidentiality. The list of all data collected for each case is shown in Table 8.

Table 8. Data Matrix from the Case Companies

S/NO	Case Studies	Year of Data Collection	Other documents
A	UPM-KYMMENE	2014	• Consolidated financial statements and annual report for the year of acquisition and year after the acquisition. • Company web pages and press release on the specific acquisition case under study (Strömberg 2000) • Face-to-face interview (Transcripts)
B	AHLSTRÖM	2014	• PowerPoint presentation of Acquisition process • Consolidated financial statements and annual report for the year of acquisition and year after the acquisition. • Company web pages and press release on the specific acquisition case under study (Ahlstrom Corporation STOCK EXCHANGE RELEASE 2014). • Face-to-face interview (Transcripts)
C	ATRIA	2014	• Consolidated financial statements and annual report for the year of acquisition and year after the acquisition. • Company web pages and press release on the specific acquisition case under study • Face-to-face interview (Transcripts) • Legal consultancy press releases on case acquisition
D	KONECRANES	2014	• Consolidated financial statements and annual report for the year of acquisition and year after the acquisition. • Company web pages and press release on the specific acquisition case under study • Face-to-face interview (Transcripts)
E	KEMIRA	2014	• Consolidated financial statements and annual report for the year of acquisition and year after the acquisition. • Company web pages and press release on the specific acquisition case under study (Tikurilla Group News 2009; Rosendal 2014) • Face-to-face interview (Transcripts) • Industry press releases on case acquisition
F	KONE	2012 & 2014	• Consolidated financial statements and annual report for the year of acquisition and year after the acquisition. • Company web pages and press release on the specific acquisition case under study (Liautaud 2013; 2014; KONE

			Corporation 2014) • Face-to-face interview (Transcripts) • Acquisition policy document
G	COMPONENT A	2014	• Consolidated financial statements and annual report for the year of acquisition and year after the acquisition. • Company web pages and press release on the specific acquisition case under study (Componenta 2012). • Face-to-face interview (Transcripts)
H	FAZER	2014	• Consolidated financial statements and annual report for the year of acquisition and year after the acquisition. • Company web pages and press release on the specific acquisition case under study (Slotte 2011; HDR Partners, Vitzthum 2013) • Face-to-face interview (Transcripts)

Preparation for data collection: Qualitative database was organized before the actual collection of data to ensure a proper data collection. It helped in planning proactively how to store the data and what data to be stored. The qualitative database comprised of Microsoft 2010 word document, the university computer hard-drive, and a backup 3.75GB memory stick that were both used to store the recorded interview data from the digital voice recorder. Each recorded interview data stored on the hard drive, memory stick, and the transcribed data is given a file name after the company name (e.g. KONE_Interview.wma for audio record and KONE_Interview.doc for the transcribed data). In addition to organizing a qualitative database, a pilot study was conducted for one case company (KONE) in 2012 using the same data gathering techniques that will be used in this study. The pilot study was used to avoid problematic areas that may emerge if all the data collection is done at the same time. The pilot study enhanced the perfection of the interview questions and the sequencing of the interview questions to ensure that the resultant data can be coded (Dooley 2002).

Data Collection: Data collection was done via face-to-face interview using digital voice recorders to record and store the data. This ensured dependability and repeatability (Sinkovics et al. 2008). Semi-structured interview was the qualitative data gathering method primarily used for this dissertation. The interview was semi-structured because it is the most effective and appropriate means of collecting information (Kvale & Brinkmann 2009). This is especially true when the interest of the researcher is to understand the interviewee perception of the social world or the ways in which managers make sense of and create meanings about their actions (Qu & Dumay 2011). It also provides flexibility for the researcher and to modify the style, pace and ordering of questions to evoke the fullest responses from the interviewee (Qu & Dummay 2011: 247).

For example, the interviewer will be able to follow up a response from the interviewee with a standard question, such as "please tell me more about that [. . .]" when the interviewee suddenly discloses an area of great interest (Qu & Dumay 2011: 247). This is also referred to as **laddering interview technique** (Sinkovics et al. 2008). Semi-structured interview gives the participants (interviewer and interviewee) freedom to combine a range of dialog that is of interest to both even when the researcher probes a specific question. Recommendation by Qu and Dumay (2011) was adopted as guides when conducting the semi-structured interview. The recommendations are summarized as follows:

- Establishing understanding and maintaining the flow of interviews story by not interrupting
- Avoid questioning with one-word answers, questions that contains jargons
- Knowing when to interrupt and learn how to focus and pace the interview.
- Avoid interview bias and adopt a non-judgmental attitude.

During the interview, questions were probed in depth in comparison with conflicting and similar literature to sharpen generalizability and internal validity respectively. Also, depth of the probing was done until the point of theoretical saturation i.e. until the point where probing more will only yield marginal improvement.

The interview lasted for an average of 60mins. There was one responding manager for each case company except for KONE where the responding manager left the company after the pilot interview. As a result, when the second interview was conducted it was conducted with the new manager responsible for acquisitions. Also for KEMIRA acquisitions, an additional 30mins interview was conducted via phone with another manager that was responsible for the completion of their staged acquisition in Russia (Tikkurila Paint, a spinoff from KEMIRA responsible for the parent firm paint business)

5.4 Analyzing the Data

Evaluating and analyzing qualitative data requires a process of organizing, decomposing, synthesizing data, searching for patterns and implication of the data and deciding how it should be conveyed to others (Bogdan & Biklen 1982). The method of analyzing data is dependent on the philosophical paradigms of the study (Myers 1997). For example, in grounded theory paradigm the researcher does not come to the field with a well-defined set of constructs and instruments with which to measure social reality. Consequently, the researcher is only able to derive the categories from the field through in-depth examination and exposure to the phenomenon under study (Sobh & Perry 2006: 1204). Unlike other qualitative paradigms, realism researchers enter the field with prior theories because it is believed that there is an external reality that other people may have usually researched or experienced aspects of that reality beforehand (Sobh & Perry 2006: 1204). Consequently, their perceptions are some of the many "windows" on to that reality deserving some consideration before realism data collection starts (Perry, Riege & Brown 1999: 18).

Qualitative data analysis process follows a formal process of data reduction (Sobh & Perry 2006: 1204) through the interpretation and examination of textual data from different perspective (Sinkovics et al. 2008: 704). This requires three forms of coding process such as open coding, axial coding and selective coding (Miles & Huberman 1984; Sinkovics et al. 2008: 704). Open coding refers to the process through which concepts and their properties are identified in the textual data (Sinkovics et al. 2008). It involves the naming and categorization of phenomena throughout the examination of the data. Axial coding refers to the process of establishing relationships between categories and their sub-categories and identifying the intersection of related categories. It is also the process where codes from the conceptual framework are allocated to chunks of text. Selective coding refers to the process of refining and integrating categories to build a theory. (ibid) Selective coding is the state where the concepts are established, and their underlying statements are used to explain the phenomena under study. It also involves the process of comparison and interpretations (Sobh & Perry 2006: 1204).

Data reduction process suitable for realism requires that the first phase of data reduction (i.e., open coding) be omitted. This is because only those perceptions relevant to the external reality are worth investigating (Sobh & Perry 2006: 1204). Consequently, the codes used to reduce data in realism research should be generated from the conceptual framework rather than the data. In contrast, other paradigms, for example, constructivism research argues for open coding as the first phase because every detail of the respondent's perceptions should be the reality under investigation. Thus, realism research requires the use of the prior established constructs as the codes followed by axial coding and selective coding. (ibid)

The potential challenge of this process is that other emerging themes that might not be in the conceptual framework might be omitted. Sobh and Perry (2006: 1204) suggested that this problem can be solved by the constant interaction of the conceptual model and the interview data. This implies a constant interaction between the conceptual model and data analysis. For this study, this challenge is solved by undergoing open coding, axial coding and selective coding for the rest of the chunk data that did not constitute a part of the prior constructs. A model of the data reduction process for this study is shown in Figure 14.

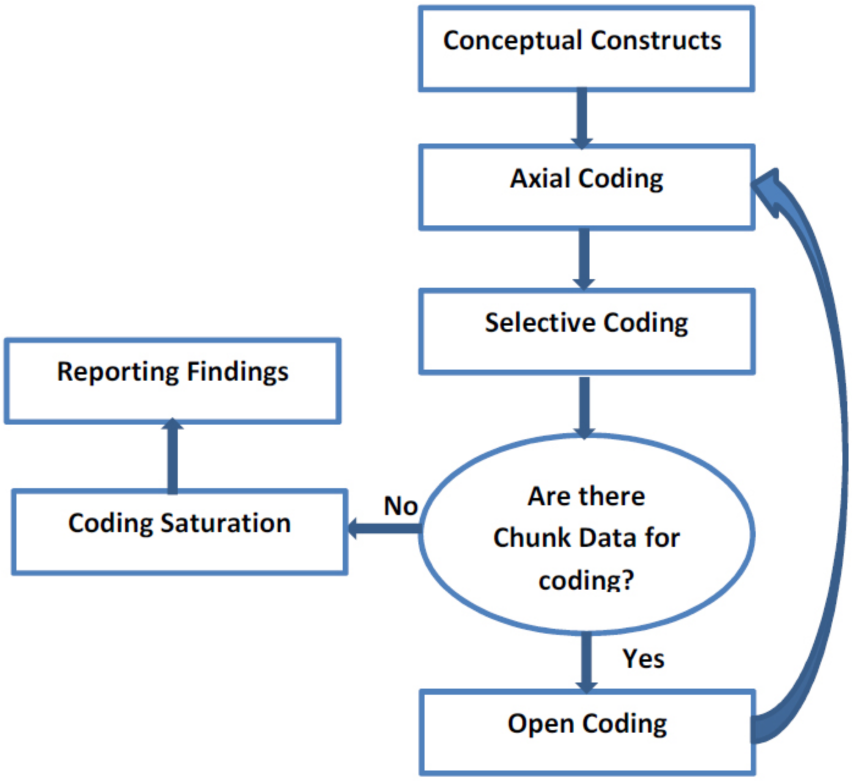

Figure 14. Data Reduction Process for the Case Study

There are established software for qualitative data analysis (e.g. Nvivo software, Coding Analysis Toolkit and HyperRESEARCH). However, the data analysis for this dissertation was done manually because the aim of realism research is not to track and match every phase of every perception in the textual data subjectively rather to track only those perception about an external objective reality (Sobh & Perry 2006: 1206). Using qualitative software for data reduction is more relevant to subjective research that focuses on textual-based-theory (e.g., grounded theory). Such software cannot analyze, interpret data nor make deductions and generalizations from the data. (ibid)

The first step for the case analysis was axial coding. This was done by reading through the textual data and marking a sentence or group of sentences according to their implied meaning from the conceptual framework. That means inserting a comment in the Microsoft Word document and naming the comment after the conceptual constructs they imply. The second step was selective coding. This was done by using the established constructs in the first step and its interpretations in explaining their relationship to the choice of acquisition strategies, changes in equity and acquisition performance. The third step followed a process of checking the remaining chunk of data, identifying emerging constructs, naming and categorizing the constructs. If the outcome of the third step yields any emerging theme, this theme is then subjected to axial coding in search of related sentences and their implied meaning. Finally, selective coding is done until coding saturation. All the coding process is done within-case analysis (i.e. within each case) (Patton 1990: 388; Yin 1994; Sobh & Perry 2006: 1203). The within-case analysis was examined using embedded design (Yin 1989). This requires analyzing the within-case analysis at each acquisition case. After the within case analysis, cross-case analysis was done. To ensure cross-case analysis, the summary of key findings in each case acquisitions was further tabulated into a single table often referred to as **meta-matrix** (cf. Miles & Huberman 1994; Nummela, Saarenketo, Jokela & Loane 2014). Meta-matrix is shown in Table 20. The meta-matrix facilitates case comparison, contextualization, and generalizability.

The aim of the cross-case analysis is to enhance generalizability, deepen understanding and explanation of the phenomenon under study by examining the similarities and differences between the within-case analysis (Miles & Huberman 1994: 173). The cross-case analysis followed a process of searching for commonalities and contextualized explanation as suggested by realism stance (Easton 2010; Welch et al. 2011). This entails searching for commonalities of causal mechanisms and the contextual conditions under which they work (Welch et al. 2011: 745). For this study, the commonalities and context were done by classifying the acquisitions according to acquisition strategies utilized at the time of entry (i.e. partial, staged and full acquisition). Also, the acquisitions were classified in terms of the year of market entry and host country formal institutional classification at the year of entry. The host country formal institutional classification was based on International Monetary Fund classification (i.e. advanced, emerging and developing economies). Similar classifications or data from IMF (used in its original form or in combination with other economic institutional reports) are used in IB studies as measures of formal institutional environment (e.g. Arslan 2011; Arslan & Larimo 2011). The classification of host country institutions based on advanced, developing and emerging is to aid our understanding of how and why these strategies were utilized in these contexts. Contextualization was also achieved by classifying the acquisition based on the motives of the acquisition. The impact of informal institutions was solely based on the interview data and linked to the construct developed in the theoretical section (contractual complexities).

Reporting Findings: Reporting findings refers to the process of presenting the data to the reader. Analytical reporting style and reflective reporting styles are two ways of reporting the findings of a qualitative research (Dooley 2002). Analytical reporting style follows the sequence- literature review, methodology, results, and discussions. It represents an objective writing style where the researcher's presence is passive. (ibid) The second form of reporting qualitative research is the reflective reporting style. Unlike analytical reporting style, reflective reporting requires the researcher's presence to very noticeable in the report. Analytical reporting style is utilized in this study. In addition to ensuring that researcher's presence is minimally present in the report, certain realism report guidelines are applied to ensure that the focus of the explanation in the reporting is on contingencies, structures and mechanisms through which the external reality is construed. In doing so, *a conscious process of reflection was undertaken to understand what these findings mean, what alternative explanations of such findings existed, what disconfirming evidence are there for these explanations and how many of these findings relates to outcomes of previous research cycles* (Cepeda & Martin 2005: 861). The following guidelines in accordance to Sobh & Perry (2006: 1206) were applied to this study:

- Showing numerical frequencies of empirical experiences to enable readers follow the line of thought.
- Reporting findings should avoid numbers and should concentrate on interpretations.
- Every observation should have an explanation of why the observation occurred.
- There should be illustrative quotations in support of explanations and should frequently occur in the text with links to the respondent who said it, to provide in depth understanding that realism researcher seeks.

Reporting qualitative research follows the deductive vs. inductive dichotomy, i.e. reporting with reference to theory and reporting without reference to theory (Ali & Birley 1999, Thomas 2006). In this study, both deductive and inductive approaches are combined when reporting the phenomenon under study (Ali & Birley 1999, Thomas 2006). Thus, inductively, all specific data incidents that are not present in the prior conceptual constructs are reported as emerging theories and their underlying context are discussed. Deductively, the existing constructs are subjected to confirmation. Using the integrated approach enhances theory building in realism.

5.5 Data Evaluation

Establishing quality criteria when conducting qualitative research is very crucial in achieving the validity and reliability of a qualitative study (Yin 1994). Healy and Perry (2000) established six criteria for evaluating the quality of qualitative research utilizing realism stance. These criteria are:

- Ontological appropriateness
- Contingent validity
- Multiple perceptions of individuals and or researchers
- Methodological trustworthiness
- Analytic generalization
- Construct validity.

Ontological Appropriateness refers to ensuring that the research problem deals with complex social science phenomenon that can be discovered through the reflective perception of multiple participants even though it is only imperfectly understood (Healy & Perry 2000). This requires selection of research problem that answers the how and why questions. As previously discussed, the research questions answers the how and why firms opt for varying acquisition strategies at the time of market entry and changes in equity stake and post entry. More so, the context focus of the study and the process nature of acquisitions enhance the philosophical assumption of the study.

Contingent validity refers to validity about generative mechanisms and the contexts that make them contingent (Healy & Perry 2000: 125). Thus, it implies the validity of the uncertainty about reality that may be contingently actualized. Healy and Perry (2000: 125) suggest that contingent validity can be accomplished through theoretical sampling vis-à-vis literal replication and theoretical replication. The aim of theoretical and literal replication is for confirmation of theory, extension of theory and improvement of the theoretical framework. Theoretical replication entails selecting cases that have different settings and are expected to accomplish different results (Yin 1994). Literal replication entails choosing cases that have similar settings and are expected to accomplish similar results (Yin 1994). In this study, this was accomplished via theoretical and literal replication. As shown in Table 6 step 3, each additional cases was cautiously selected based on the theoretical framework (step 3b) and to replicate previous case(s) (step 3c). Also, a case was selected that is polar opposite to produce opposing results but for predictable reasons (step 3d).

Furthermore, contingent validity was achieved by ensuring in depth questions were asked until the point of theoretical saturation. The context of each case was described in terms of the appropriateness of the sources of the information, the size of the firms, industry, dates of the interviews and the managerial positions of the interviewee. Contingent validity was also achieved by ensuring that the responding managers are the appropriate interviewee for the study. This was achieved by ensuring that only managers responsible for the acquisition decisions were interviewed. One could argue that why not interview the M&A team rather than just the acquisition managers? It is often that acquisition decisions involve M&A team who make target search and screening, due diligence, negotiation and the final decisions to acquire the targets. Nevertheless, the manager has the overall picture of the strategic decision-making process. Thus, the managers provide strategic aspects that are nonetheless the focus of the current study.

Multiple perceptions of participants refer that in realism research, researchers should triangulate several data sources and several peer researchers' interpretations of those triangulations (Healy & Perry 2000). Thus, the aim of multiple perceptions in realism research is similar to internal validity which aim at ensuring that researcher arrives at converging lines of inquiry by data triangulation (Yin 2009: 115; Dooley 2002: 340). For the current study, this was achieved in four ways. First, through method triangulation, I ensured that the combination of interview data and secondary data sources generated consistency (Patton 2002). For example, the acquisition strategies informed by the managers during the interview correspond to the strategies published on the company web pages and annual reports. Second, through triangulation of sources (several researchers' interpretations of data triangulations); the interview data was given to a fellow researcher to ensure that the voice recorded version is same as the transcribed version of the interview (Patton 2002). Third, through analyst triangulation, the transcribed interviews were sent to the interviewee for verification (Patton 2002). Fourth, the data was interpreted using multiple theories, referred to as theory triangulation (Patton 2002). Furthermore, as a way to provide the benefit of the research to the managers, it was promised that a summary of the findings and implication for managers will be sent to the managers. It is believed that the triangulation of data formats (audio and text) by managers and peer researchers provide a logical source of evidence (Yin 2009) and thus improves corroboration.

Healy and Perry (2000: 123) define methodological trustworthiness *"as the extent to which the research can be audited by developing a case study database and by the use of quotations and matrices that summarizes key findings in the written report"*. For the current study, methodological trustworthiness was achieved by the establishment of case study database. This is similar to the concept of reliability in positivist paradigm where methodological trustworthiness is established through ensuring that random error does not exist in a measurement. (ibid) The reasoning behind the establishment of case study database is to ensure that the study can be audited. The case study database ensured the methodological trustworthiness of this study. The case study database consists of three sections. Section (A) (**Data Collection Procedure**) Consist of informed consent form (Appendix A) and interview guide questions (Appendix B) (Healy & Perry 2000: 122). Section (B) (**Data matrices-Table 8**) consists of a summary of the data collected from each case study. Section (C) shows the interviewee anonymity and confidentiality confirmation (Appendix C).

Analytic generalization is one quality criteria in conducting a realism research. It ensures theory building rather than statistical generalization that is aimed at theory testing (Healy & Perry 2000). A realism research should aim at initially theory building (i.e., conceptual development, operationalization, application), then confirm or disconfirm the theory through the research data and then present a final theory or model or modified theoretical framework at the end of the report for future empirical testing or testing the generalizability of the final theory. In this study, research questions were identified in prior. This is followed by a literature review that leads to conceptual development (Section 4.4), application and operationalization (Section 5). In chapter 6, the data collected was analyzed to confirm or disconfirm the theory. Chapter 7 follows a detailed discussion of the findings of the study as well as areas of future research.

Construct validity refers to how well constructs in the theory explored in the research are measured in the study under investigation (Healy & Perry 2000: 124). Construct validity was ensured by using prior theory. The study under investigation integrated two theories (institutional theory and internationalization process theory) that provided the constructs for this study. By utilizing these constructs, construct validity was ensured. The combination of case study database as described above and data triangulation discussed above enhances the construct validity used for this study.

6 EMPIRICAL DATA AND RESULTS

This section discusses the empirical data and analysis as well as the results of the study. First, the empirical data or case study selected for this study is discussed. Second, the background of case studies/firms is elaborated. Third, within cases analysis of the case study is presented. Fourth, cross-case analysis of the cases is done which presents the results of the study.

6.1 Background of Cases

The case studies are Finnish MNEs in the manufacturing sector. Their business sectors include elevator, cranes, paper, energy, purification process, casting solutions, food and processing, life sciences and diagnostic applications. Table 9 shows the case studies/companies and their business sectors.

Table 9. Case Companies and Business Sector

S/NO	Names of Case Studies	Business Sectors
A	UPM-KYMMENE	**Manufacturing**: Paper, forestry, biocomposites, energy, timber & biochemical, biofuels, labels, pulp & plywood
B	AHLSTRÖM	**Manufacturing**: filters, medical gowns and drapes, diagnostics & life science applications, wallcoverings, flooring and food packaging
C	ATRIA	**Manufacturing**: meat business, meat product business, poultry business, convenience food business
D	KONECRANES	**Manufacturing & Services**: cranes for shipbuilding, ports, automotive, waste to energy & steel equipment
E	KEMIRA	**Manufacturing & Services**: pulp & paper, oil & gas, mining and water treatment
F	KONE	**Manufacturing & Services**: elevators, escalator & automatic building doors
G	COMPONENTA	**Manufacturing:** design & engineering & casting solutions
H	FAZER	**Manufacturing & Services**: Food Services, contract catering & food products

Table 10 shows the motives of these investments and host countries of the investments and the equity sought at the time of market entry. The case studies are all multinationals and their market capitalization ranges between 79M€ (COMPONENTA) to 20B€ (KONE) (Bloomberg 2015). Market capitalization for

Fazer was not available from Bloomberg. Out of twenty-eight cases or case acquisitions under study, fifteen were made in advanced economies why thirteen were made in emerging markets and developing countries.

Table 10. Cases Characteristics and Acquisition Strategies

Case Company	Target Host Country	Formal Institutions	Equity Stake	Acquisition Strategies	Year of Entry	Motives for Investment
A	Russia	EMDC	60 %	Partial Acquisition	1988	Market-Seeking
A	South Africa	EMDC	100 %	Full Acquisition	2000	Efficiency-Seeking
A	Germany	AE	100 %	Full Acquisition	2011	Efficiency-Seeking
B	USA	AE	45 %	Partial Acquisition	2011	Strategic Asset-seeking
B	Sweden	AE	100 %	Full Acquisition	2012	Market-Seeking + Efficiency + Strategic Asset-Seeking
C	Russia	EMDC	49,50 %	Partial Acquisition	2010	Resource-Seeking
C	Sweden	AE	57.1 -100%	Staged Acquisition	2007	Market-Seeking
C	Estonia	AE	76%-100%	Staged Acquisition	2004	Market-Seeking
D	South Africa	EMDC	19%-100%	Staged Acquisition	2007	Market-Seeking
D	Morocco	EMDC	100 %	Full Acquisition	2010	Market-Seeking
E	Russia	EMDC	70 %	Partial Acquisition	2006	Market-Seeking
E	X	AE		Full Acquisition		Strategic Asset-Seeking
E	USA	AE	15%-100%	Staged Acquisition	2000	Market-Seeking
E	Netherlands	AE	100 %	Full Acquisition	2014	Market-Seeking
F	Egypt	EMDC	49,50 %	Partial Acquisition	1992	Market-Seeking
F	Saudi Arabia	EMDC	40 %	Partial Acquisition	2007	Market-Seeking
F	Bulgaria	EMDC	60%-100%	Staged Acquisition	2011	Market-Seeking
F	Kenya	EMDC	100 %	Full Acquisition	2013	Market-Seeking
F	Israel	AE	100 %	Full Acquisition	2013	Market-Seeking
F	US, Italy, etc.	AE	100 %	Full Acquisition	Yearly	Efficiency-Seeking
G	Turkey	EMDC	55%-93,6%	Staged Acquisition	2006	Market-Seeking
G	Sweden	AE	100 %	Full Acquisition	2012	Market-Seeking + Efficiency-Seeking
H	Norway	AE	-100%	Staged Acquisition	2003	Market-seeking
H	Denmark	AE	59%-100	Staged Acquisition	2001	Market-seeking
H	Norway	AE	100%	Full Acquisition	2013	Market-Seeking
H	Sweden	AE	100 %	Full Acquisition	2011	Efficiency-Seeking + Market-Seeking
EMDC = Emerging Markets and Developing Countries AE = Advanced Economies						

From the table, twenty case acquisitions had market-seeking motives. Out of these twenty market-seeking motives, three had mixed motives i.e. in addition to market-seeking motives they also had efficiency-seeking and strategic asset-seeking motives. There were six efficiency-seeking motives. Two cases out of the six efficiency-seeking motives also had mixed motives i.e. included market-seeking motives and strategic asset-seeking motives. Two cases had strategic asset-seeking motives. One case acquisition had resource-seeking motives.

Table 11 shows the measures of acquisition performance informed by the case managers with respect to the motives of these acquisitions. It also shows the actualization of the initial motives of the acquisition at the time of market entry. Further analysis and findings are discussed in the next section.

Table 11. Case Acquisitions, Motives and Achievement of Motives of Market Entry

Case No	Formal Institutions	Strategies	Motives	Performance	Key Performance Measures
1	EMDC	PA	MS	Achieved targets	Market Share + financial measures
2	EMDC	FA	ES	Achieved targets	Cost Synergies + financial measures
3	AE	FA	ES	Achieved targets	Cost Synergies + financial measures
4	AE	PA	SA	Failed Acquisition	New Product Qualification
5	AE	FA	ME+ES +SA	Achieved targets	Market Share+ financial measures (net sales)
6	EMDC	PA	RS	Failed Acquisition	Availability of raw materials and price of meat
7	AE	SA	MS	Achieved targets	Market Share+ profitability
8	AE	SA	MS	Achieved targets	Market Share+ profitability
9	EMDC	SA	MS	Achieved targets	Sales, profitability - merely on EBIT- and Return on Capital
10	EMDC	FA	MS	Achieved targets	Sales, profitability - merely on EBIT- and Return on Capital
11	EMDC	SA	MS	Achieved targets	Market Share+ financial measures
12	AE	FA	SA	Achieved targets	
13	AE	SA	MS	Achieved targets	Market Consolidation
14	AE	FA	MS		Market Position + profitability improvement through synergies
15	EMDC	PA	MS	Achieved targets	No of installed equipment in service + financial measures
16	EMDC	PA	MS	Achieved targets	No of installed equipment in service + financial measures
17	EMDC	SA	MS	Achieved targets	No of installed equipment in service + financial measures
18	EMDC	FA	MS	Achieved targets	No of installed equipment in service + financial measures
19	AE	FA	MS	Achieved targets	No of installed equipment in service + financial measures
20	AE	FA	MS	Achieved targets	Cost Synergies + no of equipment in Service
21	EMDC	SA	MS	Achieved targets	production capacity + financial number
22	AE	FA	MS+ES	Achieved targets	financial measure + cost synergies
23	AE	SA	MS+ES	Achieved targets	Customer retention+ financial measure
24	AE	SA	MS	Achieved targets	Customer retention + financial measure
25	AE	FA	MS+SA	Achieved targets	Customer retention + financial measure
26	AE	FA	MS+ES	Achieved targets	Customer retention+ skills & competences + financial measure
FA= Full Acquisition. SA= Staged Acquisition, PA = Partial Acquisition, MS =Market-Seeking, ES =Efficiency-Seeking, SA =Strategic asset-seeking, RS=Resource-Seeking.					

6.2 Within Case Analysis

Case Study A: UPM had three case acquisitions explored in the interview. The acquisitions were made in Russia, South Africa, and Germany in the year 1988, 2000 and 2011 respectively. The company does not have any acquisition policy requiring them to acquire either full or partial acquisition. Rather, every acquisition is a separate case. The company does have an acquisition department/unit responsible for M&A strategy. The responding manager's responsibilities span across executing M&A as part of corporate strategy. The responding manager has been involved in small acquisition transactions and large acquisition transactions in the case company. According to him, they've had few big acquisition transactions in Latin America and Europe. They have also had quite a good number of smaller transactions in Europe and elsewhere and small transactions have been a tool for business development in their various businesses. Table 12 shows the summary of the characteristics of the case company acquisitions.

Table 12. Summary of Characteristics of UPM Acquisitions

Case Study A	Case 1	Case 2	Case 3
Acquisition Policy	No	No	No
Host country of Acquisition	Russia	South Africa	Germany
Formal Institutions	EMDC	EMDC	AE
Motive of Acquisition	Market-Seeking	Efficiency-Seeking	Efficiency-Seeking
Acquisition Strategy time of entry	Partial Acquisition	Full Acquisition	Full Acquisition
Equity	60-100%	100%	100%
Year of Entry	1988	2000	2011
Post-Acquisition Strategy	Full Acquisition		
Performance measures	Market Share+ financial measures	Cost synergies+ financial measures	Cost Synergies´+ financial measures
Performance outcome	Achieved targets	Achieved targets	Achieved targets
EDMC=Emerging Market and Developing Countries. AE= Advanced Economies			

The case company had one partial acquisition in Russia (case 1) which was acquired in 1988. The interviewee was not in the current position when this acquisition decision was made but was able to provide information about the acquisition decisions. The interviewee stressed that their primary motivation for the acquisition in Russia was for market-seeking motive due to their need to have a local presence in the Russian market and need to have a local business partner for mutual beneficial reasons. The case study/firm acquired a local plywood manufacturing facility business in which they had a minority owner that was the earlier owner of the firm. At the time of the acquisition, the case company did not have any plywood manufacturing operations in Russia.

Full acquisition was the acquisition strategy utilized when entering into the South African (case 2) market in the year 2000. The purpose of the acquisition was because they were seeking to develop and grow a portfolio of their manufacturing business that was already international.

INTERVIEWER: Describe the motive of the acquisition made in South Africa?
INTERVIEWEE: *"UPM raflatac business portfolio operates globally in most places, Latin America, Africa, North America, Middle East, Asia, and Europe. Growing in this business in places like in South Africa is in accordance with what we want to do with the business, to grow and develop. In many places, there are smaller local competitors for this business and acquisitions are often looked for to expand and increase this business portfolio exposure geographically or certain niche market around the world. South Africa has been part of UPM raflatac geographically exposure for quite a long time. If we look at the African continent, South Africa is a bigger country and it makes sense for our business to be present in the market".*

Full acquisition was also the acquisition strategy utilized for UPM investment in the German market (Case 3). The purpose of the acquisitions was primarily efficiency-seeking motives i.e. to gain economies of scale and efficiencies. Case 3 also involved a subsidiary in the United States. They were primarily motivated by the acquisition because the market for the demand for paper business portfolio has been declining. The interview stressed that mature markets it is important to seek for economies of scale and efficiency so that they can remain competitive and operate efficiently even in a market that is declining. The acquired target was a large competitor within the graphic papers business in Europe where the case study/company was already a large player before the acquisition.

The acquisition of this case study/company was made in a developed country market (Germany) and developing/emerging market countries of South Africa and Russia. There are formal institutional differences between Finland and the two emerging economies of Russia and South Africa such that one can argue that South Africa and Russian institutions are less developed compared to Finnish Institutions. Finland is part of EU nation states as well as Germany; as a result there is no expected difference between formal institutional environment between Finland and Germany.

From the interview, there is support for the role of host country capability in influencing their choice for full acquisition in South Africa. The country has a weak formal institution compared to the Finnish institutions especially at the time the acquisition was made. The acquisition was made during the post-apartheid regime which constituted a period of national reconciliation, black empowerment and a period often spark with a violent protest for equality. UPM has been doing business in South Africa before the acquisition. The expansion of existing business not limited to the case firms previous years of doing business in South Africa influenced the company's choice for full acquisition.

UPM was primarily motivated for efficiency-seeking FDI in South Africa. Most likely the acquisition of host country capability made it irrelevant for the company to opt for partial acquisition in South Africa and need to have a local partner. For case 3, the case study was primarily motivated by efficiency-seeking motives. The institutional development in Germany makes institutional factors insignificance for this case. However, the interviewee stressed the importance of the industry maturity and the need for efficiency maximization through economies of scale and scope and tightly integrating the acquired subsidiary. It can be summarized that full acquisition in South African (case 2) was primarily influenced by the acquisition of host country capability. Additionally, the full acquisition in Germany (case 3) was influenced by their efficiency- seeking motives of cost synergies and economies of scale which can only be achieved by tightly integrating the acquired firm. The nature of the industry in terms of the maturity of the industry influenced their choice for full acquisition in Germany. These were all expressed when the following question was posed to the interviewee.

INTERVIEWER: Discuss if and how acquisition motive influenced the decision for full acquisition?
INTERVIEWEE: *The acquisition motive had an impact on our choice of full acquisition. For example, in the case of acquisition in Germany we acquired the large firm to increase our economies of scale and integrate it tightly into our system and existing business. Having a minority owner will make no sense if we want to absorb and integrate the acquired business very tightly into our existing system to enable us gain economies of scale and efficiency. In South Africa, it is easier to think there could be a possibility for partial acquisition. But depends on the case, for example where the case has been that our company would not have been present in South Africa before the acquisition, and then there might have been benefits for retaining the local partner. If it were an expansion of existing business in*

South Africa, then the benefit of retaining the local partner would have been small. We have been in South Africa for a long time.

With regards to the Russian market, the case company had not been present in Russia and did not have any plywood manufacturing operations in Russia. As a result, they opted for partial acquisition as their entry strategies into the Russian market. Considering the institutional environment of Russia and the differences between Russian Market and the Finnish market, it was important to probe in-depth to uncover more reasons that led to the choice of partial acquisition. During the probing to uncover more regulatory factors that could have influenced their decision for partial acquisition, the interviewee stressed that their benefit of having a local partner superseded any regulatory requirement restricting ownership stake because they needed a local partner to achieve their primary motivation for searching for new markets. When stressed further if there were any, he reiterated that it did not matter. This was expressed in the following way.

INTERVIEWER: Where there any regulatory, institutional factors or requirements that influenced the decision for partial acquisition?
INTERVIEWEE: *"Everything starts with what you want to do in your business strategy. If you enter a new place or seek to expand your existing business into that geographical place or location then basically that is what you seek for. If you have a specific requirement locally, for example, you need to have local partner in place or local minority shareholder and if there is a requirement for a local majority partner then easily, it makes no sense for you to actually enter into such an area if your motive is to expand your business there. The regulatory framework can block the entry strategies in this case. If the regulatory requirements would be that you require a local minority owner, it is not an issue because you needed a local minority owner from the start. In this case, it becomes a technicality that you just fulfill the purpose of the regulations but it does not effectively change anything. Thus, you just oblige to the letter of the law, and it does not change much in the real operations. In summary, if you have the benefit of having a local partner, then the regulatory requirement makes no impact. They do not change what you want to do."*

There was one example of increasing equity commitment for the case company. The interviewee informed that the partial acquired subsidiary in the Russian market (case 1) has now been acquired fully. The full acquisition was made in 2005. According to the interviewee, the primary reason for the equity changes to full acquisition was because during this period of the partial stake, the parent firm had gained host country capability and the seller's willingness to give up their equity stake made the requirements of having the local partner to have outlived its purpose. It is believed this is possible only the presence of trust. This was expressed in the following comments.

INTERVIEWER: What were the reasons for changing equity to full acquisition?
INTERVIEWEE: *We had the partnership for a very long time. The business has been well integrated into our other business in Finland and Western Europe. Also, we have established a way of operating locally in that environment with other stakeholders around the business. In this case, the purpose of having the local partner has outlived its purpose. Also, the minority owners or partners also did not see it as important to retain the minority ownership of a manufacturing facility within a larger business in the case company. Thus, the benefits from both parties of having the partnership in place had outlived the original motives. Thus, it became easy for both parties to decide and acquire the remaining equity stake.*

Furthermore, financial measures and motive based measure were the dominant measures of acquisition performance. Efficiency motives were measured based on cost-synergies that should positively impact their operating cost and operating profit. Market-seeking motives were measured based on market share and turnover. Though the motive-based measure has a relationship to financial measures, it is pertinent to understand that not meeting financial performance is because of the non-actualization of strategic motives. The interviewee also pointed out that the most viable measures were the financial measure. From the literature review, it was expected that cost synergies and financial measures should be the measure of efficiency- seeking motives and market share and financial measures for market-seeking motives. This was expressed in the following comment.

INTERVIEWER: How does your organization measure the performance of acquired subsidiaries?
INTERVIEWEE: *"We do financial follow-up all our acquisitions. At the time of the decision, we have an estimate of what we are expecting from the acquisition. We follow it up to see if we are performing as we planned. We also do project follow-up, for example in acquisition integration or other activities you plan to have post-acquisition."*

INTERVIEWER: Does your acquisition motive have an impact on the acquisition performance?
INTERVIEWEE: *Our initial motives have an impact on acquisition performance. What we want to do is our motive. This is laid out in the business plan or an action plan for the target. The original business plan or motive is been followed-up. Depending on the business plan, the things we follow differ because it is not only about financial performance we expect to have. For example, if we are*

doing things like integration or changes in the production or further investments in the assets. However, we always measure all our acquisitions based on financial measures. They are the most normal acquisition performance measure. If we do not buy a business, let's says we buy technology or patent know-how, it is difficult to follow the financial performance measure. However, if we buy technology we want to utilize the technology for other operations. At the end of the day, everything is done for financial gain. Irrespective of what we buy, we still aim at seeing the impact on financial outcomes.

INTERVIEWER: Could you give examples of how you measured the motives of these acquisition discussed above?
INTERVIEWEE: *The full acquisition in Germany that was motivated by efficiency-seeking motives was measured based on cost synergy. The acquisition in South Africa and Russian market was measured based on our presence in the South African and Russian market respectively and the ability to expand our business in these countries (market share).*

INTERVIEWER: How can you describe the performance of these acquisitions in terms of meeting their strategic motives?
INTERVIEWEE: *Acquisition in Germany achieved the targets set in terms of cost synergy. Acquisition in South Africa was a small acquisition to expand our presence in the South African market and obviously achieved through the acquisition. Plywood acquisition in Russia originally acquired to expand our business and to provide a competitive manufacturing platform for the business. This was achieved and the operation has been well performing and important part of the business since.*

Case Study B: Two cases was the focus of the interview. The acquisitions were made in USA and Sweden in the year 2011 and 2012 respectively. The company does not have acquisition policy requiring them to acquire either full or partially. Rather every acquisition is a separate case. The company does have an acquisition department/unit responsible for M&A strategy. The responding manager responsibilities span across executing M&A for the organization. The responding manager has been involved in full and partial acquisition. Table 13 shows the summary of characteristics of the case acquisitions.

Table 13. Summary of Characteristics of AHLSTRÖM Acquisitions

Case Study B	Case 4	Case 5
Acquisition Policy	No	No
Host country of Acquisition	USA	Sweden
Formal Institutions	Advanced Economies	Advanced Economies
Motive of Acquisition	Strategic Asset-Seeking	Market-Seeking & Strategic asset-seeking
Acquisition Strategy time of entry	Partial Acquisition	Full Acquisition
Equity Stake	49,5%	100%
Year of Entry	2011	2012
Post-Acquisition Strategy	Stopped funding the acquisition	
Performance measures	New product qualification	Market Share+ financial measures (net sales)
Performance outcome	Failed acquisition	Achieved targets

Partial acquisition was the acquisition strategy utilized when entering the USA market (case 4) in the year 2011. The motive of this acquisition was for strategic asset-seeking. The company wanted to acquire a key strategic competence of a firm seeking to get a product still undergoing R&D (nonwoven battery separator solution) to get qualified to the market. The qualification of the technology is needed to aid the development of the new product to market. The interviewee expressed this:

"In our building energy business portfolio, they identified a promising product developed by a target company that is a membrane product. The membrane market is a market we are interested in. Although, we have produced some nonwoven material, and we have owned some patents and know-how, but it was long time ago, and it was in the wrong type of battery market, not the one that is growing fast. Lithium-ion battery market is the material market that is growing fast as you know; there is lithium-ion in these computers and electric vehicles as well. So, we wanted to be part of lithium-ion technology growth expectations were and still the market is growing fast. So you just have to get your product qualified, and it is enough to grow with the market, you do not need to win the market but to grow with the market."

The case study also had one full acquisition in Sweden (case 5) that was acquired in 2012. The motive of the acquisition was market-seeking. The market-seeking motive was aimed at growing in the new market (within their existing business), and to establish a presence in leading competitive markets. According to the Executive Vice President, Filtration, *"When we combine Munktell's strong position in the European advanced filtration market with our solid presence in North America, we will gain access to new markets geographically"* (Björnman 2012). The acquisition also had strategic asset-seeking (in terms of acquisition of competence, immobile strategic assets such as brands and distribution networks and other capabilities such as human and intellectual capital). It also had efficiency-seeking motives as it gave them a platform to be forward integrated enabling them to cut cost and reap cost synergies from the acquisition.

"We identify that the life science and laboratory businesses are the most attractive ones from all growth perspectives. Moreover, megatrends support the acquisition of case 5 and our business, so there is good strategic fit. From the geographical point of view, we were strong in The USA but we are weak in Europe. So, this is also perfect transaction from that point of view that we can enter the European market. This is life science laboratory, the customers are not price sensitive at all, but they want to get a product across every single time. The lab test cannot give a wrong result and the same was for life science, so the customers do not want to switch to other suppliers. The acquisition was by far the best way to re-enter the European market. Munktell Inc. had experience from membrane product. Case 5 was also more forward integrated than we are. That is, they had taken some steps in the value chain we were just considering to do, and now we could get the platform for it, know-how for it and we knew that it worked. It is always a little bit risky to move forward in the value chain because you may be competing with your customers. Munktell had done it already, and it seems to work fine, so it was safe for us to do it. Other reasons for the acquisition was getting the brand and creating value within business and possibilities to use the assets for different types of products. The head operation of the acquisition was in Sweden, but they sold all over in Europe. They are strong in Germany and had a subsidiary in Germany. They had a partially owned company in France, and we bought out the other owners of the company. Now we are the only owners in France. Case 5 is a global business in a way; they sold basically to all European countries.

The two acquisition strategies discussed above were made in developed country markets (Sweden and USA). With this regard, it is expected that there are no formal institutional differences between Finland and the two develop economies of Sweden and USA. Finland is part of EU nation states as well as Sweden; as a result there is no expected difference between formal institutional environment between Finland and Sweden. The interviewee also pointed out that host country institutions did not have any significant impact on their choice of full acquisition. There is also little, or no informal institutional difference between Finland and Sweden as both are part of Scandinavian countries and share similar business cultures. The interviewee response expressed this:

"As you know Swedish and Finnish cultures are quite close to each other, so we did not have any major problem. I mean, target case 5 was led by one single individual, the owner of the company. He has built the company over the past 15 years or so. So, of course, we needed to bring in our AHLSTROM way of working, and AHLSTROM structures, AHLSTROM HR policies, many different kind of structures that may seem little stiff or if you are used to making up your mind. So we brought much structure to the business. I will say that I have not seen anything major and of course it must have been a little bit tough for the employees with different HR policies, take care of this and that's and building all kind of stuffs, it must have been a little bit different for employees but nothing has been mentioned"

INTERVIEWER: Actually when you discuss the various process of your acquisitions process, I was wondering if there was nothing about cultural fit. Is it because you believed that the cultural fit was there?
INTERVIEWEE: *It was there; it was behind it but was not an issue. Sweden and Finland are close. Swedish talk a lot more than they make decision, but still one single individual has made all the decisions, so in a way he was working in a Finnish way. Moreover, operations were in those countries where we have operations. For example, we had a market presence in Germany. We also had a market presence in France. So it was not a topic to discuss. I think we wanted to make sure that our head of this business area, an Italian, fits in well. However, it is one on one relationship, how well we can cooperate. However, it was clear all along that the owner of the business wanted to step-out. We even want to keep him to get his knowledge, but it was clear that he does not want to make any decision. We saw that it was going in the right way without any issues we did not have to consider the cultural issues.*

INTERVIEWER: In the USA market did you think about cultural fit as a key part of the acquisition?
INTERVIEWEE: *We are strong in the USA market and three persons we nominated for the board, one of them is American, one is Finnish but he has lived in the USA and still lived in the USA for a long time and he knows the USA culture.*

The last person has also worked in America for 40 years also. So, it was not an issue.

The case study has been present in the USA market before the acquisition of the USA target. The USA market is the biggest market for the case study, and they get 25% of their net sales from the USA market. However, the acquisition of the USA target was in a new technology. The acquired target in the USA market was a customer to the case company before the acquisition. The case company has been developing lightweight nonwoven materials for lithium-ion membrane separators since 2008 and the acquired firm has been incorporating a product of the parent firm (nonwoven) into its engineered separator product over the last few years. The interviewee stressed that they *were developing their product together, such that they will be selling them nonwoven materials to the battery separators market. They would handle the membrane part, and the parent firm would bring in the nonwoven part, but we did not sell any volumes to them because they did not have a product. They were still developing the product. The idea was to develop together in this very promising market. However, our business area knew them very well.*

INTERVIEWER: For the acquisition in Sweden, did you have any business relationship with them before the acquisition?
INTERVIEWEE: *No, not really. They were our competitor.*

INTERVIEWER: Since you didn't have previous relationship with them, what were the key more or less strategic issues and more or less processes internally that gave you that sort of competence to really make this full acquisition?
INTERVIEWEE: *We knew the business because we have the same businesses in the USA; so, we knew what the acquired target was doing. Moreover, life science laboratory business is quite transparent because we have catalogs, where you describe what kind of product you sell. So anybody can see what they are doing, what they are selling, and we knew the business fully well since we have same kind of business in The USA. I would say that it was a transparent transaction from that point of view.*

INTERVIEWER: Why did you acquire the case company in the USA partially?
INTERVIEWEE Response: *Because we wanted to make sure that the previous management i.e. the management would stay in the company, and they would have strong incentives to develop the business. Because when you acquire a development company, if you lose the key employees you lose everything.*

INTERVIEWER: But you could also do it the same way by acquiring it fully and still keep them on the job?
INTERVIEWEE Response: *Yes, then we had high incentives to, we wanted to be in the same boat. We wanted to have a structure where if it works they become millionaires, and then they would have much money. That was our idea; they would push it as far as they can.*

From the interview, there is an emerging theme "Incentive Alignment" that interacts with the motives of the acquisition in the USA market and their choice for partial acquisition. The moderator variable "Incentive alignment" seems to have an enhancing interaction with the motives of acquisition "strategic asset-seeking" on the choice of partial acquisition such that they both have a stronger effect in predicting the choice of partial acquisition in the USA market. The Incentive alignment was aimed at retention of key employees and to make them have the incentive to continue the new product development. This is also similar to the Incentive alignment argument of Jensen and Meckling (1976) that more equity ownership by the manager may increase corporate performance because it means better alignment of the monetary incentives between the manager and other equity owners. Even though the parent firm had host country capability, they still decided to acquire partially due to their aim of retaining key employees and incentives to get them committed to the new product development.

For the Swedish acquisition (case 5), the case study already had a similar investment in the USA market. Expanding into related business led to the choice of full acquisition. They knew the business, and how it works, the absence of regulatory restriction, institutional transparency and non-failure in formal institutions as well similar informal institutional environment between Sweden and Finland led to the choice of full acquisition. Unlike other studies that found a relationship between technology acquisitions and the choice of lower equity commitments (e.g. Folta 1998; Folta & Miller 2002; Ransbotham & Mitra 2010), this case shows that the stage of the development of the strategic asset-seeking enhanced the choice for partial acquisition. The stage of development of the strategic asset is further described as explorative strategic asset-seeking-motives as it involves strategic asset (technology) which is still under development. Similarly, the responding manager also pointed out that in cases where the technology is already qualified into the market, they would probably opt for full acquisition.

From the case company, financial measures, and motive-based measure were the dominant measures of acquisition performance. Strategic asset-seeking motives were measured based on qualification of new product development which if fulfilled could have an impact on their net sales and profitability. For the acquisition in Sweden, which was primarily motivated by market-seeking motives, net sales were one measure of their KPIs. The interviewee also pointed out that everything boils down to financial numbers.

INTERVIEWER: Do you consider the motive of the investment when measuring the performance of acquisition?
INTERVIEWEE: *Absolutely. We follow what kind of development we have gained. For example for the USA acquisition the KPI's was just to get the product qualified so that the customers buy it. So that was what it was all along, and they could not do it. It was a wrong choice, and we failed. However, we knew the risks all along. We have withdrawn from the acquisition by not making further investments in the acquired firm. For the Swedish acquisition, it boils down to numbers in terms of if we have been able to increase the net sales, etc. So far sales have been fine, and the acquisition has been a successful one.*

Case Study (C): Three case acquisitions was the focus of the interview. The acquisitions were made in Sweden (case 7), Russia (case 6) and Estonia (case 8) in the year 2007, 2010 and 2004 respectively. There is no acquisition policy requiring the case study to acquire fully or partially. Rather every acquisition is a separate case. The company does have an acquisition department/unit responsible for M&A Strategy. The responding manager responsibilities span across all M&A activities of the organization. The responding manager has been involved in full and partial acquisition.

The motive of acquisition in Russia was primarily resource-seeking motive. The resources sought for was pork meat that is used as raw materials in their production to serve the local market. The case firm also had two cases of staged acquisition in Sweden and Estonia. However, the strategic process of acquiring to full acquisition differed. Table 14 shows the summary of the characteristics of the case acquisitions.

Table 14. Summary of Characteristics of ATRIA Acquisitions

Case Study C	Case 6	Case 7	Case 8
Acquisition Policy	No	No	No
Host country of Acquisition	Russia	Sweden	Estonia
Formal Institutions	EMDC	Advanced Economies	Advanced Economies
Motive of Acquisition	Resource-Seeking	Market-Seeking	Market-Seeking
Acquisition Strategy time of entry	Partial Acquisition	Staged Acquisition	Staged Acquisition
Equity Stake	49,5%	57.1% -100%	76%-100%
Year of Entry	2010	2007	2004
Post-Acquisition Strategy	Divested		
Performance measures	Availability of Raw Materials	Market Share+ profitability	Market Share+ profitability
Performance outcome	Failed acquisition	Achieved targets	Achieved targets

The Swedish staged acquisition was via stock trade. The case company knew all along they wanted to have a full ownership from the beginning, and the stock approach was just the only way to enter the market. The case company acquired from the stock market the majority of the shares which gives them the ability to give full buyout offer to the rest of the shareholder. The primary motivation for the staged acquisition was market-seeking (seeking for growth in a niche market and to serve the local market). The interviewee response expressed this:

"We do have quite big slaughter house businesses in Finland so since we are exporting meat anyway so we are looking for processing industrial companies. So, it is raw material flow that we have to export anyway, so why don't we use that own processing capacity in Sweden the? So that is the reason behind it. Also, seeking for growth was another reason. We are operating in a stagnating market or low growth market, so the only way to have growth is to acquire new businesses into our company."

They already had a subsidiary in Sweden before the acquisition of case 7. Thus, they had host country capability before the acquisition of case 7. The acquisition provided the case study (ATRIA) a wider product range, ability to respond to price competition in the meat industry set by the integration of the European market and growth in achieving their goal to become one of the leading food-industry companies in the Baltic Sea region. Similar motive was behind the staged acquisition in Sweden (case 7) and Estonia (case 8). The staged acquisition in Estonia was not a stock listed approach. It was stepwise approach using earnout arrangements. The case company knew all the time that they would acquire 100% of the company. According to the interviewee *"it was only sort of time issue."*

Partial acquisition was the acquisition strategy utilized when entering the emerging market of Russian in the year 2010. The case company had been present in the Russian market before the acquisition, but they never had any relationship/cooperation with the acquired firm before the acquisition. Thus, the company had host country capability and did not have target-specific experience before the acquisition. However, it was not a primary reason for the choice of partial acquisition. Also, it is expected that there are formal and informal institutional differences between Finland and Russia. As a result, there was need to probe more in-depth if there were any institutional factors that could have influenced their choice for partial acquisition. During the probing, it became obvious that political risks avoidance was a primary reason for the acquisition but not the primary motivation for their choice for partial acquisition. The partial acquisition was a way to guarantee the source of their resources (meat was the raw material) because the Russian Federation imposed import restrictions on meat importation. Importation would require a lot of political processes and connection to secure licenses that could involve non-transparent transactions that the case study would most likely prefer to avoid.

With regards to culture, the interviewee expressed that they have been operating in Russia before case 6. *"We had acquired a company there in 2005 located where we currently have the meat processing company"* Thus, the case study knew already the ways of working in Russia. The acquisition was because of the raw material needs (meat) and the regulatory restrictions that would influence the sourcing and price of meat from outside Russia. In Sweden and Estonia (case 7 and case 8), they sought for staged acquisition. Their motives were primarily market-seeking motives. However, the nature of the industry, in terms of the maturity of the industry played a significant role in their acquisition decisions. The interviewee stressed the stagnating market or low growth market and acquisition as the only way to achieve the required growth.

Case 6 was later divested due to market uncertainty in an unfavorable market conditions that resulted in an unprofitable business.

INTERVIEWER: Could you discuss why you divested your Russian acquired subsidiary?
INTERVIEWEE: *Well actually, first of all, we made some changes in our industrial structure, and then we pulled out from one part of the business "the consumer packed meat" that was not profitable. As a result, we did not need that much meat as raw material. Moreover, then there was and still is "African swine flu disease" that made the government block those affected regions in Russia so that meat cannot be transferred from that region to the other. So actually we could not utilize any more meat from these farms. So, it did not make any sense for us to be involved anymore.*

Financial measures and motive-based measure were the dominant measures of acquisition performance. Market-seeking motives were measured based on market growth and profitability, and the resource-seeking was measured in terms of availability of raw materials for production and sourcing savings.

Case Study (D): Two cases was the focus of the interview. The acquisitions were made in South Africa (case 9) and Morocco (case 10) in the year 2007 and 2010 respectively. The case company has no acquisition policy for acquiring fully or partially. Every acquisition is a separate case. The case study does have an acquisition department/unit responsible for M&A Strategy. The responding manager's responsibilities span across all M&A activities of the organization. The responding manager has been involved in full and staged acquisition. Table 15 shows the characteristics of the case acquisition for the case company under study.

Table 15. Summary of Characteristics of KONECRANES Acquisition

Company D	Case 9	Case 10
Acquisition Policy	No	No
Host country of Acquisition	South Africa	Morocco
Formal Institutions	EMDC	EMDC
Motive of Acquisition	Market-Seeking	Market-Seeking
Acquisition Strategy time of entry	Staged Acquisition	Full Acquisition
Equity Stake	19% -100%	100%
Year of Entry	2007	2010
Post-Acquisition Strategy	Full Acquisition	
Performance measures	Sales+ profitability	Sales+ profitability
Performance outcome	Achieved targets	Achieved targets

The acquisition strategies for this case company were made in an emerging market and developing countries of South Africa and Morocco in the year 2007 and 2010 respectively. Staged acquisition was the acquisition strategy utilized when entering the South African market. Full acquisition was the acquisition strategy utilized when entering into the Moroccan market. According to the case company, staged acquisition is a type of acquisition strategy aimed at a step towards control and total ownership of the target firm. It is used in cases that the company knows to certain extent the market playing ground and may have had a business partner, for instance, a licence agreement, thus some understanding of the environment and playground of the business. The stepwise approach gives them the opportunity to see that they are comfortable with the market and the environment. The acquisition deal is structured such that there is a clause to acquire fully after several years. Market-seeking motives motivated both acquisitions (case 9 and case 10). They were driven primarily to gain a footprint expansion into these market and springboard on sales entries to other African countries. The South African market was used as a springboard on sales entries to other territories in the South of Africa. Morocco hub was used for penetrating Sub-Saharan region from the North of Africa.

The staged acquisition in South Africa started with 19.5% equity stake, and the remaining equity stake was acquired in 2009. The case company had a business relationship with the acquired firm before the acquisition. The business relationship is stated to have lasted since the 1990's and right before the acquisition; the acquired target was the representative of the case company in South African market.

The case company pointed out that post-apartheid regulation in South Africa influenced their decision for staged acquisition at the time of market entry. The mandatory regulation was the legislative measure "a strategy for broad-based black economic empowerment" (B-BBEE) enacted by the successive government of ANC 1999, 2004 and 2009 aimed at overcoming the economic legacy of apartheid and empowering "Blacks minorities to participate in economic activities through mandatory quotas" (Kruger 2011). The interviewee pointed out they decided to take a partial stake to wait and see if the implementation of the B-BBEE will affect the productivity of the acquired firm or the way businesses are done. This was expressed in the following comments.

INTERVIEWER: During the decision for staged acquisition in South Africa, where there any institutional factors such as regulations, transparency issues, political risks, corruption and cultural issues that influenced your choice?

INTERVIEWEE: *Yes. Regulatory issues did. At the time we went to South Africa we did have an earlier business relationship. We knew about the business environment. We knew about the Black empowerment regulation. We purposely took the staged approach to see if the regulation or liberation type of issues will continue and how they may impact on how business is done. The staged approach was to take some time to wait and see if how the regulations unfold over time and when the time is right then we can take the full control of the company. The 19% equity stake enabled us to have business dealings and we get access to the company itself and we were able to see for instance if the black empowerment still sustain because is also a little bit of evolving issues in South Africa.*

For the Moroccan acquisition, the case study acquired the target fully, and their motive for market entry was also for market-seeking motive. Before the acquisition, the acquired firm was a distributor of the case study, and the case study has been operating in the Moroccan market before the acquisition. The case study target-specific experience had influenced their choice for full acquisition at the time of market entry. When probed in depth on institutional issues and their effect on Moroccan acquisition, the interview responded:

"Morocco has been open. That was very easy because they had a kind of French business culture. They are close to Spain, but they have some political issues time to time, but French culture is something we are quite very much familiar with. That was a kind, easy issue to go straight forward" In essence irrespective of the target-specific experience, the absence of regulatory restrictions and the openness of Moroccan business culture influenced their decision for full acquisition.

From the case company, financial measures, and motive-based measure were the dominant measures of acquisition performance. Market-seeking motives were measured based on Sales and profitability (EBIT & Return on Capital). Both acquisitions achieved their motives.

Case Study (E): There were four acquisition cases for Case Study E. These were made in Russia (case 11), Italy (case 12), USA (case 13) and Netherlands (case 14) in the year 2006, 2000 and 2014 respectively. The company does not have any acquisition policy requiring them to acquire either full or partially. Rather every acquisition is a separate case. The company does have an acquisition committee at corporate level responsible for M&A strategy. The responding manager's responsibilities span across executing M&A and divestments as part of corporate strategy. The responding manager has been involved in both partial and full acquisition. Table 16 shows the summary of the characteristics of the case acquisitions

Table 16. Summary of Characteristics of KEMIRA Acquisitions

Case Study E	Case 11	Case 12	Case 13	Case 14
Acquisition Policy	No	No	No	No
Host country of Acquisition	Russia	Italy	USA	Netherlands
Formal Institutions	EMDC	AE	AE	AE
Motive of Acquisition	Market-Seeking	Strategic Asset-Seeking	Market-Seeking	Market-Seeking
Acquisition Strategy time of entry	Staged Acquisition	Full Acquisition	Staged Acquisition	Full Acquisition
Equity Stake	70-100%	100%	15-100%	100%
Year of Entry	2006	2013	2000	2014
Post-Acquisition Strategy	Full Acquisition		Full Acquisition	
Performance measures	Market Share+ financial measures		Market Consolidation	Market position + profitability improvement through synergies
Performance outcome	Achieved targets		Achieved targets	Achieved targets

Staged acquisition strategies were utilized when entering the USA and the Russian market. Full acquisition was the acquisition strategy utilized when entering into the Netherlands and Italy. Market-seeking motives were the motives for three acquisitions in USA, Netherlands and Russia. The fourth acquisition was motivated by strategic asset-seeking motives. Three of the four acquisitions were made in advanced economies of Italy (case 12), USA (case 13) and Netherlands (case 14). The fourth acquisition was made in the emerging and developing country of Russia (Case 11). The Netherlands case acquisition has its geographical spreads in Asia Pacific, Europe & Americas. The purpose of the acquisition was to strengthen the case company presence in Europe and Asia Pacific region and enhance their position, especially in the packaging and board industry. The acquisition in Russia was aimed at strengthening industrial coatings business line in the Russian Federation. The USA acquisition (case 13) was aimed at entering the USA water treatment chemicals market that was the largest market for water treatment chemicals in the world. The USA acquisition (case 13) was also aimed at growing big enough through consolidating the market so that the case company can be stronger and big enough to compete in the global market for water treatments solutions.

The case company had been exporting to the Russian Federation before the acquisition. The case company also had a previous acquisition in Russia before the case acquisition. Thus, they had host country capability before the acquisition of case 11. The case company did not have any relationship with the target firm before the acquisition. The USA acquisition was a privately owned firm. The acquisition was in staged because the case study knew already that they wanted to acquire the target firm fully, and the acquisition contract was structured giving the acquirer option to acquire the remaining stake after several years. The acquired target did not have any business relationship with the target before the case acquisition. Before the acquisition, the case company had been operating in the USA market. The acquisition deal was structured using earnout provisions where the full purchase price is paid based on the pre-determined performance metrics on a particular future years (Handler & Hirsch 2014). This was made by an arrangement that required the CEO to be part of the business within the limited period to ensure good business performance and the completion of acquisition payment. There were no institutional reasons for the staged acquisition.

Case 14 was a competitor and customer of the case company before the acquisition. The target firm had some product portfolio that the parent firm was selling to its customer and vice versa. Thus, the parent firm and target firm have had cooperation's and ongoing business relationships before the acquisition. The parent firm was already present in the market segment of the business portfolio they acquired from the competitor. The acquisition was aimed at strengthening their presence in the Asia Pacific Region and thus increases their market share and growth. The presence of host country capability influenced their decision to make full acquisition. Also, the relatedness of the acquisition to the parent firm increases their likelihood of full acquisition.

The interviewee also stated that partial acquisition is often utilized if the target business is still under development. This is with regards to the new technology acquisitions R&D acquisitions (strategic asset-seeking) were the technology is still under development. After partial stake, they wait and see if the technology gets to the market before making full acquisition. However, if the technology is already proven and they do not have it, in-house, they opt for the choice of full acquisition. This was expressed in the following comments:

However, in new technology, I mean the technology that is under development; the "so-called start-up companies". If there are some preliminary studies of some new technology but it is not proven in the market yet and we see the high potential there, that kind of case I would say most probably we would like to establish some partial ownership where we then later acquire it fully if the expectation are ful-

filled. Perhaps we will buy fully if it gives some new technology that we do not have currently in-house but is already established and qualified in the market.

Thus, explorative strategic asset-seeking increases the likelihood of partial acquisition while exploitative strategic asset-seeking increases the likelihood of full acquisition. Exploitative strategic asset-seeking motives were their motivation for the acquisition in Italy (case 12).

The staged acquisitions have all been completed and are all fully owned acquired subsidiaries. The performance of the USA acquisition was measured in terms of motives of the acquisition and financial ratios. The motive measure was in terms of the achievement of the consolidation of the market. For the Netherlands acquisition, strengthening the market position and profitability improvement through synergies were the key strategic measures of the achievement of the motives of their acquisition. Not surprisingly, the Netherlands acquisition also had profitability improvement through synergies because of the geographical spread of the acquisition which would require some cost-synergies.

Case Study (F): Five cases was the focus of the interview. The acquisitions were made in Egypt (case 15), Bulgaria (case 17), Kenya (case 18), Israel (case 19) and Saudi Arabia (case 16) in the year 1992, 2011, 2013, 2013 and 2007 respectively. There was also series of about 20 small acquisition transactions done yearly in developed economies that are aimed at efficiency-seeking motives. All these acquisitions were lumped together in this study as one case because they have the same motives and acquisition strategies. Also, the acquisition decisions are guided based on the case study acquisition policy. The case study does have an acquisition policy requiring them to aim at full acquisition. However, the decision of how much equity is sought is done case by case. Also, they do have an acquisition department/unit responsible for acquisitions.

The subsidiaries of the case study handle 5M€ worth of acquisitions within their territory and are responsible for managing the entire acquisition process. The M&A department review all subsidiary acquisition proposals before the final approval by the Area Director especially when it is not worth more than 5M€. Above this threshold and less than 15M€, it requires approval from the chairman of the board. Above 15M€ threshold, it requires the approval of the Board of Directors. Two responding managers were involved in this case study interview. A pilot interview was conducted using the case study in 2012. A second interview was scheduled after changes were made to the interview questions. During this time, the previous manager was no longer working for the company. The responsibility of the managers spans across executing and overseeing all acquisitions for the case study. The first responding manager has been involved in small acquisition transactions and large acquisition transactions and staged acquisition. The replacing manager has worked in the same department before taking on the new role. Table 17 shows the characteristics of the cases.

Table 17. Summary of Characteristics of KONE Acquisitions

Case Study F	Case 15	Case 16	Case 17	Case 18	Case 19
Acquisition Policy	Yes	Yes	Yes	Yes	Yes
Host country of acquisition	Egypt	Saudi Arabia	Bulgaria	Kenya	Israel
Formal Institutions	EMDC	EMDC	AE	EMDC	AE
Motive of Acquisition	Market-Seeking	Market-Seeking	Market-Seeking	Market-Seeking	Market-Seeking
Acquisition Strategy	Partial Acquisition	Partial Acquisition	Staged Acquisition	Full Acquisition	Full Acquisition
Equity Stake	49%	40%-50%	60%-100%	100%	100%
Year of Entry	1992	2007	2011	2013	2013
Post-Acquisition Strategy	Still Partial acquisition	10% increase Saudi Arabia			
Performance measures	Installed base + financial measures	Installed base + financial measures	installed base + financial measures	installed base + financial measures	installed base + financial measures
Performance outcome	Achieved targets	Achieved targets	Achieved targets	Achieved targets	Achieved targets

The case study categorized their acquisitions into two categories. The first involves acquisitions aimed at expansion into new markets where they had no presence before market entry. The second involves expansion into markets that they already had a presence. The latter is usually small portfolio acquisitions aimed at improving their operational synergies. They are efficiency-seeking acquisitions that aim at achieving economies of scale and scope in the maintenance service operations by using their existing service networks to serve the combined service networks. Thus, it cost them less to have more equipment service while utilizing their existing service network. This is the case of the 20 case acquisitions described above that is lumped in as one case (case 20) in this study.

Market-seeking motives were the motives of the cases (case 15 to case 19). Case 18 and case 19 (Kenya and Israel) were both full acquisition while case 15 and 16 (Egypt and Saudi Arabia) were both partial acquisition. Staged acquisition strategy was utilized for case 17 (Bulgaria). In Saudi Arabia (case 16) they entered via partial acquisition because of regulatory restriction on ownership stake. In Egypt (case 15) contractual difficulties in successfully closing the acquisition deals resulted in their partial acquisition until today. The case company has negotiated several times to purchase the remaining stake from the majority owner, but the target has not come to an agreement on the terms of the evaluation. Though reporting standards have been developed according to the wish of the parent MNE, but the evaluation expected by the target is ridiculous that the parent MNEs does not want to settle at that price.

As earlier pointed out, the efficiency-seeking acquisitions are usually made in host countries where they already have been present in the local market. In such market, the responding manager inferred that they know how the markets work, the challenges of working in the local market including cultural challenges. Consequently, it makes sense for them to opt for full acquisition. According to the interviewing manager, the efficiency-seeking acquisitions i.e. the small transactions discussed above (case 20) have mostly been done in advanced economies within the European Union and the US.

It was also obvious that the nature of the target firm business is a key reason for their choice for staged acquisition in new markets. This is especially the case in the less mature market and/or cases where the business still needs development in terms of reporting and management processes. The interviewee stressed that although they undergo due diligence, however, when such firms have very bad accounting, it is difficult to know by facts how much the targets makes money from services and how much they make from general equipment installations. This makes them want to limit their risks by buying just a smaller equity stake and then paying more in the future when they have established a better financial reporting and knowledge of the business processes. By doing so, they retain the old management in place. Keeping the old management in place is to enable the previous owners to join them in developing the business properly. They tie together the final acquisition purchase price based on the performance of the firm in 3 to 5 years. By doing so, they provide incentives for the previous owners to continue to work for the acquired firm.

"If you grow the company making it more profitable, I will give you more money, I keep you more motivated throughout the business."

They accomplish this by leaving the operational control of the company to the previous owner while they mostly have the management control. They also provide financing and equipment. The target owners in this situation are *"kind of man on the ground to explain to us what is required to operate in the market."*

Thus, one can infer that incentive alignment is interacting with the nature of the target firm business (developed business and/or the maturity of the local market) to influence the choice of stage acquisitions. This is unlike in previous case studies where incentive alignment interacts with the motive of the foreign market entry. Furthermore, the acquiring targets are usually the distributors of the case company before the acquisitions. Thus, they have a relationship with the target firm but they do not have host country capability. Host country capability is needed to manage market-seeking FDIs successfully because such firms will have to deal with the local supply chain, local laws, customers, etc.

The absence of host country capability influenced their decision for staged acquisition for the case of Belgium. This was obvious from the interview response: *"And especially if we enter a new country and we want the owner to continue and be motivated to work part time in the company. Then it makes sense for us to buy 40% of the company and leave 60% to the owner of the company because then he would have the motivation to do his best with the company. Then, we have the option to buy the rest company let say in 3, 4, to 5 years. It might be for multiple reasons. For example, if there is a small frontline in a less mature market or still needs developing in terms of better reporting and following our processes, then we go for staged acquisition and have the option to acquire the rest of the company within 3 to 5 years"*

The case company often acquires fully in cases where they have relationship with the target firm before the acquisition and the market is mature, the business is well established and profitable and has good management systems, reporting, and processes. This was the reason for their full acquisition in Israel and Kenya. They opted for full acquisition when entering into Israel due to the maturity of the market and the well-developed nature of the business in terms of reporting, management systems, and profitability. Also for Kenya's acquisition, the maturity of the market and the developed nature of the business influenced their choice for full acquisition as expressed by the interviewee.

"We never considered making a partial acquisition in Kenya but 100% acquisition. Even though it is a new market for us, we acquired the distributor that we already know. The former MD agreed to stay with us for two years and so is providing consultancy on how the operation are done. For the Kenyan acquisition, we never considered a partial acquisition. I think Kenya operations were

more developed. It was already at a point that the distributorship structure was not working because of the large volumes. They have very high number of units they sold per year and their installed equipment's with maintenance contracts was growing. They had limited internal resources to meet the growth, and that would have started to hamper the growth. The seller was willing to sell and then it makes sense to acquire them fully."

There are no regulatory restrictions in Kenya at the time of market entry. There are political risks and other forms of corruption issues in Kenya as expressed by the interviewee. Thus, there was the presence of failure of formal institutions in Kenya at the time of market entry. However, the case company opted for full acquisition. They structure their evaluations based on anticipated volumes with their operating standards. It allows them to mitigate all other performance of the target firm that cannot be accounted for. Thus, political risks and corruption is structured in the acquisition price.

To probe deep into the role of mature markets and their acquisition choice, it became obvious that less maturity of the market, as opposed to market maturity, led to their choice for staged acquisition as with the case of Bulgarian acquisition. Less mature market means a fragmented market with domestic players and relative small market shares owned by global players.

"In certain markets like in East Europe, Africa, and certain Asian countries, the size of the market is small and still developing. Even though the market is significant, they are not impressible from our company point of view because of the presence of fragmented local players who often manufacture cheap, bad quality equipment. However, as soon as the market develops and portions of such market swings and the global players start getting market shares, it becomes one development that makes us take this type of staged approach".

There was one case of increasing equity stake in the acquisition of the case study in 2014. This was the partial acquisition in Saudi-Arabia. The increasing equity stake was because of the relieving of ownership restriction by the Saudi government from 40% ownership restriction to 50% ownership restriction. The case company entered into an agreement with the acquired target to gain control in the company and consolidate it as a subsidiary of the parent firm financial reporting.

A common measure of the case study acquisition is the number of installed equipment's base of the target and the number of maintenance contracts. This is in line with their market-seeking motive that is aimed at acquiring and maintaining the installed equipment base. For the efficiency-seeking acquisitions, the number of installed base and maintenance contracts and the cost synergies are the most common measure of their acquisition performance. The acquisitions achieved their primary motives.

Case Study (G): COMPONENTA had two cases explored in the interview. The acquisitions were made in Turkey (case 21) and Sweden (case 22) in the year 2006 and 2012 respectively. The case company has no acquisition policy on full or partial acquisition. The company does not have an acquisition department/unit responsible for M&A strategy because of its relative size and few acquisitions deals it does. The responding manager's responsibilities span across executing M&A, divestment, and joint ventures. Table 18 shows the summary of the characteristics of the case company acquisitions.

Table 18. Summary of Characteristics of COMPONENTA Acquisitions

Case Study G	Case 21	Case 22
Host country of Acquisition	Turkey	Sweden
Formal Institutions	EMDC	AE
Motive of Acquisition	Market-Seeking	Market-Seeking & Efficiency-Seeking
Acquisition Strategy	Staged Acquisition	Full Acquisition
Equity	55%-93,6%	100%
Year of Entry	2006	2012
Post-Acquisition Strategy	Almost full acquisition	
Performance measures	Production capacity & financial measures	Financial measures, customer retention, cost synergies
Performance outcome	Achieved targets	Achieved targets

Market-seeking motives were the motives of the case acquisitions (case 21 and case 22). Case 22 in addition to market-seeking motives also had efficiency-seeking motives. Staged acquisition strategy was utilized for case 21 (Turkey), and full acquisition was utilized for case 22 (Sweden). The staged acquisition in Turkey was via a stock trade. They acquired 55% in 2006 from the majority owners, and the remaining 45% was listed on the stock exchange as free float. According to the Turkish law, they have to launch a tender offer for the remaining shares. They have launched the tender offer twice but have still been unable to get all the shares in the two tenders. Both tenders were in 2007. Their equity stake rose to 72% at the first tender and in second tender it raised to 92.6%. They have now acquired additional 1 % (93.6%). The case company did not have any target-specific experience before undertaking both acquisitions.

The case study describes their motive for staged acquisition as one arising primarily from risks sharing. *"if you go to an unknown or such market area where you* *have no access, and you want to enter the new market, basically it carries a big risk. In such market you may want to share the risk for example with the local firm in form of shared ownership and then make a contract that after 3 or 5 years there are some option arrangement in which you can buy the remaining stake out from the acquisition"*

Secondary, the aim of staged acquisition is to *"gain from the local partner in term of permits that are needed, market knowledge and access to the local customer. When we have gained enough information and experience from the market and target then basically we can form the final view either to exit by selling it to the other party or acquire the remaining stake from the other party"*

The staged acquisition provides a platform for gaining more knowledge about the target firm, market knowledge, and host country institutions.

Furthermore, the case study also pointed out that staged acquisition is also an important acquisition strategy when the companies are limited in resources because of their firm size because it provides them additional time to seek for resources. *"Especially, if you are small company or medium size company, you have always only a limited amount of resources in use and therefore it is very often not just for us but for other companies that they want to enter the market in this way"*

The acquisition in Sweden (case 22) was made in 2012. The case study already had an existing subsidiary in Sweden since 2004 before undertaking this acquisition. Thus, they had host country capability before undertaking case 22. The case manager informed that their primary decision to acquire the company was because it was their competitor, and they were afraid that if they do not acquire the target, other bigger competitors will do so. The acquisition provided the case study an additional efficiency and cost synergies in their operations in Sweden. The output of the acquired subsidiary is sold in part in Sweden and the rest of Europe. The case manager implied the reasons for the acquisition with the statement below.

"The target firm was our competitor and we were scared that it could be taken over by someone else, who could then consolidate the market and put our operations in Sweden in danger. That was the primary motivation. Also, the acquisition was extremely cheap. By acquiring the target firm, and combining it with other operations in Sweden, we were able to close down one of our smallest units. We then transferred production from the smallest unit to the remaining bigger unit. We got capacity utilization to a significant higher level, cost synergies, and, to some extent, some cross-selling synergies."

Also, the case manager informed that acquisitions are made case by case and the motivations are usually, an opportunity (e.g. case 21), competitor preemption (case 22), some other cases, customers that wants to grow (following customers to overseas market) and some other cases just a growth opportunity because of declining markets.

"Acquisition decision is case by case. In some cases, it is an opportunity, and it just pops up. Sometimes it looks like a threat that someone would be coming to your market and take the market share and sometimes it is demand from a customer that would like to grow in a new geographical environment. Sometimes it is just purely because there is no more growth opportunity in certain area, and you want to grow. Also, sometimes, you become the number one in your market, and you need to get the growth from the other market that you have not been operating earlier" (COMPONENTA).

Institutions did not play any major impact on the acquisition strategies for case 21 and case 22. There were no regulatory restrictions in Turkey and Sweden at the time of market entry. Although the case study did not possess target-specific experience before case 21 acquisition, however, they pointed out the role of new opportunity development in the Turkish market that led to their choice of staged acquisition. Turkey opened up a completely new business opportunity that was a big risk for the case study. However, by taking staged approach, it has so far been in good market condition. Sweden is institutionally close to Finland. In addition to been institutionally close to Finland, the case study already possesses host country capability before undertaking the acquisition in Sweden.

The performance of the Turkish acquisition (case 21) was captured based on financial KPIs and production capacity improvements while the performance of the acquisition in Sweden (case 22) was primarily captured based on cost synergies and financial KPIs. Specifically on case acquisition 21, it was reported in their company web pages that they have moved more production to their Turkish factory (low-cost country) because of increasingly cost of manufacturing in Finland (Componenta 2014). That informs why one of the KPIs for the market-seeking motives of case acquisition 21 is based on production capacity improvements.

The case company also stressed the performance differentials between returns to partial and full acquisition and why it is of importance for companies to optimize the right acquisition strategy at the time of market entry. According to the interviewing manager, not opting for the right acquisition strategy at the time of market entry, could incur additional management cost and loss of scarce management resources. These are discussed in more details in Section 6.6.1.

Case Study (H): FAZER had four case acquisitions explored in the interview. Two acquisitions were made in Norway (case 23 and 26) in the year 2002 and 2013. The remaining two acquisitions were made in Denmark (case 24) and Sweden (case 25) in the years 2001 and 2011 respectively. The case study does have an acquisition policy to opt for full acquisition. Their goal is always to aim at full acquisition, but they have also used staged acquisition in special cases. The case study does not have an acquisition department responsible for M&A strategy. However, the M&A manager follow-up competitors and markets that are interesting to the company in close collaboration with the business units and business market intelligence. The responding manager’s responsibility spans across executing M&A and asset management for the case study.

Market-seeking motive was the motives of the case acquisitions (case 23, 24, 25 and case 26). Case 25 in addition to market-seeking motives also had efficiency-seeking and strategic asset-seeking motives. Staged acquisition strategy was utilized for case 23 (Norway) and Denmark (case 24). Full acquisition were utilized for case 25 (Sweden) and case 26 (Norway). For the staged acquisition in Norway (case 23), they acquired a majority stake (controlling stake) at the first phase of the earnout arrangement, and the remaining stake was acquired in 2 years. For the staged acquisition in Denmark (case 24), the management of the target owned only small stake while the rest was owned by the heirs of the founder. They acquired first 59% from heirs at fixed price (with customary reps & warranties). Using call options they acquired the remaining stake after three years of the original deal from the remaining owners. The case study still employs the management of the acquired firm. Table 19 shows the summary of the characteristics of the case company acquisitions.

Table 19. Summary Characteristics of FAZER Acquisitions

Case Study H	Case 23	Case 24	Case 25	Case 26
Acquisition Policy	No	No	No	No
Host country of Acquisition	Norway	Denmark	Sweden	Norway
Formal Institutions	AE	AE	AE	AE
Motive of Acquisition	Market-Seeking	Market-Seeking	Market-Seeking, Efficiency-seeking & Strategic asset-seeking	Market-Seeking & Efficiency-seeking
Acquisition Strategy	Staged Acquisition	Staged Acquisition	Full Acquisition	Full Acquisition
Equity	Majority-100%	59%-100%	100%	100%
Year of Entry	2002	2001	2011	2013
Post-Acquisition Strategy	Full acquisition	Full Acquisition		
Performance measures	Customer retention & financial	Customer retention & financial measures	cost synergies + financial measure +competence & skills	Customer retention & financial measures
Performance outcome	Achieved targets	Achieved targets	Achieved targets	Achieved targets

The case company was deficient in host country capability and target-specific experience before undertaking case acquisition 23. The main motivation for using staged acquisition was because they wanted to have a local partner, with whom they can share risks, build trust and who can manage the operations of the business locally. *"Our reason for staged acquisition in Norway (case 23) was because we were entering a new market area where we wanted to have some local partners, with whom we could trust and who can take care of the local business. Also, it is a partial risk sharing option."*

Similar reasons motivated their staged acquisition into Denmark (case 24). Also, the interviewing manager pointed to the fact that prior to this acquisition they had no contract catering business in Denmark but had other subsidiaries within Confectionery business since the 80's. They decided to opt for staged acquisition (59% at entry) to enable them secure the management continues there and continuous to the success of the company. In this type of business customer retention matters a lot that is also why retaining local managers is of importance to the business. The case study possessed host country capability. However, their choice for staged acquisition was because they were entering into unrelated business, and they need to retain local managers that have the market knowledge to ensure the success of the acquisition. The case company did not have target-specific experience prior to this acquisition.

Furthermore, the interviewing manager stated that quite often in negotiations the seller and buyer have a different opinion on the valuation. Staged acquisition is a good way to bridge the valuation differences. *"If you say that our company value that much but then the seller have an alternative opinion. So quite often we have to compromise that we pay some down payment, and the sellers keep minority and then based on the performance in 2 or 3 years, we acquire the rest at predetermined amount"*.

Host country capability necessitated their full acquisition in case 25 and 26. They had existing subsidiaries in these host countries before the acquisitions. For case 25, the acquired target had specific skills in handmade fresh-baked artisan bread and the demand for this product had been increasing. The case study acquired the target firm to gain these competencies, increase the capacity to meet increasing demand for handmade fresh-baked artisan bread and to offer the product to completely new markets. For case 26, the case study acquired the target firm to become the leading contract caterers in the Norwegian market. This was made possible because they possessed host country capability, and the acquisition was in related business (case 23 and case 26 were both in contract catering).

The interviewing manager informed that financial KPIs were the key KPIs in acquisitions. However, they also measure retention of key customers in market-seeking acquisitions (case 25), competence and skills in strategic asset-seeking acquisitions (case 25) and cost synergies in efficiency-seeking acquisitions (case 26). Furthermore, the interviewing manager informed that differences in regulations did affect the returns on acquisitions. He cited that in 2005, they acquired a contract catering business in Saint Petersburg, Russia. They kept to their policy and code of conduct by playing according to the rules. They realized that the local competitors are not playing according to the rules. They exited from there in 2011 because they were not competitive against the competitors. The competitors were not obeying taxes and social security like they did. As a result, the market price was set by the competitors whose cost track was wider than theirs. This case is not specifically a case that was explored in this study.

Table 20. Meta-Matrix-Summary of Within Case Analysis

Case No	Case Study	Host Country	Formal Institutions	Equity Stake	Strategies	Year of Entry	Motives	Performance	Integration Strategies	Findings on Acquisition Entry Strategies
1	A	Russia	EMDC	60 %	PA	1988	MS	AT	LI	• Deficiency of target-specific experience • Deficiency of host country capability
2	A	South Africa	EMDC	100 %	FA	2000	ES	AT	TI	• Host country capability • Size of the target
3	A	Germany	AE	100 %	FA	2011	ES	AT	TI	• Efficiency motive • Host country capability • Target is a competitor
4	B	USA	AE	45 %	PA	2011	SA	FAC	LI	• Motives interacting with • Incentive alignment
5	B	Sweden	AE	100 %	FA	2012	MS+ES+SA	AT	TI	• Nature of the target • Host country capability Megatrends & growth options
6	C	Russia	EMDC	49.5%	PA	2010	RS	FAC	LI	• Secure source of raw materials • Political risks avoidance
7	C	Sweden	AE	57.1% - 100%	SA	2007	MS	AT	TI	• Stock Trade • Deficiency of target-specific Experience • Host country capability
8	C	Estonia	AE	76%-100%	SA	2004	MS	AT	TI	• Deficiency of host country Capability • Deficiency of target-specific Experience • Market Power Consolidation
9	D	South Africa	EMDC	19%-100%	SA	2007	MS	AT	TI	• Target-specific experience • Mild regulatory framework • Deficiency of host country capability
10	D	Morocco	EMDC	100 %	FA	2010	MS	AT	TI	• Target-specific experience • Cultural knowledge • Retention of Key management

11	E	Russia	EMDC	70%-100%	SA	2006	MS	AT	TI	• Host country capability • Deficiency of target-specific experience
12	E	Italy	AE	100 %	FA		SA	AT	TI	• Exploitative strategic asset-seeking
13	E	USA	AE	15%-100%	SA	2000	MS	AT	TI	• Deficiency of target-Specific experience • Host country capability
14	E	Netherlands	AE	100 %	FA	2014	MS	AT	TI	• Host country capability • Target is a competitor
15	F	Egypt	EMDC	49%	PA	1992	MS	AT	LI	• Negotiation complexities
16	F	Saudi Arabia	EMDC	40 %	PA	2007	MS	AT	LI	• Regulatory restrictions
17	F	Bulgaria	AE	60%-100%	SA	2011	MS	AT	TI	• Target-specific experience • Deficiency of host country capability • Nature of target business
18	F	Kenya	EMDC	100 %	FA	2013	MS	AT	TI	• Nature of target business • Market structure • Target-specific experience • Retention of key management
19	F	Israel	AE	100 %	FA	2013	MS	AT	LI	• Nature of target business • Market structure • Target-specific experience
20	F	USA & EU	AE	100 %	FA	Yearly	ES	AT	TI	• Size of the target (<5M€) • Efficiency motives
21	G	Turkey	EMDC	55%-93,6%	SA	2006	MS	AT	TI	• Deficiency of target-specific experience • Deficiency of host country capability • Stock Trade • Market Power Consolidation
22	G	Sweden	AE	100 %	FA	2012	MS+ES	AT	TI	• Target is a competitor • Efficiency motives • Size of the target (0,5M€) • Host country capability
23	H	Norway	AE	Majority-100%	SA	2002	MS	AT	TI	• Deficiency of target-specific experience

										• Deficiency of Host Country Capability • Market Power Consolidation
24	H	Denmark	AE	59%-100%	SA	2001	MS	AT	TI	• Deficiency of target-specific Experience • Host Country Capability • Call Option
25	H	Sweden	AE	100 %	FA	2011	MS+SA	AT	LI	• Host country Capability Efficiency Motives
26	H	Norway	AE	100 %	FA	2013	MS+ES	AT	TI	• Host Country Capability • Related Business

Case No	Company	Country	Formal Institutions	Equity Stake	Strategies	Year of Entry	Motives	Performance	Changes in Equity	Performance Measure
1	A	Russia	EMDC	60 %	PA	1988	MS	AT	• Host Country Capability • Trust building	• Market share • Financial
2	A	South Africa	EMDC	100 %	FA	2000	ES	AT	• Trust Building	• Cost Synergies • Financial
3	A	Germany	AE	100 %	FA	2011	ES	AT		• Cost Synergies • Financial
4	B	USA	AE	45 %	PA	2011	SA	FAC		• New Product Qualification
5	B	Sweden	AE	100 %	FA	2012	MS+ ES+SA	AT		• Market Share • Financial (net sales)
6	C	Russia	EMDC	49,50 %	PA	2010	RS	FAC	Market Unattractiveness	• Availability of Raw Materials
7	C	Sweden	AE	57.1% - 100%	SA	2007	MS	AT		• Market Share • Financial
8	C	Estonia	AE	76%-100%	SA	2004	MS	AT		• Market Share • Financial
9	D	South Africa	EMDC	19%-100%	SA	2007	MS	AT		• Sales • Financial
10	D	Morocco	EMDC	100 %	FA	2010	MS	AT		• Sales • Financial
11	E	Russia	EMDC	70%-	SA	2006	MS	AT		• Market Share

				100%						• Financial
12	E	Italy	AE	100 %	FA		SA	AT		•
13	E	USA	AE	15%-100%	SA	2000	MS	AT		• Market Consolidation
14	E	Netherlands	AE	100 %	FA	2014	MS	AT		• Market Position • Profitability
15	F	Egypt	EMDC	49,00 %	PA	1992	MS	AT		• Installed equipment in service • Financial measures
16	F	Saudi Arabia	EMDC	40 %	PA	2007	MS	AT	Relieving Restriction	• Installed equipment in service • Financial measures
17	F	Bulgaria	AE	60%-100%	SA	2011	MS	AT		• Installed equipment in service • Financial measures
18	F	Kenya	EMDC	100 %	FA	2013	MS	AT		• Installed equipment in service • Financial measures
19	F	Israel	AE	100 %	FA	2013	MS	AT		• Installed equipment in service • Financial measures
20	F	US, Italy, etc.	AE	100 %	FA	Yearly	ES	AT		• Cost Synergies + Installed equipment in Service
21	G	Turkey	EMDC	55%-93,6%	SA	2006	MS	AT		• Production capacity • Financial
22	G	Sweden	AE	100 %	FA	2012	MS+ES	AT		• Cost Synergies • Financial measure
23	H	Norway	AE	Majority-100%	SA	2002	MS	AT		• Customer Retention • Sales • Financial measure
24	H	Denmark	AE	59%-100%	SA	2001	MS	AT		• Customer retention • Sales • Financial measure
25	H	Sweden	AE	100 %	FA	2011	MS+SA	AT		• Customer Retention • Sales • Skills & competences • Financial measure
26	H	Norway	AE	100 %	FA	2013	MS+ES	AT		• Customer Retention • Financial measure
• **FAC = Failed Acquisition; AT = Achieved Targets**										

6.3 Determinants of Acquisition Strategies at the time of Market Entry

Table 20 above shows the meta-matrix that depicts the findings from the within case analysis. These findings are utilized for the cross case analysis and findings discussed in this section. Section 6.3.1 to 6.3.2 discusses the determinants of partial, staged and full acquisition at the time of market entry. Through this discussion the answer to research question one is provided.

6.3.1 Why do Firms Opt for Partial Acquisition Strategy?

This section discusses major findings relating to the choice of partial acquisition. Table 21 shows the summary of case companies, acquisition cases, target host country institutions, motives of the investments and major findings relating to their choice of partial acquisition at the time of market entry.

Table 21. Findings on the Choice of Partial Acquisition

Cases	Case Study	Business Sector	Target Host Country	Formal Institutions	Equity Stake	Year of Entry	Motives	Major Findings
1	A	Wood Product Manufacturing	Russia	EMDC	60%	1988	Market-Seeking	• Deficiency of target-specific Experience • Deficiency of host Country Experience • Year of the Acquisition
4	B	Nonwoven battery separator	USA	AE	45%	2011	Strategic Asset-seeking	• Motives interacting with incentive alignment
6	C	Meats	Russia	EMDC	49,5%	2010	Resource-Seeking	• Secure source of raw materials • Political risks avoidance
15	F(KONE)	Lift Manufacturing & Services	Egypt	EMDC	49,5%	1991	Market-Seeking	• Negotiation complexities • Year of the Acquisition
16	F(KONE)	Lift Manufacturing & Services	Saudi Arabia	EMDC	40%	2007	Market-Seeking	• Regulatory Restrictions
EMDC= Emerging Market and Developing Countries, AE = Advanced Economies								

Regulatory Restrictions: Table 21 shows five case companies and five cases of partial acquisition including the business sector of the acquisition, target host country. The table also shows the classification of the host country institutions according to IMF classification at the year of market entry.

Four out of the five partial acquisitions were made in emerging and developing countries of Russia (2), Egypt, and Saudi Arabia. One was made in the United States. From this five, one was acquired in the year 1988 when Russia was under transition from centrally administered system to one based on market principles (IMF 1988). From the classification in Table 21, one could conclude that there is a strong relationship between restrictive host countries in developing and emerging countries and the likelihood of partial acquisition. However, the interview points to a narrow finding relating to the role of ownership restriction. From the interview data, only KONE referred to regulatory restriction as the reason for the partial acquisition in Saudi Arabia. They entered Saudi Arabia with an ownership stake of 40% in 2007. Saudi Arabia restricts foreign ownership to 40% Al-Khouri (2012). KONE has an acquisition policy to aim for full ownership and control, yet the restrictive ownership laws in the host country gave them no other alternative than to opt for partial acquisition.

Year of Acquisition Entry: From the interview data, parent MNEs that did not have host country capability with or without target-specific experience opted for partial acquisition at the time of market entry. This was the case with (KONE) acquisitions in Egypt in Year 1992 (case 15) and (UPM) acquisition in Russia (case 1) in 1988. Furthermore, parent MNEs that did not have host country capability with or without target-specific experience also opted for staged acquisition at the time of market entry. What distinguishes the choice of partial and staged acquisition for these cases is the time (year) of market entry.

While UPM did not have target-specific experience before the acquisition, their choice of partial acquisition was because *"We acquired local plywood manufacturing facility business. At that time, we did not have any plywood manufacturing operations or partner in Russia. We decided to acquire it partially and retained the local owner who remained the minority owner of the firm. It was a mutual benefit for us and beneficial for the old owner to remain."*

For KONE, the acquired target was their distributor before the acquisition in the year1992 but they did not include earnout arrangements in the acquisition contract to bridge contractual failures resulting in their choice for partial acquisition. Although as expressed by the acquisition manager, having such target-specific experience should facilitate successful deal closure, the case decision was made long before he came to the company. According to him, information from company records suggests that unsuccessful deal closure was the reason behind the partial acquisition. During his time in office, they have as well renegotiated but have been unable to close the deal.

What makes the choice of partial acquisition in these cases different to other cases of staged acquisition is the year of the acquisition. Earnout arrangement has not been used in practice during the 1980's and early 90's compared to the last two decades. The interviewing managers (Case Study A and Case Study F) informed that they did not know why the acquisition managers at that time did not utilize earnout arrangements but currently, it is a tool in the organizational M&A process to bride contractual complexities. Thus, the acquiring managers had no alternatives to bridge negotiation failures other than settling for a partial stake. While the partial acquisition of UPM was further renegotiated in the year 2004 that resulted in full acquisition, KONE until date have been unable to successfully renegotiate the acquisition of the remaining stake in the company. The reason for this unsuccessful renegotiation is attributed to negotiation complexities rooted in the cultural difference between the case company and target firm. This is further discussed in the subsequent section on the role of informal institutional distance in influencing the choice of partial acquisition.

Informal Institutions: Informal institutional environment is explored based on the manifestation of cultural differences in acquisition issues. Thus, cultural issues discussed by the interviewees are prescribed and perceived as the manifestation of culture in acquisition issues. Specifically, the interest is on how cultural issues or differences influence their choice of acquisition strategies. This is further supported by Hofstede cultural scores of individualism and collectivism of both the acquiring firm home country and target host country. The main reason for strengthening the interview data with the individualistic vs. collectivist aspects of the culture is because its captures the dimension of cultural distance that influences the outcomes of negotiations a pre-requisite for closing acquisition deals. Other aspects of cultural distance measure such as power distance may more necessarily predict post entry strategies e.g. integration planning and HR strategies. Similarly, uncertainty avoidance may more necessarily predict where to enter rather than the entry strategies chosen to enter a foreign market.

The interview data suggest that the acquisition of host country capability by MNEs makes cultural differences insignificant in acquisition strategy choices (case 4 and case 5). For example, with regards to the partial acquisition of AHLSTRÖM in the USA, the interviewee said they had host country experience that made cultural issues irrelevant to the acquisition decision.

"We are strong in the USA market, and the people we nominated, three members typically one of them is American, one of them is Finnish, but he has lived in the USA and still lived in the USA for a long time and he knows the USA culture and we have one free person who has also worked in America for 40 years also. So, it

was not an issue" Similarly, ATRIA said, "Because we are already operating in Russia, we had acquired company there in 2005; it is now where we have the meat processing company. So we knew already the ways of working in Russia, so this new one was just because of the raw material, and then import restriction that might affect the sourcing of the meat and the price on the sourcing"

Similarly, case studies A and D were already operating in the local market before the acquisition suggesting that they had host country capability before the partial acquisition. This suggests that cultural distance insignificantly explain the choice of partial acquisition when parent firm has acquired host country capability.

Furthermore, the literature review suggests that culture manifest itself in acquisition decisions by making acquisition negotiation more complex in reaching decisions (Graham 1985; McDevitt 2006; Jakobsen 2008; Dikova et al. 2010). Jakobsen (2008) suggest that partial acquisition is as a result of contractual difficulties in successfully closing acquisition deals with the target firm. This is because contractual difficulties are rooted in cultural differences (Drew 1997; Dina 2010). In culturally different countries, sellers may perceive that the deal does not protect the interests of local owners and stakeholders alike (Jakobsen 2008).

Individualistic vs. collectivist cultures is the aspect of cultural distance responsible for failure in contracts negotiation (McDevitt 2006). It has been shown that collectivist cultures are concerned with self-face and are more likely to opt for win-lose negotiations while individualistic culture will opt for integrative or win-win negotiations (ibid). Out of the six acquisition cases, only one case acquisition from KONE cited negotiation complexities in successfully closing the acquisition deal in Egypt. To further validate that the negotiation complexities resulting into contractual failure is rooted in cultural distance, I explored Hofstede individualistic vs. collectivist cultural dimension to confirm if the findings of McDevitt (2006) can be applied to this case. Figure 15 shows the comparison of individualistic dimension of Finland and Egypt from Hofstede (adapted from http://geert-Hofstede.com/finland.html)

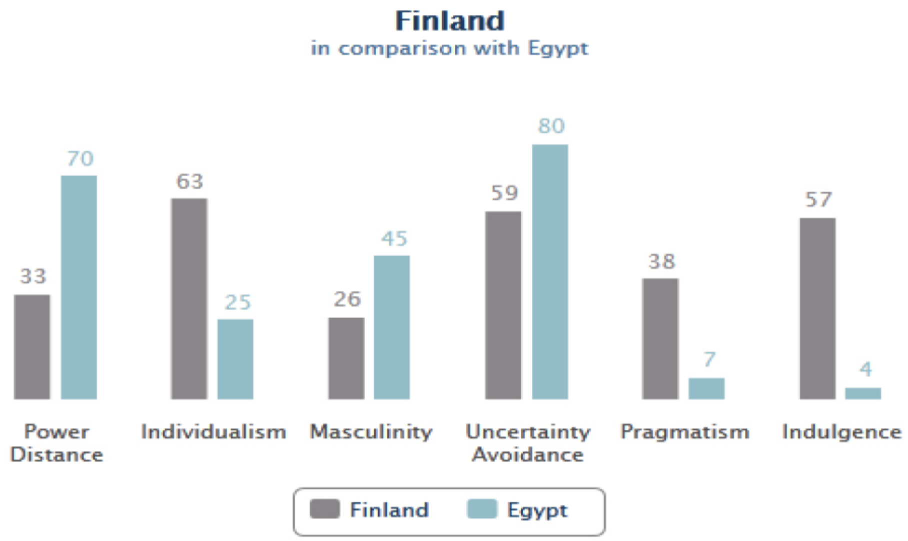

Figure 15. Hofstede Individualistic cultural comparison Finland vs. Egypt

From the numbers, Finland scored 63 as an individualistic society. Egypt scored 25 considered as a collectivistic society. It is expected that while the parent Finnish MNE will be seeking for a more integrative i.e. win-win negotiation, the Egyptian counterpart will be seeking a more win-lose outcome i.e. distributive outcome thus leading to the contractual failure. Without the negotiation complexities, Case Study F (KONE) would opt for full acquisition because they have an acquisition policy to opt for full acquisition. The interviewee had this comment regarding negotiation failures with the Egyptian partner.

"We have the minority stake in the company we cannot go to 100%. We have negotiated several times so we could buy the majority, but the evaluation they expect is ridiculous. They are not performing the way we should perform; they are reporting the way we wish them to report. However, you cannot force someone to sell when they do not want to sell, or they want to sell but the evaluation is ridiculous."

Although three other partial acquisition were made in collectivist cultures of Russia (case 1 and case 6) and Saudi Arabia (case 16), however, the interviewed managers did not cite negotiation complexities or cultural issues as the reasons for their partial acquisition. KONE had target-specific experience with the Egyptian target and the Saudi Arabian target before the acquisition. In the case of Saudi Arabia, host country regulatory restrictions resulted in their choice of partial acquisition. Thus; the role of culture cannot be explored as the ownership restriction already made it irrelevant. Case Study C (ATRIA) and Case Study B (AHLSTROM) had host country capability in Russia and USA respectively before the acquisition and thus cannot ascribe their partial acquisition to cultural issues. Case Study F (KONE) did not have host country capability in Egypt before the partial acquisition in Egypt. Based on these commonalities, it can be concluded that negotiation complexities rooted in the cultural difference between Finland and Egypt resulted in the unsuccessful closure of the acquisition deals and thus the choice of partial acquisition.

Strategic Asset-Seeking Motives: Effect of Incentive Alignment and Nature of Target Strategic Assets: From the cross case study, it emerged that there are two types of strategic asset-seeking motives in terms of the nature of the target firm strategic asset. The first one involves a target firm whose strategic assets is still under development or undergoing research & development referred to as explorative strategic asset-seeking motives, the later refers to exploitative strategic asset-seeking motives in which the target firm strategic asset is completely qualified on the market and the motive of parent firm is to exploit and leverage the capabilities of the target firm. There is a joint effect between explorative strategic asset-seeking motives and incentive alignment in influencing the choice of partial acquisition. The need to align incentive of the inventors “Incentive alignment” influence the choice of partial acquisition strategy for explorative strategic asset-seeking motives. This was related to two partial acquisitions of Case Study B (AHLSTRÖM) and Case Study E (KEMIRA). No specific case acquisition was referred to by the interviewing manager for KEMIRA, but he inferred this when providing evidence for alternative reasons resulting in their choice of full acquisition in Italy (case 12).

Case Study B referred to explorative asset-seeking as “Development Company”. The case study went further to explain their choice of partial acquisition not limited to the “development company” but also to align incentives. Case Study E referred explorative asset-seeking venture as new technology company that is “under-development”, the so-called “start-up companies.” The case study further explains that

> *“if there are some preliminary studies of some new technology but it is not proven in the market yet and we see the high potential there, those kind of case I would say most probably we would like to establish some partial ownership were we then later own, if the expectation are fulfilled we would then be willing to acquire the whole share.”*

Case Study B expressed the need to align incentives as a way to give the previous management of the company an incentive to remain and develop the product together. The case company loosely integrated the acquired target in part because they were acquired partially and secondly to keep the motivation of employees in developing the technology. The interviewee stressed *"we wanted to make sure that the previous management i.e. the management would stay in the company, and they would have strong incentives to develop the business. We wanted them to be in the same boat. We wanted to have a structure where if it works they become millionaires, and then they would have much money. That was our idea; they would push it as far as they can. We did not integrate them because we wanted them to be free; because if we have brought in our HR policies, these and that,… it could have been too much. So, we wanted them to be separate; Off course we wanted to control; we did it through our shareholders agreements and our board members in the acquired firm. That was our way of controlling it. The acquired target was better off without all our systems.*

In such strategic asset-seeking acquisition, retaining key employees is vital to the success of gaining the needed competencies and enabling the acquired firm in developing the product technologies. Previous studies have argued that motivating such employees through structural autonomy and incentive alignments is very vital for achieving the innovative capabilities that made the acquired firm attractive in the first place (Puranam et al. 2009). This finding is also similar to previous studies on technology acquisitions and the choice of partial ownership (Folta 1998; Folta & Miller 2002; Ransbotham & Mitra 2010). However, reason expressed for partial equity differs from the valuation difficulties in technology acquisitions cited in previous studies. With regards to this case, the valuation of the technology is known; however, the technology is still under exploration and thus the reason for the waiting approach. The incentive alignment in strategic asset-seeking investments is different from the earnout provisions clauses in staged acquisition. Whereas the aim of incentive alignment in strategic asset investment is to retain key employees who are usually the owners or part of the owners of the target firm, the incentive alignment in staged acquisition is an incentive to mitigate risks in the valuation of the target firm.

Resource-Seeking Motives and Non-Transparent Regulatory Institutions: Resource-seeking acquisitions are aimed at gaining access to factors of production and acquire specific resources (Dunning 1993; Filippov 2010: 314). It includes access to raw materials and agricultural products, access to cheap and semi-skilled labor in more advantageous conditions (Dunning 1993). Non-transparent regulatory institutions are those institutions that cannot ensure openness and better organization of the legal system and accountability of regulatory institutions (OECD 2011).

From the cross case study, only Case Study C (ATRIA) had resource-seeking motives for an acquisition made in Russia in 2010. The resources sought for was meat. It was used as raw materials in their production to serve the local market. The host government of Russia had imposed import ban/restriction on meat importation into Russia. Case Study C opted for partial acquisition as a result of "political risks avoidance" in the sense that they prefer to acquire a local meat company to secure the sources of their raw materials than undergoing the political and non-transparent process of securing import license from the Russian government. The partial acquisition was a way to guarantee their resources (meat was the raw material) from the target firm. As predicted in the literature review host country institutions have greater influence in resource-seeking acquisitions because of their interest in protecting the local industry and local players from global competition (Uhlenbruck & Castro 1998: 627).

The non-transparent regulatory formal institutions that manifested due to the import restriction of meat into Russia resulted in the MNEs choice for seeking alternative means of securing the raw materials needed for production. It can be concluded that in the context of non-regulatory formal institutions of host countries, firms seeking resource-seeking motives would likely opt for the choice of partial acquisition. The reason for the partial acquisition of the case company is to avoid transparency issues with dealing the regulative agencies in Russia and at the same time secure the sources of their raw materials. This finding is consistent with previous studies that found that firms opt for partial acquisition or shared ownership in natural resource industries because such industries are often politically sensitive, and a local partner is needed to provide acquiring MNE with securing permits. (Gomes-Casseres 1989; Hennart & Larimo 1998; Demirbag, Glaister & Tatoglu 2007)

6.3.2 Why do Firms Opt for Staged Acquisition Strategy?

This section discusses major findings relating to the choice of staged acquisition. Table 22 shows the summary of case companies, acquisition cases, target host country institutions, motives of the investments and major findings relating to their choice of staged acquisition at the time of market entry.

Table 22. Staged Acquisition Strategies: Characteristics of Cases and Major Findings

Cases	Case Study	Business Sector	Host Country	Formal Institutions	Equity Stake	Year Entry	Motives	Major Findings
7	C	Meats	Sweden	Advanced Economies	57.1% - 100%	2007	Market-Seeking	• Market power consolidation • Stock trade
8	C	Meats	Estonia	Advanced Economies	76%-100%	2004	Market-Seeking	• Deficiency of host country capability • Market power consolidation • Deficiency of target-specific experience
9	D	Cranes manufacturing & services	South Africa	EMDC	19%-100%	2007	Market-Seeking	• Target-specific experience • Deficiency of host country experience • Mild regulatory framework
13	E	Water treatment chemicals	USA	Advanced Economies	15%-100%	2000	Market-Seeking	• Deficiency of target-specific experience • Deficiency of host country capability
11	E	Paint & Coating Business	Russia	EMDC	70%-100%	2006	Market - Seeking	• Deficiency of target-specific experience • Host country capability
17	F	Lift Manufacturing & Services	Bulgaria	Advanced Economies	60%-100%	2011	Market-Seeking	• Deficiency of host country capability • Target-specific experience • Nature of target business
21	G	Metallurgy	Turkey	EMDC	55%-93,6%	2006	Market-Seeking	• Deficiency of host country capability • Deficiency of target-specific experience • Stock Trade • Market Power Consolidation
23	H	Contract Catering	Norway	Advanced Economies	Majority-100%	2002	Market-Seeking	• Deficiency of host country capability • Deficiency of target-specific Experience • Market Power Consolidation
24	H	Contract Catering	Denmark	Advanced Economies	59%-100%	2001	Market-Seeking	• Deficiency of target-specific Experience • Host country capability • First contract catering in Denmark • Stock Trade

EMDC= Emerging Market and Developing Countries

Acquisitions involving Stock Trade: Two forms of staged acquisition were utilized by the cases en route to full ownership. The first involves acquisition contracts containing earnout provisions and the second pertains to call options involving the purchase of remaining shares of acquired target from stock exchange market. The latter are typically privately owned firms that are not traded in stock exchange market where the acquiring firm structure the acquisition deal with earnout provisions. In such earnout schemes, the owner(s) of the target firm receives down payment and the total purchase value is linked to certain criteria's such as positive revenue trend, number of new customers, etc. and after meeting those criteria's after a period of certain years the acquiring firm pays the additional sums to sellers (Weber 2010; Handler & Hirsch 2014). The other "The call option staged acquisition" involves a stock trade. Using stock trade as market entry strategies is the only option available especially when the company is traded on stock exchange market with the availability of free float.

Several Case studies expressed that their choice of staged acquisition was because it was the only options available to acquire the target firm. They acquired the majority from the majority shareholders, providing them sort of legality to offer a full buyout to other shareholder or free float. Case Study C (ATRIA) expressed their staged acquisition choice as

"It was not sort of a partial entry in that way that we want to have it partially. It was the only way to go on board. The main aim was for us to have a place where we could offer to the rest of the stock market that we have much ownership now we want to get the other stakes. That was the case; it was not in that sense partial entry; but just a method of entering the market".

For Case Study H (FAZER), the acquisition in Denmark (case 24) also involved a call option. The Management in Denmark owned only small stake while the rest was owned by the heirs of the founder. They bought first 59% from the heirs at fixed price (with customary representatives & warranties). The sale and purchase agreement included put & call options. The case study decided to utilize their call option at first window two years after the original deal (fixed EBITDA) multiple. Management (who still is employed by the case company) sold their stake three years after original purchase.

Staged acquisition is thus aimed at full acquisition after few years as indicated in the theoretical section and confirmed from the case data. Staged acquisition is in some ways similar to partial acquisition because they require only partial equity initially. They are also similar to full acquisition as they are acquired fully after few several years. The difference between staged acquisition and partial acquisition is that staged acquisition usually do have contractual clauses enabling the acquirer to acquire fully over several years or intent to acquire fully through a defined legal procedure without restrictions e.g., legal procedure requiring majority owners to offer call options to acquire the remaining equity stake or shares.

Deficiency of Host Country Capability and Deficiency of Target-Specific Experience: Host Country Capability is the accumulation of knowledge about doing business in a certain host country from an ongoing business and knowledge about the host country institutional framework such as rules, norms and values (Modified from Eriksson et al. 1997; Chetty et al. 2006; Chen 2008; Slangen & Hennart 2008; Johanson & Vahlne 2009). MNEs acquire host country capability through establishing a subsidiary and ongoing business operations in a host country. Unlike host country capability which deals with knowledge on how host country institutions influences firms' business activities, knowledge about the market and how the market works, Target-specific experience deals with the knowledge about the internal processes, structures, assets and systems of the target firms. It provides relationship-specific experience and knowledge about the MNEs business partner for which knowledge opportunities is an outcome of the relationship (Johanson & Vahlne 2009).

The internationalization process theory cites the importance of host country experience and target-specific experience in developing host country capability and knowledge opportunities. It was argued that firms that do not have target-specific experience (i.e. deficiency of target-specific experience) will opt for partial acquisition. Partial acquisition serves as a means to get to know the target firm businesses and processes, gain privileged access to information about the market, their relationship partners and their business network (Johanson & Vahlne 2009). It also serves as a means to develop mutual trust and knowledge opportunities (ibid). Target-specific experience is very vital in enhancing firm's acquisition strategy in foreign market. Target-specific experience and host country capability provide firms the capability needed to operate successfully, manage, integrate and transfer knowledge to the acquired subsidiaries.

Similarly, some IB scholars utilizing transaction cost economies have interpreted such deficiency of Target-Specific Experience in terms of valuation difficulty of parent firm assets and as an option to build reciprocity which the target firm will accept except if their asset is not a "lemon" (Chen & Hennart 2004). However, this finding goes beyond complexities in asset valuation to include among others, building trust, deficiency of knowledge of managing the operations of the target firm in the local market, knowledge of the target firm culture and how best to transfer knowledge and gain synergies from the acquired subsidiary.

For the case studies, deficiency of target-specific experience was pivotal in their option for the partial stake at the time of entry. This enabled the case studies to retain local owners with local knowledge, build trust and as a means to gain capability on how to manage the operations in the local market. This is consistent with the application of the Uppsala internationalization process model. As suggested in the literature review, firms would opt for partial acquisition as a foothold strategy to gain valuable knowledge of the acquired firm business. An increase in commitment decision is likely to be the outcome of the relationship in the presence of trust and commitment to the relationship (Johanson & Vahlne 2009).

From the interview data, three case acquisitions (case 8, case 21 and case 23) did not possess host country capability and target-specific experience while undertaking staged acquisition. These acquisitions were made in Turkey, an emerging and developing country, Norway and Estonia which are considered advanced economies. Market-seeking motives motivated these acquisitions. Host country capability is needed to manage market-seeking FDIs successfully because such firms will have to deal with the local supply chain, local laws, and local customers. While host country capability is very important in acquisitions, it is even more crucial when such acquisitions are motivated for market-seeking. Rugman (2010) also suggest that host country specific advantages matters in market-seeking FDIs. Deficiency of host country experience influenced the acquiring firm's decision for staged acquisition as a strategy en route to full acquisition.

Case Study C (ATRIA) described their staged acquisition in Estonia (case 8) as a stepwise approach towards majority. Before the acquisition, the case study has been exporting meat to Estonia. However, the exporting operation was not adequate to gain greater familiarity of the local competitor, intimate knowledge of the market and legitimacy. Marinova et al. (2004) also pointed out exporting operations are limited in gaining intimate knowledge of the market and averting consumer discrimination in favor of local providers. In addition, the case company market growth motives compelled them to look for meat processing industrial companies in Estonia to process the same meat they are already exporting into Estonia thereby giving them the ability to improve the meat processing capacity in Estonia and same time gain market growth. The choice of staged acquisition was only "sort of a time issue" to make down payment when more information becomes available.

According to COMPONENTA, the main motivation for the staged acquisition is risk sharing when entering a new and unknown market and to gain market knowledge. *"If you go to an unknown market or such market area where you have no access, and you want to enter the new market, basically it carries a big* *risk and you may want to share the risk for example with the local firm in form of a joint venture and then make a contract that after 3 or 5 years there are some option arrangement in which you can buy the remaining equity out from the acquisition. So, it is purely risk sharing but the secondary is to gain from the local partner in term of permits that are needed, market knowledge and access to local customer and so on.*

The staged acquisition of Case Study G (COMPONENTA) in Turkey (case 21) involved a call option. The acquiring manager cited that having the local partners during these years has provided them with key local knowledge of the host country especially in terms of risks sharing moreover, they would have still structured the deal in stages even if it did not involve a stock trade.

Case Study H (FAZER) was also deficient in both host country capability and target-specific experience when entering the Norwegian market in 2002 (case 23). The interviewee expressed the reason for the staged acquisition with the following statement: *"Our reasons for staged acquisition especially with the case of Norway was that we were entering a new market area where we wanted to have some local partners, with whom we could trust and who can take care of the local business.*

From the interview data, deficiency of host country capability and target-specific experience propelled these MNEs to utilize staged acquisition en route to full acquisition when entering these markets. Staged acquisition provides them the "sort of time" of acquiring market knowledge from the previous owners of the firm during a period and making down payment when more information becomes available. These MNEs commented that usually in cases where they have host country capabilities they opted for full acquisition. For example, FAZER subsequent full acquisition in Sweden (case 25) and Norway (case 26) are cases where they had host country capabilities or existing subsidiaries before the acquisition.

Deficiency of Host Country Capability in Presence of Target-Specific Experience: The preceding findings discussed how the deficiency of host country capability in the presence of target-specific experience influences firm's choice for staged acquisition. From our interview data, there were also firms that had target-specific experience, but did not possess host country capability that opted for staged acquisition at the time of market entry. This was the case when the knowledge gained from the target (target-specific experience) equipped the acquiring MNE about the underdeveloped nature of the target business and in cases where the MNE did not possess sufficient knowledge of doing business in the host country.

There were two such cases (case 9 and case 17) involving Case Study D (KONECRANES) and Case Study F (KONE). They possessed target-specific experience before embarking on staged acquisition. These two case studies were also deficient in host country experience before embarking on these acquisitions. The responding managers cited the importance of target-specific experience in their acquisition of knowledge needed to make informed decisions. According to them, target-specific experience is vital in several aspect of the acquisition process from facilitating the deal completion to gaining knowledge of the acquired target assets and financial position.

"The important of existing relationship before making acquisitions reinforces itself in terms of making it easier to complete the acquisition negotiation because you are discussing with target firms you have been doing business for a while. I am sure we have not managed to complete any deals where we have not had an existing relationship with the acquisition. We have negotiated few, but we have not been able to close the deals. It is difficult because we don't know the person. When they are core distributor, we get some operative financial information. We know exactly how many quantity or units they have sold and base on our visit we know what kind of operational quality they have. Thus, we have the information before starting discussing about possible acquisition. However, if it is a new target we do not know; we have to try to obtain genuine information during negotiation. Frankly, having a four years or five years distributorship relationship, gives you knolwedge of the people, the operations, and everything. There is no way we can get the same information during a few months of negotiation" (KONE).

Johanson and Vahlne (2009: 1423) ascribed target-specific experience as one that provides privileged access to information about the market, their relationship partners and their business networks which gives the firm insidership position which market research may be unable to identify. Target-specific experience facilitates deal completion because the acquiring firm is already familiar with the management team it will be negotiating acquisition terms with. In terms of target firm asset, the acquiring firm already has knowledge about the target firm assets through previous site visits and knowledge sharing exchanges which typically occurs in every strategic business relationships. In terms of financial information, the acquiring firm already has an estimate of the share of the target firm purchase volumes and value of their total sales. Thus, target-specific experience makes the acquisition process faster and more certainty that the deal will be completed. More so, target-specific experience reduces integration challenges compared to cases with deficiency in target-specific experience.

Whereas target-specific experience should facilitate full acquisition, the experiences from the target could also suggest the need to take a partial stake and align incentives towards the development of the business. For example, if the target firm business processes and structure (e.g. financial reporting) is either not in conformity or the actual financial position of the company is not clear due to unstandardized business processes and reporting practices. The experiences from the target do not provide adequate host country capability in managing the operations of a subsidiary in a specific host country. To further acquire host country knowledge, the acquiring firms aligns incentives of the previous owners using earnout arrangements. *"if you work for me, I will pay you more millions and keep you motivated throughout this period"* In cases where the previous owners were still willing to work for the acquiring MNE without having minority/majority ownership stake, these acquiring MNE opted for full acquisition.

Case Study D (KONECRANES) was deficient in host country capability before entering the South African market (case 9). The deficiency of host country experience in terms of their inability to predict or interpret the impact of the broad-based black economic empowerment" (B-BBEE) legislation led to their decision for staged acquisition when entering the South African market. *"It was a risk avoidance strategy."* If they had host country capability before the acquisition, they could have been able to predict the impact of (B-BBEE) legislation on their business operation more accurately than they did. B-BBEE is the legislation enacted by the successive government of ANC 1999, 2004 and 2009 aimed at overcoming the economic legacy of apartheid and empowering "Blacks minorities to participate in economic activities through mandatory quotas" (Kruger 2011).

Case Study F (KONE) described their staged acquisition as a strategy utilized when entering new country and the need to keep the previous owner of the firm to continue and be motivated to work part time in the company. *"The strategic idea behind the staged acquisition at the time of market entry is for us to know the country or to know the market. And once under KONE kind of influence the operations and the platforms have developed to something okay, we can consider it as a KONE frontline, then we acquire it fully making it a KONE frontline"* The acquired targets (case 17) was their distributors in the host country before the acquisition. Thus, the knowledge acquired from the target firm during the period of initial business relationship enhanced their informed decisions to opt for staged acquisition.

Case Study F also pointed out that the outcome of the knowledge acquired from the target firm during the period of initial business relationship is pivotal in their decision for full or staged acquisition. This is discussed in more details in the discussion on the nature of target business in influencing the choice of staged and full acquisition.

Deficiency of Target-Specific Experience in the Presence of Host Country Capability: Also, there are three cases (case 11, 13, 24) were the case studies were deficient in target-specific experience, but they still aimed at staged acquisition. The reasons cited for the staged acquisition were similar to the reasons cited in the cases where the case companies were deficient in host country capability but had target-specific experience. These cases also involved cases where the acquisition was in a different market segment or new market segment different from their previous investments in the host country. Though they were market-seeking motives, but the business segment was totally different from their previous operations in the host country. Case Study H (FAZER) cited the need to retain the previous management to continue to work for them as their primary reason.

"For example in contract catering when we enter Denmark we bought 59% of the company, just for us to secure the management continues there and continuous to the success of the company. The previous management still continued to work for us today. Prior to this deal, we had no contract catering business in Denmark but had had other subsidiaries (within Confectionery) since 80's" (FAZER).

Case Study E (KEMIRA) stated that their choice of staged acquisition in the US (case 13), was because they were entering a new business segment, and they decided to align the interest of the previous CEO to remain in the acquired subsidiary to gain knowledge of the business in the host country. *"We want to involve the existing CEO, the founder of the business that he will stay in the company and then we have the first period of this 15%, and later on we acquired the rest of the shares of the company"*. This acquisition was a special case. They had an existing licensing arrangement with another firm PIONEER Chemicals which has owned the right to manufacture and sell Kemira Kemwaters water treatment products in North America since 1995 (Global Water Intelligence 2000). They acquired 15% equity in KEMIRON (case 13) and in turn KEMIRON acquired the entire equity of PIONEER chemical (ibid).

A spin-off from Case Study E (KEMIRA) completed the staged acquisition in Russia (case 13). The reason for the staged acquisition was because they were entering into a new business segment not in terms of geographical location but in terms of business segment which they were not operating before the acquisition. They had host country capability because they already had subsidiaries in Russia but in different market segment.

These findings have three important implications. First, firms that are deficient in host country capability in the presence of target-specific experience opted for staged acquisition because of the unfamiliarity of the local business environment. Second, firms that possess host country capability but were deficient in target-specific experience, were primary entering a new business market and thus opted for staged acquisition to align the incentives of the owners in order to have sufficient time to gain knowledge of the business. In these acquisitions, it was also found out that the previous owners remained in the company aftermath of the completion of the staged acquisition. Third, firms that are deficient in both host country capability and target-specific experience also opted for staged acquisition. These firms that were deficient in both host country capability and target-specific experience were further motivated for market power consolidation.

Market Power Consolidation: Market Power consolidation is a term coined by Chen (2008) describing Japanese's MNEs motives for partial acquisition (equity less than 95%) in concentrated industries marked by oligopolistic rivalries among small number of players. Unlike Chen (2008), Chen and Hennart (2004) suggest that market power consolidation should more likely motivate full acquisition than partial acquisition in concentrated industry because the presence of local partner in partially acquired subsidiary hampers the flexibility of the Japanese parent in consolidating market power. From our interview data, those firms that did not possess host country capability and target-specific experience before embarking on staged acquisition were also motivated by market power consolidation. These findings reconcile Chen (2008) and Chen (2004) findings.

Market power consolidation is aimed at consolidating fragmented industries while at the same time maintaining or consolidating a firm's market position and competitiveness in new and growth markets. Chen and Hennart (2004) and Chen (2008) accounted for the equity stake in the subsidiaries as at the time of their study. They utilized secondary data sources and quantitative methodology which in most cases does not account if the initial equity stake is in sequence to full acquisition using earnout arrangements. Thus, they neglected if the equity stake was just a transition to full equity.

The reason why market power consolidation was significant in both studies (Chen & Hennart 2004; Chen 2008) in predicting the choice of full and partial acquisition was because those acquisitions under study could have been acquired in stages using earnout arrangements making them behave like entries via partial acquisition in some cases and full acquisition in some other cases. The robustness test in Chen (2008) accounts for this variation. When the equity stake that constitute partial acquisition was reduced from cut-off 95% to not more than 50%, market power consolidation became insignificant in predicting the choice of partial acquisition in concentrated and growing industries.

Chen (2008) also found that Japanese MNEs opted for full acquisition in the presence of host country experience. This is consistent with the findings of this study that Host country capability increases the likelihood of full acquisition. In this study, it is found that MNEs that do not have both target-specific experience and host country capability were further motivated or driven by market power consolidation. These firms are faced with increased price competition, declining growth due to maturity of their geographical market and need to remain global leaders in their industry, establish in new high growth market and consolidate the industry. These pressures create "leapfrogging behaviors" for these multinationals in certain markets as they seek rapid growth in new markets where they have little or no experience in the host countries.

Case Study C (ATRIA) did have host country capability before their staged acquisition in Sweden (case 7). They opted for staged acquisition because it was a stock trade and was the only option available to acquire the case company. Furthermore, Case Study C did not have host country capability during the acquisition of case 8. Case Study G (COMPONENTA) did not have host country capability and existing cooperation or ongoing business with the target firm before the staged acquisition in Turkey (case 21). The acquisition was a stock trade. Case Study H (FAZER) in addition to the deficiency of partner specific experience, they did not have host country capability during the Norwegian acquisition in the year 2002 (case 23).

Case Study C staged acquisition forms part of the company's strategy of becoming the leading food industry player in the Baltic Sea region. Driven by the pressure of price competition due to the integration of markets in the European Union, declining market environment, the company opted for acquisitions as alternative to sustain growth, consolidate their market power of been the number one food supplier and processing company in the Scandinavia and Baltic region. Case Study G described their staged acquisition to be motivated by the new business opportunity in Turkey and their motives of remaining one of the largest European suppliers of casting components and advanced solutions. The acquisition was a means to respond to price competition or reduce the risks arising from price competition by transferring production and products to their newly acquired subsidiary in Turkey. For Case Study H, their vision is to be the leading catering company in the Norwegian market. This further resulted in their subsequent full acquisition in Norway (case 26).

Nature of Acquired Target Business, Market Structure, and Incentive Alignment: Case Study F (KONE) further described that their choice of staged acquisition was also dependent on the nature of acquired target business and market structure. This was the case for their acquisition in Bulgaria in a host market characterized by fragmented market players, and the target firm was prior to the time of acquisition not using standard reporting practices. Furthermore, their business processes needed further development to comply with the KONE WAY processes. Thus, while target-specific experience is one aspect that influences their choice of staged and full acquisition, the knowledge of the target business and market structure acquired from several years of business collaboration with the target firm enhances their decision for staged or full acquisition. In other words, their choice of staged and full acquisition is dependent on if the target business is well developed in terms of reporting standards and business processes and if the target market is fragmented or consolidated.

When target firm business has very bad accounting (i.e. in terms of difficulty in knowing by facts what returns are to services and returns from general equipment installations) and if the market is fragmented, they opted for staged acquisition. As a consequence, they will align incentives with the previous owners of the firm using earnout provisions to keep them motivated and join them in the development of the business and operations. The earnout provisions are such that *"If you grow the company making it more profitable, I will give you more money, I keep you more motivated throughout the business.* Moreover, the target owners in this situation are *"kind of man on the ground to explain to us what is required to operate in the market."*

Thus far, it can be inferred that incentive alignment is interacting with the nature of the target firm business (developed business processes vs. underdeveloped business process) and market structure (fragmented vs. consolidated) to influence the choice of staged acquisition. Fragmented market structure entails a market with lots of small local players that often manufacture cheap, bad quality equipment. Consolidated market structure entails a market where foreign players have gained a considerable amount of market share in the host country. The incentive alignment, in this case, is different from the incentive alignment in the case of partial acquisition. For this case, it was necessary to align the interest of the previous owners for a period due to the nature of their business processes and fragmented market structure. In the case of partial acquisition, it was necessary to align incentive with the previous owners, not limited to duration but due to the strategic motives for the investment.

In summary, staged acquisition is opted for in acquisitions involving stock trade, acquisitions in which the partner firm has target-specific experience but deficient in host country capability. It is also used in acquisitions were the target business is not developed, and the market structure is fragmented. Finally, it is a strategy used in acquisitions where the parent firm is deficient in either or both host country capability and target-specific experience. However, such firms that are deficient in both host country capabilities and target-specific experience are further motivated by market power consolidation. Those cases where the firms have target-specific experience but deficient in host country capability, their option for staged acquisition is to gain host market knowledge. In cases where the case firms possess host country capability but deficient in target-specific experience, they opted for staged acquisition because the acquisitions were made in a different business sector or business portfolio in the host countries.

6.3.3 Why do Firms opt for Full Acquisition Strategy?

This section discusses major findings relating to the choice of full acquisition. Table 23 shows the summary of case companies, acquisition cases, target host country institutions, motives of the investments and major findings relating to their choice of full acquisition at the time of market entry.

Table 23. Full Acquisition Strategy, Characteristics of Cases and Major Findings

Cases	Company	Business Sector	Target Host Country	Formal Institutions	Year of Entry	Motives	Major Findings
2	A	self-adhesive label stock	South Africa	EMDC	2000	Efficiency-Seeking	• Host country capability • Size of the target
3	A	Wood Product Manufacturing	Germany	Advanced Economies	2011	Efficiency-Seeking	• Efficiency motives • Host country capability • Target is a competitor
5	B	Life Science Business (filtration & separation technology)	Sweden	Advanced Economies	2012	MS + ES+ SA	• Nature of the target • Host country capability • Megatrends & growth options
10	D	Cranes manufacturing & services	Morocco	EMDC	2007	Market-Seeking	• Target-specific experience • Cultural proximity • Retention of key management
14	E	Water treatment chemicals market	Netherlands	Advanced Economies	2014	Market-Seeking	• Host country capability • Target is a competitor
18	F	Lift Manufacturing & Services	Kenya	EMDC	2013	Market-Seeking	• Nature of target business • Market structure • Target-specific experience • Retention of key management
19	F	Lift Manufacturing & Services	Israel	Advanced Economies	2013	Market-Seeking	• Nature of target business • Market structure • Target-specific experience
20	F	Lift Manufacturing & Services	EU & US	Advanced Economies	Continuously	Efficiency-Seeking	• Size of the target (<5M€) • Efficiency motives
22	G	Metallurgy	Sweden	Advanced Economies	2012	Market-Seeking + Efficiency-Seeking	• Target is a competitor • Efficiency motives • Size of the target (0,5M€) • Host Country Capability
25	H	Food & Contract Catering	Sweden	Advanced Economies	2011	MS +SA	• Host country Capability • Efficiency Motives
26	H	Food & Contract Catering	Norway	Advanced Economies	2013	MS + ES	• Host Country Capability • Related Business

Efficiency-Seeking Motives and Host Country Capability: Efficiency-seeking motives are motives aimed at rationalizing production, distribution, and marketing activities through common governance of and synergy-building among geographically dispersed operations (Dunning 1993; Gorynia et al. 2007). Firms that opt for efficiency-seeking FDI's aim to take advantage of the differences in the cost of factor endowments and to achieve economies of scale and scope (Dunning 1993). As postulated in the literature efficiency-seeking motives occur sequentially after firms have undergone market-seeking FDIs (Dunning 1993). The efficiency-seeking motives of five case companies were all undertaken in advanced economies such as Sweden, Germany, US, Italy and Spain (exception to South Africa) and they actually occurred sequentially after firms have undergone market-seeking FDIs in that specific host country. Case Study F has a continuous strategy of efficiency-seeking acquisitions on average of 20 transactions yearly in the developed economies of the USA and EU. For this reason, it was better to classify them as one acquisition case (case 20). Developed economies have established transparent regulatory institutions; stable political environment and supporting institutions that govern the rules of business thus reduce the bottlenecks and need for a local stake in foreign acquisitions. Developed economies also have less intervention in multinational operations compared to the level of intervention in less developed and developing economies (Poynter 1985).

Case Study A (UPM) acquisition in South Africa (case 2) was aimed at expanding the production of Vynide which is a complement to UPM Raflatac's current product range and to strengthen UPM Raflatac's global presence in the self-adhesive laminate business (Strömberg 2000). Also, UPM's Myllykoski Oyj and Rhein Papier GmbH Acquisition in Germany were aimed at gaining economies of scale and efficiencies in graphic papers in a market that is declining. Case Study G already had an existing forging business operation in Sweden before the acquisition of the forging business of Arvika (case 22). The acquisition complements their existing forging operations in Wirsbo Sweden by providing them lot of cost synergies that allowed the case company to close down their smallest factory in Sweden and to achieve a significantly higher capacity utilization rate for their remaining factory in Sweden. The products from case 22 are sold to Sweden and other European markets. Case Study F subsequent acquisitions in developed markets (case 20) are aimed at operational synergies that the interviewer referred to as *"Density acquisitions" acquisitions that are made in areas where we already have our presence. Density means that all portfolios become denser; we have it smaller and closer to each other. The aim of the density acquisitions is to improve operational efficiency and cost. It cost less to service more installed elevators and escalators if they are close to each other.*

Case Study B (AHLSTRÖM) acquisition of Munktell (case 5) in addition to efficiency-seeking motives involved several other motives such as market-seeking and strategic asset-seeking motives. With respect to efficiency-seeking motives of Case Study B, the interviewee informed their motives with the following statements *"The main aim was to gain efficiency of scale, getting some volume discounts on raw materials and having more efficient supply chain."*

South Africa is characterized as emerging and developing country at the time of market entry of Case Study A into South Africa (case 2). Although South Africa has more developed infrastructures compared to other developing economies in Africa, South Africa also has challenges with regards to non-transparent regulatory institutions in the form of administrative malpractices and corruption (Ncholo 2000). Transparency International ranks South Africa as 5 out of 10 for both years 2000 and 2001 representing the years prior to and year of Case Study A market entry into South Africa. As postulated in the literature review, the institutional environment should have greater interactions with efficiency-seeking acquisitions. However, Case Study A did have host country capability before the case acquisition. Thus, they knew the South Africa market as they have been operating there for several years before the case acquisition.

Also as discussed in the literature review, efficiency-seeking acquisitions could be in the form of market-seeking acquisition but the holistic motivation underlying such acquisition is to increase a firm's efficiency by exploiting the benefits of economies of scale and scope, or common ownership. This was the case with the acquisition of Vynide from Polifin Ltd (case 2) in South Africa by Case Study A, acquisition of Munktell (case 3) by Case Study B, several acquisition transaction of Case Study F in EU and US (case 20), acquisition of Arvika Smide AB in Sweden (case 22) by Case Study G, as well as the acquisition of Skandinavisk Mat Invest AS Norway (case 26) by Case Study H. Such acquisitions require tight integration to achieve the sole aim of economics of scale and scope. The aim of tightly integrating such subsidiaries is to ensure extensive sharing of all type of resources and the adoption of parent firm organizational processes while increasing synergistic benefits (Pablo 1994; Slangen 2006). These efficiency-seeking FDIs took place in host countries that are open and have well-developed infrastructures and are located in regionally integrated markets (Dunning 1993: 59). The choice of full acquisition is to enhance synergic benefits a prerequisite for achieving economies of scale and scope.

In summary, efficiency seeking motives in the presence of host country capability influences the choice for full acquisitions of Finnish MNEs in advanced and emerging markets.

Size of Acquired Target: An emerging theme from the case interviews is that the acquisitions were the target firm is very small in terms of the number of employees (between 5-50 employees) and the value of acquired target is less than 5M€ were acquired fully. This was expressed in three case acquisitions in Sweden (case 22), South Africa (case 2) and density acquisitions of Case Study F in developed economies (case 20). Even though there are other alternative acquisition strategies such as partial and staged acquisition suitable in the host country, the interviewee stressed that the size influenced their decision for full acquisition. The size of acquired target relative to the size of the parent MNE is very significant. The three case companies are MNEs with number of employees ranging from 3500 to 43,000 employees and net sales ranging from EUR 0.5 billion to EUR 6.9 billion. The target firm purchase price ranged between EUR 0.5 million to EUR 5 million.

Case Study G reported in their 2012 financial statement that the case acquisition (Arvika Smide AB in Sweden) (case 22) was in a difficult financial state and because of this the purchasing price was less than the company's net assets. The acquisition purchase price was EUR 0.5 million and the interviewer also pointed that because the value of the target acquisition was very cheap, then it makes sense to acquire it fully. Case Study F also expressed that the density acquisition (case 20) are usually less than EUR 5million, and they are usually acquired fully. The case company also has an acquisition policy of always aiming at 100% equity. However, there are cases staged acquisition is opted for especially when it concerns acquisition involving entries to new markets. Thus, the size of such "density acquisitions" also influences their choice of full acquisition. The interviewee in Case Study A also expressed that the South African acquisitions (case 2) in 2001 was a small acquisition and thus the need to acquire fully. The turnover of the acquired business is approximately ZAR 30 million (<2.5M€) and the company employs 30 people (Strömberg 2000).

Target Firm is a Competitor: An emerging theme from the interview data is that acquisitions were the target firms are competitors tend to be acquired fully. The reason pointed out by the interviewee is competitive uncertainty. Competitive uncertainty entails that the parent MNEs is unaware of the strategies, plans, and tactical actions of their competitive firms and also do not know how competitors may respond to their actions (Alfred 2009). Literature exploring real options lenses has posit that competitive uncertainty often argues for acceleration of commitment decisions (Smit & Ankum 1993; Alfred 2009) due to competitive threat posed by rivals (Sanchez 1993; Alfred 2009). In the presence of competition, there is a strong incentive to avoid loss of growth options through competitor preemption (Kester 1984; Trigeorgis 1993; Trigeorgis & Mason 1987) and thus the need to acquire full equity because competitors are willing to do so if and when the companies do not.

Case Study G expressed that they were afraid that if they don't acquire the competitor (case 22) that other MNEs will do so especially competitors from emerging markets having sufficient cash flows to enter the market and possibly changing the dynamics of price competition by offering low price to customers. This was expressed with the following comments: *"There were rumors that some of the competitors might be willing to take it over. Especially, some emerging market multinationals that were not yet operating in Swedish market. We were a bit worried that they might come and change the dynamics of the market. For example, we were afraid of big companies from India. You know if you have a massive amount of money you can steal the customers with attractive pricing for the time being and then start to increase the pricing again once a year and beating the competitor."*

Case Study A acquisition in Germany (case 3) was an acquisition involving a large competitor in the magazine papers within the graphic papers business in Europe and where the case company was already quite a large market player before the acquisition. The interviewee did inform that competition can influence their acquisition decisions in host country were the competitive players are large international players but not specifically the primary reasons for acquiring the case acquisition under study. Case Study B expressed that the target acquisition (case 5) has been a serious competitor and for strategic reasons they decided to give up that specific business. It can be attributed that competitor's preemption enhanced their decision to acquire it fully. Similarly, all the efficiency-seeking acquisition in this section involves targets that were competitors to the acquiring firm. However, competitive uncertainty was not cited as a primary reason for their choice of full acquisition. Although the degree of competitiveness of the target differs, especially when the competition comes from a small local niche player compared to when it comes from a similar size international market player. Most likely, when the target constitutes a significant threat to the parent MNEs, they are less than more likely to acquire partially. Future studies can study more the effect of competitor uncertainty in acquisition strategies.

Market-Seeking Motives and Host Country Capability: Market-seeking firms are firms motivated to enter the foreign marker with the aim of serving the market in that country with the sole aim to increase their market size, market growth and adapt to local standards and requirements (Dunning 1993). Acquisition aimed at market-seeking motives entails that the acquired firm is involved in major value chain activities such as procurement, production, marketing, and sales. It was argued that because such acquired firms will require local responsiveness by adapting their goods to the needs and tastes of the local customers (Dunning 1993), the acquired firms will need to be strongly embedded in their local environment by maintaining stakeholder relationships such as close ties with their customers, participate in local networks to obtain local market knowledge and access to distribution networks (Slangen & Beugelsdijk 2010). As a result, such acquired firms will need access to both host country institutions and business networks required for firm survival and legitimacy (Meyer & Rowan 1977). Local ownership provides the firm with access to complex institutional networks needed for firm survival. This is the case for acquisitions in both advanced economies and developing and emerging countries. Firms can also leapfrog the need for local ownership through the acquisition of host country capability. Host country capabilities are capabilities derived from knowledge MNEs acquire by doing business in a specific country (host country experience) from the ongoing business operations in that host country.

Case Study B expresses its market-seeking motives (case 5) with the following comments: *"From the geographical point of view, we were strong in the USA but we are weak in Europe. This is also perfect transaction from that point of view that we can enter the European market. The acquisition was by far the best way to re-enter the European market. The acquisition provides us some critical mass to compete with the key competitors as we now able to join efforts in expanding in Asian and South American market the both companies has been trying to do."*

Case Study D expresses its market-seeking motives (case 10) with the following comment: *Our main driver was our footprint expansion. Morocco is to be used as a springboard on sales entries to other territories in Africa. Morocco hub is used for penetrating Sub-Saharan region from the North of Africa.*

Case Study E expresses its market-seeking motives (case 14) with the following comments: *Basically the business of AkzoNobel's global paper chemicals is spread quite evenly across Europe and North America and APAC. North America and Europe we have already before this acquisition relatively strong market position, but in Asia Pacific (APAC) it is a substantial increase in our market shares as we have never been there. The acquisition enhances our commitment to the industry by extending our geographical presence in EMEA, the Americas and especially APAC." This acquisition is a major step in implementing our growth strategy, and it significantly enhances our position, especially in the packaging and board industry and strengthens our presence in the Asia-Pacific region (Rosendal 2014). This also demonstrates our commitment to the industry by diversifying our offering to our customers around the world (Rosendal 2014).*

Case Study F expresses its market-seeking motives (case 18) with the following comment: *Expansion acquisitions are acquisitions in regions or countries where we are not present, i.e. entering new countries. The acquisitions of Marryat & Scott (Kenya) Ltd will help KONE expand its presence in the African market and improve the availability of KONE's people flow solutions in Kenya, Uganda, Rwanda and Tanzania (Liautaud 2014).*

Case Study G motives in the Swedish market had both market-seeking and strategic asset-seeking motives (case 22). In terms of market-seeking motives, the interviewee informed that the majority of the products were sold in the Swedish market and some outputs going to North Europe, Germany, Poland, Baltic countries and Greece. In terms of strategic asset-seeking, the case interviewing manager informed they were motivated to acquire a key competence in handmade fresh-baked artisan bread and high-quality pastry. Case Study H market-seeking motives in the acquisition of Skandinavisk Mat Invest AS (case 26) were aimed at making Fazer Food Services one of the leading contract caterers in Norway (Vitzthum 2013).

Seven case acquisitions involving six case studies had market-seeking motives in their acquisitions in Sweden (3 cases), Morocco, Netherlands, Kenya, and Israel. As predicted from the literature review, the need for local ownership was averted because the firm did possess host country capability before embarking on these acquisitions. This was the case for case 5, case 14, case 22, case 25 and case 26. The firms that did not possess host country capability in market entries into developing and emerging countries compensated for their deficiency by ensuring the retention of key management and key employees to continue to work in the acquired subsidiary. This was in addition to their target-specific experience they've gained with the targets over several years as distributors of case companies in these host countries before the acquisition. This was the case with Case Study F acquisition in Kenya (case 18) and Case Study D acquisition in Morocco (case 10). For Case Study F acquisition in Israel (case 19), they compensated for their deficiency of host country capability by granting the subsidiary independence to continue to operate under its current name and brand Isralift (Liautaud 2013). The interviewee also cited the need to exploit the strong local brand of the target firm as a reason for the subsidiary independence.

Nature of Target Business and Market Structure: An emerging theme from the interview data is that the nature of the target business and market structure also influences the choice of full acquisition. When target business is immature in the sense that it is still developing in terms of business process, financial reporting, acquiring firms tend to opt for staged acquisition. However, when the target business is well developed in terms of reporting, business process and financial reporting, the acquiring MNEs tend to opt for full acquisition. This is, however, possible in the presence of target-specific experience and consolidated host country market structure. In terms of target-specific experience, for example, interviewing manager of Case Study F said,

"We never consider making a partial acquisition in Kenya (case 18) but full acquisition. Even though, it is a new market for us but in that case we acquire the distributor that we already know. They know and the former MD agreed to stay with us for two years and so is kind of providing consultancy on how the operation are done, but we never consider partial acquisition.

By consolidated host country market structure, it means that the market is consolidated, i.e. *"there are large international players already present in the host country market or the large market structure in the host country is not constituted by fragmented local players (Interviewee Case Study F & Case Study A)"*

The interviewee for Case Study F expressed that when such firms have good systems and practices, it is easy to know by facts how much the targets make money from service and how much they make from general equipment service. Also, the interviewee informed that when the market is mature, then it makes sense to acquire fully. This was the case with their full acquisition in Kenya and Israel (case 18 and case 19).

"Isralift was a big, substantial company, and it was very well established company, they have good reporting, they have good management processes, they are very profitable, they have about 12000 lifting service. Then in that case, it makes sense to buy 100% of the company" Similarly, for the Kenya acquisition, the interviewee informed "I think Kenya operations were more developed, and they were reaching a point that the distributor structure was actually no more working. They have very high number of units they sold per year and their Lift in Service, Elevator and Maintenance contract was growing and their internal resources were so limited that it would have started to hamper the growth".

The interviewee for Case Study B informed that *"If the company is mature and if the business is mature then in most of them and also the geographic, we are studying all these. For most of them it makes sense to acquire the full company because then you can get all the synergies out of the transaction. Assuming that the business is similar to what we already have, then you can cut down overheads by acquiring all the shares in the company. In most cases, it makes sense."*

In summary, the nature of the target firm business and the host country market structure influences a firm's choice for full acquisition. However, attention must be paid to the conditions under which this holds. This acquisition involves cases where the acquiring MNEs already had an existing business relationship with the target firm before the acquisition and also the target business is related to the parent MNEs. This is in line with recent studies that found that the likelihood of partial acquisition over full acquisition becomes lower in acquisitions in related industries (Contractor et al. 2014).

Formal Institutional Environment of Host Countries: From the literature review, formal institutions comprises of regulatory institutions, regulatory transparency and failure in formal institutions. From institutional theory, it was predicted that non-restrictive regulatory institutions, transparent regulatory institutions, non-failure in formal institutions will lead to a greater propensity for full acquisition than partial acquisition. From the interview data, firms that made full acquisition in advanced economies did not mention formal institutional structures as necessitating their decisions for full acquisition. Primarily, this was because formal institutions did not negatively impact their intended strategies. Thus, firms input the impact of formal institutions only in market entries where it has an impact on their intended strategies. The interviewing managers did not point to any influence of formal institutions on their decisions for full acquisition in any of the acquisition in advanced economies. They merely mentioned that the only formal institutional issue they went through is that the acquisition has to be approved by the National competition authority and European competition authority.

On the contrarily, in developing and emerging economies, there were findings related to the impact on institutions on their intended strategies. Those were the cases reported in the partial acquisition findings discussed in the previous sections. In developing and emerging economies, there were also findings related to full acquisition in these host countries. This is the case with KONE acquisitions in Kenya (case 18), KONECRANEs acquisition in Morocco (case 10) and UPM acquisition in South Africa (case 2). In all these acquisitions, though there are political risks and transparency issues, the case companies was still able to make full acquisition by responding to these institutional constraints by factoring the impact of the institutional constraints on the acquisition purchase price. Thus, not necessarily host country capability as predicted by this study. However, in addition to having adequate knowledge of the partner they factored in the impact of the host country institutions on their intended strategies. See comments from KONE below.

INTERVIEWER: Could you just talk about some factors such as institutional factors, for example, regulatory factors, corruption and political risk that might influence your choice for partial or full acquisition?
INTERVIEWEE: *This type of risks relate to our acquiring or making partial or full acquisition. They are very evident in country like Kenya, it is a complete new market for us, we need to be extremely conservative in our estimate of how do we actually can run business in a country where is clearly, not necessarily political risk, but mainly risks related to code of conduct. Because KONE is a kind of listed company, we have kind of no tolerance for actions that are not compliant. Especially in Kenya where bribes and such conduct are like a norm of how things are done, we need to estimate in our evaluation of the target that when we stop these activities how would it affect the business? With this estimation, we build our evaluation based on the anticipated volumes under the KONE operating standards.*

A similar comment was made by the interviewee for Case Study A when asked about the impact of regulatory institutions. *"If we understand the impact of regulation on the business we are acquiring. We factor in the impact of the regulation on the acquisition price. For example if regulations have an impact on lowering the level of the profitability of the acquisitions, we factor the impact of this regulations into the acquisition purchase price."*

When I consider the motives of the acquisition, the strategies of keeping previous management team played across Advanced and Emerging and Developing Economies suggesting that keeping previous management is more related to gaining more knowledge of the business and market rather than knowledge of dealing with regulatory and formal institutional failures. This is because when MNEs acquire such firms in developing economies they want to implement their code of conduct and truly ensure that the code of conduct is applied. They abolish other ways of doing business not in conformity to the company code of conduct. As a result, knowledge sort by retention of key managers has to do with gaining knowledge about the business, customers and market structure and networks rather than knowledge on how to deal with regulatory frameworks in ways not in accordance with the MNEs code of conduct practices.

From the interview data, eight cases were made in developed economies but no mention of formal institutional environment that influenced their intended strategies. However, for those that ventured in emerging and developing economies of Kenya, Morocco, and South Africa they mentioned the impact of formal institutions. For Kenya (case 18), the impact was factored into the acquisition purchase price.

Though Morocco has political risks, but they do not have transparency issues because transparency issues deter us from market entry (Case study D).

The CPI index for Morocco was (3.5/10) at the year Case Study D market entry into Morocco. Morocco ranked 72 out of 179 far beyond South Africa that ranked 43rd (5.1/10). The interviewee further informed that Morocco, on the other hand, has been an open country that is why it was very easy to operate in the country and because they had a kind of French business culture. *"They are close to Spain and have French culture. We are quite very much familiar with French culture. That was a kind, easy issue to acquire fully"*. It should be noted that Case Study D already had target-specific knowledge before the case acquisition, thus the proclamation of having knowledge about the Moroccan culture might have been made possible after several years of the distributorship relationships with the acquired target.

Emphatically other case companies also stressed cultural issues as to having knowledge of the culture when they either have target-specific experience or host country capability and stressed deficiency of cultural knowledge when they have not been present in the host country prior to the acquisition or do not have target-specific experience. Also, Case Study D ensured the retention of personnel's and top management to continue to work for the acquired subsidiary. For South African acquisition (case 2), Case Study A already had a market presence before the acquisition.

For Case Study H acquisition in Norway (case 26), they also had a market presence in Norway before this acquisition. Thus, they had host country capability before this case acquisition.

On one hand, formal institutions did not directly influence the choice of full acquisition in advanced economies. On the other hand, in emerging and developing economies it did influence the acquisition strategies. However, firms responded to these institutions through host country capability, target-specific experience, factoring the impact of formal institutions into the acquisition purchase price and retention of top management personnel. While several studies exploring institutional theory tend to find support for the influence of low formal institutions on full acquisition in advanced economies (Arslan & Larimo 2011; Brouthers 2013). In contrast, the finding of this study shows that low formal institutions do not have any significant impact on the MNEs decisions for full acquisition in advanced economies. This finding is in line with Contractor et al. (2014) who found no significant relationship between low formal institutional distance and MNEs preference for full acquisition.

Furthermore, the finding of this study also suggests that institutions significantly influence acquisition strategies in high formal institutional distance countries such as emerging and developing countries. This is in line with Contractor et al. (2014). However, MNEs can respond to the high formal institutional distance constraints and acquire fully when they possess host country capability, target-specific experience and ensure the retention of top management personnel of the acquired target. This explains why Contractor et al. (2014) found a positive relationship between MNEs from advanced economy entering institutional distance countries and their choice of full acquisition. Although they argued that the choice of full acquisition was because high institutional distance raises apprehensions regarding transferability of management practices, procedures, techniques, and routines from the home economies to the host economies owing to different rules and laws characterizing the latter. As a result, MNEs from institutionally distant home countries, facing unfamiliar emerging market contexts, may not wish to share control and prefer to resort to full acquisition (ibid). In this study, the choice of full acquisition is because the MNEs have acquired capabilities on how to deal with institutionally distance home countries.

6.4 Acquisition Entry Strategies: The Role of Motives of Market Entry.

This section discusses the role of entry motives on the choice of partial, staged and full acquisition at the time of entry thus provides answers to research question 2.

From the literature review, it was expected that the motives of market entry will have an influence on the acquisition strategies utilized by multinationals when entering foreign countries. This was explored by the integration of institutional theory and literature on foreign entry motives (Dunning 1988; 1993) and host country capability.

Four summaries were drawn from the literature review concerning the impact of motives on acquisition strategies. The first summary from the literature is that MNEs from developed economies entering host countries characterize by non-transparent regulatory institutions, regulatory restrictions, high political risks, and corruption will prefer partial and staged acquisition rather than full acquisition for market-seeking and resource-seeking motives. Table 24 shows all the market-seeking and resource-seeking acquisitions in emerging and developing economies.

Table 24. Market and Resource-Seeking Motives (EMDC)

Cases	Company	Host Country	Equity Stake	Year of Entry	Motives	Major Findings
1	A	Russia	60%	1988	MS	• Deficiency of target-specific experience • Deficiency of host country capability
6	C	Russia	49,5%	2010	RS	• Import restrictions • Political risks avoidance • Secure sources of raw material
9	D	South Africa	19%-100%	2007	MS	• Target-specific experience • Deficiency of host country experience • Mild regulatory framework
10	D	Morocco	100%	2007	MS	• Target-specific experience • Cultural knowledge • Retention of key management
11	E	Russia	70%-100%	2006	MS	• Deficiency of target-specific experience • Host country capability
15	F	Egypt	49,5%	2011	MS	• Negotiation complexities • Year of acquisition
16	F	Saudi Arabia	40%	2007	MS	• Regulatory restrictions
18	F	Kenya	100%	2013	MS	• Nature of target business • Market structure • Target-specific experience • Retention of key management
21	G	Turkey	55%-93,6%	2006	MS	• Deficiency of host country experience • Deficiency of target-specific experience • Market power consolidation

There were eight market-seeking acquisitions and one resource-seeking acquisition made in emerging and developing countries. Out of these eight acquisitions three was acquired partially, three was acquired in staged and two was acquired fully. The interaction of market-seeking motives with host country institutional environment resulted in partial acquisition in cases of negotiation complexities (case 15), regulatory restrictions (case 16), and deficiency of both target-specific experience and host country capability (case 1). The staged acquisition (9, 11) was deficient in either one of target-specific experience and host country capability. On the contrarily, the two cases involving full acquisition (case 10 and 18) were made possible because of the presence of target-specific experience and retention of key management of the acquired firm. The only case of resource-seeking acquisitions (case 6) was acquired partially to secure sources of raw materials for the case company as a strategy of political risks avoidance(sort of non-transparency regulatory issues) which came to limelight as a result of the import restrictions placed by the host country government on meat importation into Russian Federation.

Based on the foregoing, it can be argued that the prediction from the literature review holds in the context that case firms are deficient in target-specific experience, host country capability and did not ensure retention of key management personnel of the target firm. That is, MNEs from developed economies entering host countries characterize by non-transparent regulatory institutions, regulatory restriction and high political risks and corruption will prefer partial and staged acquisition rather than full acquisition for market-seeking and resource-seeking motives if at the time of their market entry they are unable to achieve the retention of key management or owners of the firm, and are deficient in either target-specific experience or host country capability. The reason for partial and staged acquisition is one hand, the only option available for the parent MNEs to enter the market in the case of regulatory restrictions or acquisitions involving a stock trade. One the other hand, it is a risk sharing objective in unknown markets as a strategy to gain more knowledge of the market and the partner. As a result, they structure the acquisition contract using earnout arrangements (Weber 2010; Handler & Hirsch 2014); such that if the underlying asset or market is a lemon, it will reflect the final purchase price and the seller would not avoid it if the underlying assets of the firm are a "lemon" (Chen & Hennart 2004).

The second summary from the literature review is that MNEs from developed economies entering host countries characterize by transparent regulatory institutions, stable political environment, and less corruption will have preference for full acquisition than partial and staged acquisition for Strategic asset-seeking and Efficiency-seeking motives. Table 25 shows all efficiency and strategic asset-seeking investments made in advanced economies.

Table 25. Strategic Asset and Efficiency-Seeking Motives in Advanced Economies

Cases	Case Company	Target Host Country	Equity Stake	Year of Entry	Motives	Major Findings
3	A	Germany	100%	2011	ES	• Efficiency motives • Host Country Capability • Target is a competitor
4	B	USA	45%	2011	SA	• Motives & incentive alignment
5	B	Sweden	100%	2012	ME+ ES+ SA	• Nature of the target • Host Country Capability • Megatrends & life science and laboratory as growth options
12	E	Italy	100%	2013	SA	• Exploitative strategic asset-seeking
20	F	EU & US	100%	Cont.	ES	• Size of the Target (<5M€) • Efficiency motives
22	G	Sweden	100%	2012	MS+ ES	• Target is a competitor • Efficiency motives • Size of the target (0,5M€) • Host Country Capability
25	H	Sweden	100%	2011	ME+ SA	• Host Country Capability • Exploitative Strategic asset-seeking
26	H	Norway	100%	2013	ME + ES	• Host Country Capability • Related Business

From the table, there are eight cases of acquisitions made in advanced and developed economies. These acquisitions were motivated by strategic asset-seeking and efficiency-seeking motives. Although some were motivated by more than one entry motive, the presence of these motives in the scope of acquisition transaction makes it significant to analyze them in one and every motives they fall into according to the prediction of the literature review.

Out of seven acquisitions, six were acquired fully. Only one was acquired partially. However, an emerging theme of this dissertation is that there are two types of strategic asset-seeking motives, one in which the technology/strategic asset is already proven in the market (e.g., brands, product & process technology, key technological innovative competences etc.) referred to as exploitative-strategic asset-seeking motives and one that the strategic seeking-asset is still under development referred to as “explorative strategic asset-seeking”. The partial equity was made in explorative strategic asset-seeking motives and the reasons for partial equity were to align the interest of the owners and to retain the key personnel.

This is because in such acquisition, without the retention of these key personnel's and incentives to keep them motivated, the realization and the development of the strategic seeking-asset will be utmost impossible. In the context of exploitative strategic-asset-seeking investments, the prediction of the literature review holds. That is, multinationals from developed economies entering host countries characterize by transparent regulatory institutions, stable political environment, and less corruption will have preference for full acquisition than partial and staged acquisition for Strategic asset-seeking and Efficiency-seeking motives.

The third summary from the literature is that MNEs from developed economies entering informal institutional distant countries would prefer full acquisition over partial and staged acquisition for Strategic asset-seeking and Efficiency-seeking acquisitions. The measure of informal institutional environment discussed in this study is specifically focused on contractual complexities. The assumption is that contractual complexities will rise disproportionately in culturally distance countries (Ionascu et al. 2004). Contractual complexities are expected to rise when a parent firm from an individualistic culture acquires a target in from a collectivist culture (McDevitt 2006). The argument from the literature cannot be validated because the case acquisitions did not consist of strategic asset-seeking and efficiency-seeking acquisitions made in informal institutional distance hence the host countries were all from individualistic cultures similar to Finland.

Also, the case firms did not inform any issues with regards to culture. For example, with regards to Case Study B acquisition in Sweden (case 5), the interview stressed that Sweden is cultural close to Finland and thus culture was not an issue. With regards to the Case Study B acquisition in the United States (case 4), the interviewee response was thus:

"We are strong in the USA market and we nominated three members. One of them is American, one of them is Finnish, but he has lived in the USA and still lived in the USA for a long time and he knows the USA culture and we have one free person who has also worked in America for 40 years also. So, the cultural difference was not an issue."

Based on the above discussion, no inference can be drawn with regards to the prediction that MNEs from developed economies entering informal institutional distant countries would prefer full acquisition over partial and staged acquisition for Strategic asset-seeking and Efficiency-seeking acquisitions. This is because of the non-availability of efficiency-seeking and strategic asset-seeking investments in informal institutional distance countries within the cases selected for this study.

Table 26 shows the market-seeking and resource-seeking motives and their respective informal institutional dimensions. It was summarized from the literature that multinationals from developed economies entering informal institutional distant countries would prefer partial and staged acquisition over full acquisition for resource-seeking and market-seeking FDIs.

Table 26. Market-Seeking and Resource-Seeking Motives in Informal Institutions

Cases	Company	Host Country	Informal Institutions	Equity Stake	Year of Entry	Motives	Major Findings
1	A	Russia	collectivist	60%	1988	MS	• Deficiency of target-specific Experience
6	C	Russia	Collectivist	49,5%	2010	RS	• Import Restrictions • Political risks avoidance • Secure sources of raw material
9	D	South Africa	individualistic	19%-100%	2007	MS	• Target-specific experience • Deficiency of host country experience • Mild regulatory framework
10	D	Morocco	Collectivist	100%	2007	MS	• Target-specific experience • Cultural Proximity • Retention of key management
11	E	Russia	Collectivist	70%-100%	2006	MS	• Deficiency of target-specific experience
15	F	Egypt	collectivist	49,5%	2011	MS	• Negotiation complexities
16	F	Saudi Arabia	Collectivist	40%	2007	MS	• Regulatory Restrictions
17	F	Bulgaria	Collectivist	60%-100%	2011	MS	• Deficiency of host country experience • Target-specific experience • Nature of target business
18	F	Kenya	collectivist	100%	2013	MS	• Nature of target business • Market structure • Target-specific experience • Retention of key management
19	F	Israel	individualistic + collectivist	100%	2013	MS	• Target-specific experience • Nature of target business • Strong Local Brand & Subsidiary Independence
21	G	Turkey	Collectivist	55%-93,6%	2006	MS	• Deficiency of host country experience • Deficiency of target-specific experience • Market power consolidation

Although all the market-seeking and resource-seeking investments were made in collective cultures (Israel is both collective and individualistic culture) their acquisition strategies reflected both partial and staged acquisition for eight case acquisition and three cases of full acquisition. It was argued that hence Finland is an individualistic culture it will sort for integrative or win-win negotiations while other collectivistic countries of Russia, Morocco, Egypt, South Africa, Turkey, Bulgaria, Saudi Arabia and Kenya will sort for win-lose negotiations giving rise to negotiation failures (McDevitt 2006).

From the interview data, only case 15 in Egypt experienced contractual failures. In Turkey (case 21), the call options procedure to squeeze out the remaining shareholders is still undergoing but has so far been challenging. In Saudi Arabia (case 16), it was more of regulatory restrictions. Cultural issues were not mentioned in three partial and staged acquisitions in the informal institutional environments of Bulgaria (case 17), South Africa (case 9) and Russia (case 6). In these cases, the acquiring firm had target-specific experience (case 17 and 9); as a result it was easier for the acquiring firm to structure the acquisition using earnout arrangements for the case of Bulgaria (case 17). The Atria acquisition in Russia (case 6), the case company already had host country capability but decided to opt for partial acquisition to secure sources of raw material to avoid political risks. Case Study D used staged acquisition in South African (case 9) due to the mild black empowerment regulations from the host country government. Deficiency of target-specific experience and knowledge of working in the Russian environment was the reason for the partial and staged acquisition of Case Study A and Case Study E acquisitions in Russia (case 1 and 11). This deficiency could be attributed to cultural issues as well. Three cases of full acquisition in Kenya (case 18), Morocco (case 10) and Israel (case 19) involved cases where the case firms already had target-specific experience before the acquisition.

All things been equal, if the effects of target-specific experience, host country capability, regulatory restrictions are excluded, it is possible to infer that informal institutional environment i.e. there is a likelihood of contractual failure leading to MNEs decision for partial and staged acquisition in acquisitions motivated by market-seeking and resource-seeking motives. Though there is a more support if the measures are based mainly on secondary data sources based on Hofstede dimensions (individualistic vs. collectivist cultural dimensions). The interview data only points to a mild support and in the context of all other factors (e.g. target-specific experience, host country capability, regulatory restrictions) been negligible.

6.5 Determinants of Equity Changes in Acquired Foreign Subsidiaries

This section discusses the determinants of equity changes in acquired foreign subsidiary and provides answers to research questions 3.

By integrating institutional theory and internationalization process theory, four summaries were drawn with regards to the determinants of equity changes in foreign markets. First, it was argued that host country capability increases the firms' propensity to increase equity commitment in acquired foreign subsidiaries because they have acquired both the market knowledge and knowledge about their partner business, network value, and institutional knowledge needed to operate, respond to institutions and gain legitimacy in the host country. Second, it was summarized that through this ongoing business relationship, trust building will increase MNEs propensity to increase their equity commitments in acquired subsidiary. Third, it was argued that the attractiveness of the market is needed in addition to partner specific knowledge to enhance MNEs propensity to increase their equity stake in acquired foreign subsidiary. It was further argued that host country institutions do not remain static. Consequently, changes in host country institutions in the form of relieving foreign ownership restrictions, the establishment of transparent regulatory institutions and non-failure in formal institutions will likely enhance MNEs decisions to increase their equity stake in acquired foreign subsidiaries. Finally, it was argued that increasing foreign ownership restrictions, the unattractiveness of the market would increase the likelihood that parent MNEs will decrease their equity stake in acquired subsidiaries.Table 27 shows the equity changes from the case acquisitions and the findings related to the changes in equity.

Table 27. Determinants of Equity Changes from Case Acquisitions

Cases	Company	Host Country	Formal Institutions	Equity Stake	Year Entry-Changes	Motives	Major Findings
1	A	Russia	EMDC	60%-100%	1988-2004	MS	• Host Country Capability • Trust Building
6	C	Russia	EMDC	49.5%-0%	2010-2013	RS	• Market Unattractive-ness
16	F	Saudi Arabia	EMDC	40-50%	2007-2014	MS	• Relieving Ownership Restriction

Relieving Ownership Restriction: As predicted from the literature review, relieving foreign ownership restrictions will likely enhance MNEs decisions to increase their equity stake in acquired foreign subsidiaries. There was clearly one case of relieving ownership restriction and the choice for increasing equity stake in the acquisition. Case Study F acquired 40% equity in the Saudi Arabian subsidiary (case 16) due to foreign ownership restrictions. The Saudi Arabian Government announced in 2013 that it was relieving its foreign ownership restriction for foreign parents by 10%. Consequently, Case Study F increased its ownership of the subsidiary by 10% and also arranged to gain formal control at the beginning of December 2013 (KONE press release 2014). Case Study F has an acquisition policy aiming for full ownership and control, yet the restrictive ownership laws in the host country gave them no other alternative than to opt for partial acquisition and increase their equity when ownership restrictions are relieved.

Host Country Capability: Host country capability is the capability derived from knowledge MNEs acquire by doing business in a specific country. It was predicted from the literature that on one hand the deficiency of host country capability led firms to opt for partial and staged acquisition at the time of market entry. On the other hand, staged acquisition could also serve as sort of "time issue" to gain the needed host country capability needed to operate effectively in the host market. Consequently, as firms acquire the needed host country capability, they will most likely increase their equity stake to full acquisition to enable the parent MNE gain control needed to ensure acquisition integration and ease of decision making in managing the local subsidiaries.

All the staged acquisition cases (Except case 21 with small minority owners) are today fully owned subsidiaries of the parent MNE entailing that the sole aim of using earnout arrangement was achieved. Also, Case Study A implied that the acquisition of host country capability made the need to have a local partner to outlive its purpose. *"We have established a way of operating locally in that environment with other stakeholders around the business. In this case, the purpose of having the local partner has outlived its purpose. Also the minority owners or partners also did not see it as important to retain the minority ownership of a manufacturing facility within a larger business in* Case Study A: *Thus, the benefits from both partners and sides of having the partnership in place had outlived the original motives. Thus it became easy to decide for both parties to dissolve and fully acquire the business for* Case Study A" Thus, the acquisition of host country capability is more likely to increase MNEs choice to increase their equity commitment to that of full acquisition.

Market Attractiveness: The literature proposes that increase in equity commitment will most likely result in the presence of market attractiveness. While Case Study A decided to increase their equity because they have established a way of working in the local environment. The case company would have not opted to increase their equity stake to 100% if the markets were unattractive. In contrarily, the unattractiveness of the market will also result in decreasing equity stake. This was the case with Case Study C acquisition in Russia (case 6).

"Well actually, first of all, we made some changes in our industrial structure and then we pulled out from one part of the business which was not profitable, that is the consumer packed meat. As a result, we did not need much meat. Moreover, then there was and still is swine flu disease in the location of the meat farm. It was such that we actually couldn't utilize anymore at all the materials from these farms. So, it did not make any sense for us to be involved anymore, and it is still the situation that these regions are blocked from other regions that they cannot transfer any meat between the regions. It becomes a big limitation. Though Atria had host country capability before this acquisition, the market unattractiveness was as a resulted of the unforeseen circumstances as was initially thought at the time of market entry. Also, there was also the issue of the unprofitability of the consumer packed meat business portfolio that enhanced their decisions to divest the business. This finding is consistent with the literature, i.e. MNEs will increase their equity stake when the market is attractive (Magnusson 2007) and will also decrease their equity stake or exit the market when the market is unattractive (Magnusson 2007; Song 2014)

6.6 Performance of Partial, Staged, and Full Acquisition

This section discusses differential performance returns to partial and full acquisition and thus provides answers to research questions 4.

One of the central arguments of this dissertation is that partial, staged, and full acquisition are unique acquisition entry strategies firms should utilized when entering foreign markets. The findings so far shows that partial acquisition are unique strategies utilized as a result of firms deficiency in target-specific experience, regulatory restrictions, informal institution (negotiation complexities), resource-seeking motives in non-transparent regulatory institutions and the need to align interest in explorative strategic asset-seeking acquisitions.

Staged acquisition is utilized as a result of acquisitions involving stock trade, deficiency of host country capability in market-seeking acquisitions and the need to align incentive in fragmented host country market structure and in acquiring targets with under-developed business. Finally, full acquisition is utilized as a result of acquisition of host country capability, efficiency-seeking motives, relative size of the acquired target compared to the acquiring parent, Target is a competitor, acquisitions in advanced host country institutions, developed business and host country market structure. While the reasons for these strategies have been established, the literature review shows that the returns to partial acquirer's remain unclear as well as the institutional context were partial acquisition performs better or is the optimal strategy than full acquisition. As a result, it is necessary to investigate if these strategies do confer different performance returns on the acquiring parents or does the institutional context that depicts these choices at entry confer different performance returns on these strategies?

To explore this question, I started by asking the managers if they understood why and if they evaluate why it is right to make the right acquisition entry strategies at the time of market entry with the questions below. The next section discusses the findings from the interview data.

6.6.1 Performance Differentials between Returns to Partial and Full Acquisition

QUESTION: *Have you had a case where you had made full acquisition and when you made assessment, then you came to think, if you had known from beginning we would have done partial acquisition or conversely have you had a situation where you have started with partial stake, and when you made the final assessment you said if we had known we should have made full acquisition?*

Paying a Premium on Acquisition Purchase Price and Loss of Management Resources: The interview data show that different acquisition strategies have an impact on the performance returns of the parent firms at the time of entry. This is because a mismatch of the strategy could lead to paying more cash at a later time. This would be the case if the parent firm opted for a partial acquisition rather than full acquisition at the time of market entry. For example, staged acquisition usually comes with earnout arrangements were the final cash payment is fixed based on the performance of the target firm after a period of years. During integration, some managers expressed that when they noticed the amount of synergies created at the initial integration, it makes them regret their initial strategy of taking a partial stake at the time of market entry which will make them pay more money at a later time. Case Study G had the following response.

"Yes, of course, it is always a bit tricky. At the beginning of integration implementation in cases where we started with partial acquisition and we had success already in the beginning, we always blame ourselves. Why we didn't take it over 100% on the first call because typically we could have probably paid less rather than making fantastic result first 3 years and then the price for the remaining part would be higher. Moreover, the same goes the other way around if we make full acquisition immediately, and for some reason integration goes wrong. We blame ourself that why in heaven sake we did it this way. However, decisions are made based on the best possible information available at that time. Also, very often it depend on the management resources available in the company. If there are more talented management, a prudent manager can be send to pick two to three years to ensure that integration goes well. Not all company has this type of luxury. This might also be one of the reasons we sometimes have to consider whether it could be best to do it in a staged way or full acquisition.

It is always important for firms to utilize the right acquisition strategy at the time of market entry to avoid paying extra premium on the acquisition purchase price. Also, there were cases where partial acquisition or staged approach would have been the optimal strategy for the case company but the use of full acquisition resulted in paying huge premiums and the loss of previous management staffs as they were not motivated to work for the company anymore.

"There have been cases where we have made full acquisition and lost the earlier management. There have also been cases where it would have been better to have a smooth transition period instead of full acquisition in those cases where we have been substantive carrots for the earlier owners. In most of the cases, it has had a huge impact (Case Study H)"

In summary, not opting for the right strategy could incur a substantial loss of synergies and paying an additional premium for the purchase price.

Loss of Integration Synergies in Partially Acquired Subsidiaries: Integrating partial acquired subsidiaries is very challenging and almost impossible because of the existence of the previous owners. If the previous managers/owners have majority ownership stake, they control the decision-making. As a result, they will hinder the full integration plans of the acquiring firm. In cases where they are minorities, they could object and make it difficult for the implementation of the integration plans of the acquiring MNE. The case firms informed the challenges with regards to integrating partially acquired subsidiaries. The challenges mentioned include the presence of previous owners working against or delaying the pace of the integration plan. For example, most MNEs in the case studies often have integration strategies that aim at reaping the synergies of their acquired subsidiaries within the first 100 to 180 days. Consequently, having previous owners as minorities in some cases hinders the achievement of the integration plan.

"There have been cases where for example we did not realize during the acquisition process how big the synergies would be, or we did not realize the actions needed for raising the synergies. We had a partially acquired subsidiary and the sellers are still alone with their stake. Raising the strategic goals of the subsidiary would require combine production. However, it is often too difficult to actualize because the old owners have been there actively working against full integration. In such cases, we usually have had a second thought of what we could have done initially (Case Study H)"

The interview data also shows that some firms are looking beyond the performance differentials of returns to partial and full acquisition. Thus, rather than exploring how these strategies have failed, they are looking at how best to manage the acquisition strategies in the event of performance failures.

"Difficult to say, I said there need to be strong reasons why we have chosen staged acquisition. When we acquire in staged, we take some 3 to 5 years before acquiring fully. However, to compare the structural approach it is difficult to say. Of course, it might reveal that the target firm that we have selected ultimately was not the correct on (Case Study E)"

"When you face a case that wasn't that successful, then you always ask what you could have done differently. However, I would not say that. We often look forward and how we could then manage the situation. The decision had been made at that time based on the best knowledge, studies and considerations. Learning now and going back to think that different approach would have made it more successful, I do not think so. I cannot now recall a case I would say that gosh we should have done it as partial instead of full because it is now a history" (Case Study D).

These responses shows that the different acquisition strategies confers different performance outcomes because a mismatch of the strategy could lead to paying more cash at a later time and facing integration setbacks from previous management if the parent firm had opted for a partial acquisition rather than full acquisition. Similarly, opting for full acquisition instead of a partial acquisition could entail the loss of parent firm resources in terms of money and time. Although some firms are looking beyond the performance differentials of returns to partial and full acquisition, it is, however, important to weigh the opportunity cost of each strategy at the time of market entry.

6.6.2 Differences in Institutions and Performance of Acquisition Strategies

From the literature, it was argued that formal institutions of host countries influence firm's performance. This is because MNEs whose home country regulatory institutions are very similar to that of the host country targets will incur less cost due to the possibility to export home country knowledge about policy and regulatory institutions (McGahan & Victer 2010). In contrarily, MNEs entering dissimilar regulatory institutions will incur additional cost of doing business in the host country due to their liability of foreignness (Eden & Miller 2004) and liability of home (Steven & Shenkar 2012) which increases the cost of adaptation of business practices. Similarly, it was argued that transparency influences firm performance due to the ineptitude of regulatory agencies in enforcing legislation in punishing offenders and protecting minority shareholders in non-transparent host countries (Mohamad 2002). Finally, political risks and corruption evident in institutional different host country influences firm performance. This is because, on one hand, they incur additional cost for doing business in a foreign country (Eden & Miller 2004). On the other hand, failure to comply with corrupt ways of doing business creates a loss of competitive advantage in the institutional distant host country (Mobarak & Purbasari 2006; Steven & Shenkar 2012). Complying with corrupt ways of doing business in such host country can incur reputation and brand damage for the parent MNE (Fan 2007). The findings from the interview data are discussed below.

Acquisition Failure and Additional Cost in Institutional Distance Host Countries: The data reveals an important finding with regards to the impact of institutional differences on acquisition performance. The case firms did state that institutional differences have an impact on their acquisition performance supporting the assumption of institutional theory. However, because of the industry they are operating, the impact as predicted by institutional theory was not always the case.

Case Study C informed that while there are no institutional differences in the EU, there are differences in developing and emerging markets of Russia. However, because they are operating in Russia as a Russian firm, the impact of host country institution is not felt.

"Within the EU where we are operating, there are no institutional difference and no impact. They are treating us as any other company in that host country. We do not have any regulations as anybody else. We are pretty much on the same lin. Russia is, of course, another case because there you are excluded from one part of the market. You are allowed to make tenders, but you never can win it. This is peculiar in the public sector market, but that is not actually why we went into the Russian market. So in that respect we do not have any restriction because we are

operating there as a Russian company in Russia, and we are not facing any other kind of restrictions than anybody else in the market."

Institutional differences incurs additional cost for management as predicted by the literature review because management will have to make additional payments which is the cost of adaptation of their business practices in institutionally distance countries to due to their liabilities of home (Steven & Shenkar 2012) and liabilities of foreignness (Eden & Miller 2004). Case Study G points to this fact.

"Of course, I am not going to name any country but there are countries that restricts dividend payment and restricting management fees, charging any type of brand or trademark license fees or royalty and so on. This type of regulations can be very difficult in these countries. However, if you have done your homework very well before entering into such a transaction, you should know what exactly you are doing and what sort of risk you are taking. For me at least it is very clear that if there are such a big risk that it might be a complete failure and I might be in a position to be forced to divest such an acquisition in couple of years' time, it would be better not to enter such countries because it is a massive amount of management work and time that is needed."

Case Study H discusses how differences in institutions impact their decisions to divest their investment in Russia due their loss of competitiveness. *"There are different kinds of law we are obeying, for example if we have policy that we play according to the rules, and we realize that most of the players are not playing according to the rules, we have no other option than to leave the market. For example, we enter contract catering business in Saint Petersburg in 2005 but we exist from there in 2011 due to the fact we realized that the other players were not playing according to the rules. We are not competitive, we were obeying taxes like we should, we were obeying social security payment like we should; well we notice that our competitors are not. The market price level was set by the competitors whose cost track was wider than ours.*

Responses to the Impact of Formal Institutional Distance on Acquisition Performance: The interview data also points to both pre and post-acquisition management strategy in operating in institutional different host countries. Firms that initially understand the impact of institutional differences stated that they can factor in the impact of the institutional difference on the acquisition purchase price. For example, the market value of the acquired firm is calculated under normal and legal operating standards.

"If we understand the impact of regulation on the business we are acquiring. We factor in the impact of the regulation on the acquisition price. For example if

regulations have an impact on lowering the level of the profitability of the acquisitions, we factor the impact of this regulations into the acquisition purchase price. We keep to our standards globally. It may have an impact on our acquisition performance. We keep our standard. However, history has it that if you do not follow transparency or standards like ethical things, lack of performance that benefits you ends up hurting you" (Case Study A).

To accomplish the above, extensive market research is required for which having an existing business relationship with the firm before the acquisition would make it easier. Most of the negative impact of institutions was only mentioned with regards to acquisitions in developing countries. However, the data shows that though institutional differences influence the performance of acquisitions, the impact of these institutions is context-specific depending on the motives, the industry, and the strategic response.

Acquisitions in Institutional distant countries can lead to loss of competitiveness and divestment of the acquired subsidiary. Acquisition in Institutional distance country may also not be as predicted by institutional theory because it could be motive specific or industry specific. For example, Case Study C acquired a Russian target partially (case 6) as a result of import restrictions on meat. The motive of this case acquisition was resource-seeking which, without this acquisition, securing import license from the Russian Federation would have been challenging. In another case involving same company in Russia, not one of the case acquisitions chosen for this study, the manager informed that institutions did not have an impact on their business because they are not operating in the public sector market. Firms are, rather than not making market entries into such institutions, are looking at ways of managing the impact of such institutions on their performance. They do this by calculating the impact of institutions on their business and factoring in the impact on the acquisition purchase price.

The finding of this study is also self-evident that firms are moving into emerging markets with full acquisition as against the prediction of institutional theory. Figure 16 shows the twenty-six acquisition entries made by Finnish Parents into foreign markets. In Figure 16a, all staged acquisition are classified as full acquisition while in Figure 16b all staged acquisition are classified as partial acquisition. The reason for this classification is to view the implication of this classification from different lenses as staged acquisition can behave like partial acquisition at the time of market entry and also behave as full acquisition in later years.

Figure 16a shows when staged acquisition is classified as full acquisition. Out of Sixteen acquisitions made by Finnish firms in advanced economies, fifteen were made by full acquisition while only one was made via partial acquisition. In emerging and developing countries, there were five partial and full acquisitions respectively. Figure 16b shows when staged acquisition is classified as partial acquisition. In advanced economies, the number of full and partial acquisition becomes nine and seven respectively while in emerging and developing countries the numbers are three and seven respectively.

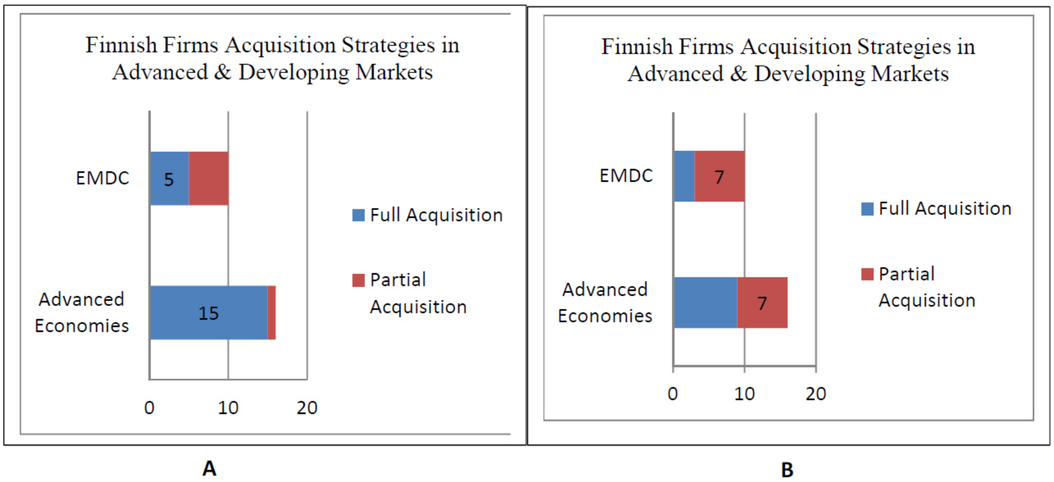

Figure 16. Finnish Firms Acquisition Strategies Advanced and Emerging Economies

Irrespective of how the classification is done, the figure shows that Finnish multinationals utilize more of partial acquisition in emerging and developing countries than advanced economies. Similarly, they utilize more of full acquisition in developed economies than in emerging and developing countries. The acquisitions in emerging and developing countries took place in Russia, South Africa, Kenya, Turkey, Morocco, and Egypt. Although the theoretical prediction stands clear from this data, however, the evidence that full acquisition is also used in developing economies points to an important limitation of institutional theory and thus Brouthers (2013) decade award winning paper.

All the acquisition cases achieved their targets when the question was posed to the responding managers with exception of the strategic asset-seeking acquisition in the USA (case 4) and resource-seeking investments in the Russian Federation (case 6) whose reasons were far from the predictions of institutional theory. If case 4 were acquired fully, taking into consideration that the United States is a developed institution, the amount of management resources that would have been lost would have been enormous. Also, the failure could have been attributed to the loss of motivation or incentive alignment. The incentives were there, and thus the entry strategy was not the issue but just the riskiness of such explorative-strategic seeking investment that turns out to be a failure.

Finally, the findings of this study suggest that full acquisition in emerging and developing countries is made possible due to the ability of managers to factor the impact of institutions on the acquisition purchase price. The acquisition of host country capability also played a significant role in the choice of full acquisition in emerging and developing economies. With the exception of case acquisition 21(Turkey) which was a stock trade, these firms either had host country capability (case 2) or target-specific experience (Case 9, 10, 17, 18) before undergoing staged or full acquisition in these countries. Thus, the experiential learning prior to these acquisitions gave the case firms the capability to manage such firms in institutional distance countries.

7 CONCLUSIONS AND DISCUSSIONS

This section focusses on the conclusions of the study. First, it discusses the summary and findings of the study. Second, it discusses the theoretical and empirical contributions. Third, it discusses the managerial significance of the study, the limitations, and the direction for future studies.

7.1 Summary and findings of the study

Acquisitions are an option for MNEs to remain competitive in the global market. They provide MNEs abilities to gain faster market entry into new markets, acquire new competencies (e.g. technology, and skills), and to remain competitive in declining markets. They also help to increase the profitability of MNEs in an era of globalization.

The objective of the present study is to understand how and why MNEs opt for the choice of partial, staged and full acquisition at the time of market entry. This objective was approached by four research questions: *(1) How do host country institutions and MNEs host country capabilities influence the choice of partial, staged and full acquisition at the time of entry? (2) How do the motives of acquisitions influence MNEs strategic choice for partial, staged and full acquisition at market entry? (3) Why do multinationals increase or decrease their equity commitment in international acquisitions at post-market entry? (4) How do returns to partial acquirers differ to returns on staged and full acquirers?*

The dissertation explored seven chapters to provide answers to the research objective. Chapter one discusses the background of the dissertation, the research gaps from previous studies and set out the research objectives and questions. Haven explored the research gaps, the study then discusses the potential expected contribution of the study. Next, the chapter highlights the key concepts utilized in the study. It concludes by positioning the study compared to previous studies.

Chapter two discusses the theoretical background of the study. First it discusses in more detail literature on acquisition strategies, acquisition motives, and performance. Discussions moved on to the main theories utilized for the study. From institutional theory, formal institutional environment was extended from regulatory institutions to include transparency and failure in formal institutions. Informal institutions were focused on the contractual difficulties that may arise in acquisition negotiations the more informal institutional distance between the home country of the parent MNE and the host country of the acquisition target. From the Uppsala internationalization process theory, the study highlights how the Uppsala model can be used to explain international acquisitions. Dunning motives of FDI was discussed and how the motive of foreign market entry should influence the acquisition entry strategies. The chapter summarizes by clarifying the choice of theory chosen for the study, their theoretical underpinnings, theoretical boundaries and link to the research questions.

Chapter three and chapter four integrates the literature review in chapter two to provide the constructs that are used in the empirical setting. The constructs are regulatory restrictions, regulatory transparency, failure in formal institutions, contractual complexities, host country capability, target-specific experience, market-seeking, resource-seeking, efficiency-seeking, strategic asset-seeking and (un)favorable market conditions. From these constructs, fourteen predictions were drawn from the literature. This is also presented in the conceptual framework of the study.

Chapter five presented the methodological aspect and philosophical assumption of the study. Critical realism was the chosen philosophical assumption of the study. The chapter shows how case study is a research strategy and not a data collection method. The chapter went on to discuss how case study research can be utilized in theory building and also presented a model of theory building that will be utilized in the study. The model presents how the cases were selected. The focus of the cases is on the actual acquisition cases using embedded case study design methodology. The model also shows the data gathering techniques, preparation of data collection and actual data collection. It also shows the data analysis and how the finding of the study was reported. Finally data evaluation approach utilized to ensure validity was also presented which are in conformity with realism stance.

Chapter six presented the background of the cases selected for the study. It discusses the characteristics of the acquisition cases in terms of institutions, year of entry and acquisition strategies utilized. It discusses the characteristics of the cases in terms of the motives of the acquisitions, achievements of the strategic motives for market entry. The chapter also presented within case and cross-case analysis of the acquisition cases. The cross-case analysis enhanced the generalization and contextualization of the findings of the study. Thus, answers to why firms opt for acquisition strategies at the time of market entry were presented. This is followed by a presentation of the role entry motives on acquisition entry strategies. Next, findings on the determinants of changes in acquired foreign subsidiary, differential performance returns on acquisition strategies is presented.

Chapter seven presents the conclusions of the study. The summary of the literature predictions in Table 4 and conceptual framework (Figure 12) were applied in the empirical setting to answer the research questions. The findings of the study are summarized in the following discussions.

The findings of the study suggest that MNEs do respond to institutions at the time of market entry and host country institutional environment do not remain static. The key findings are that Finnish MNEs opt for partial acquisition rather than staged and full acquisition in five contexts specifically: *(a) In the presence of host country regulatory restrictions; (b) acquisitions made prior to late 90's without earnout arrangements; (c) high informal institutional environment; (d) explorative strategic asset-seeking acquisitions were the target strategic assets is still under-development; (e) resource-seeking investments in non-transparent regulatory formal institutions.* Also, Finnish MNEs opt for the choice of staged acquisition rather than partial and full acquisition in five contexts specifically: *(a) on acquisitions involving stock trade; (b) when the MNEs do not possess either host country capability or target-specific experience or the MNEs possesses either the latter or the former respectively; (c) when the nature of the acquired firm business requires extensive improvements and the target host market structure is fragmented; (d) when the parent MNE seeks for market power consolidation even in markets where they are deficient in both host country capability and target-specific experience.*

Finnish MNEs opt for the choice of full acquisition rather than partial and staged acquisition in five contexts specifically: *(a) when the parent MNE possesses host country capability in market-seeking and efficiency-seeking acquisitions (b) size of the acquired target is relatively very small compared to the acquiring MNE; (c) when the target is competitor (d) when the nature of the acquired firm business is well developed and the target host market structure is consolidating (e) when the Finnish parent MNE possesses host country capability, target-specific experience and ensure the retention of top management personnel's of the acquired target even in high formal institutional distance countries (non-transparent regulatory institution & failure in formal institutions); (f) when the Finnish parent MNE is seeking for exploitative strategic asset-seeking acquisitions.*

Furthermore, the motives market entry of Finnish MNEs influences their decisions for these acquisitions strategies. Specifically on the motives of market entry, there are three findings in addition to those described above: *(a) Finnish MNEs entering host countries characterize by transparent regulatory institutions, stable political environment, and less corruption will have preference for full acquisition than partial and staged acquisition for Strategic asset-seeking and Efficiency-seeking motives; (b) Finnish MNEs entering host countries characterize by* *non-transparent regulatory institutions, regulatory restriction and high political risks and corruption will prefer partial and staged acquisition rather than full acquisition for market-seeking and resource-seeking motives if at the time of their entry they are unable to achieve the retention of key management or owners of the firm, and are deficient in either target-specific experience or host country capability (c) If all other things been equal, that is, if the effects of target-specific experience, host country capability, regulatory restrictions are excluded, it is possible to infer that in informal institutional environment there is a likelihood of contractual failure leading to Finnish MNEs decision for partial and staged acquisition in acquisitions motivated by market-seeking and resource-seeking motives.*

Specifically on the determinants of equity changes in acquired foreign subsidiary, three key findings emanated from the study. *(a) Finnish MNEs increases their equity stake in acquired foreign subsidiary when host country relieves their regulatory restrictions; (b) Finnish MNEs increases their equity stake when they have acquired host country capability and have gained trust with their partially acquired targets; (c) Finnish MNEs decreases their equity stake or exit from the market when the host country market becomes unfavorable.*

Finally, the study finds that there are performance differentials between returns on partial and full acquisition and that differences in institutions influences the performance of acquisitions in foreign markets. Specifically, the key findings suggest that opting for the wrong acquisition strategy results in: *(a) paying a high premium on the acquisition purchase price at later time and the loss of management resources if the MNE opted for partial and staged acquisition instead of full acquisition at the time of market entry; (b) the loss of integration synergies in partially acquired subsidiaries that would have been attained if the acquisition was a full acquisition; (c) failed acquisitions and the additional cost in institutional distance host countries; (d) Strikingly, a key finding of this section is that MNEs are responding to the impact of high formal institutional distance on their acquisition performance by factoring in the impact of institutions on the acquisition purchase price and through the acquisition of host country capability.*

The study further proposes several measures on acquisition performance that will further research in the performance of acquisitions. MNEs often include other motive-based KPIs in assessing the performance of acquisitions. Although financial measures are primarily the main KPIs on acquisitions, MNEs also access efficiency-seeking motivated acquisitions with cost synergies, market-seeking motivated acquisition with market share and sales growth, strategic asset-seeking motivated acquisitions with competencies and skills, new product qualification and resource-seeking motivated acquisitions with sourcing related performance (availability and price of raw materials). Accounting for some of these varying measures should bridge the gap in M&A performance research. For example scholars researching M&A, performance should focus on one acquisition motive or incorporate the actualization of these motives in their operationalization of M&A performance.

Figure 17 below shows the summary of findings on partial staged and full acquisition and why MNEs increase and decrease their equity in acquired targets.

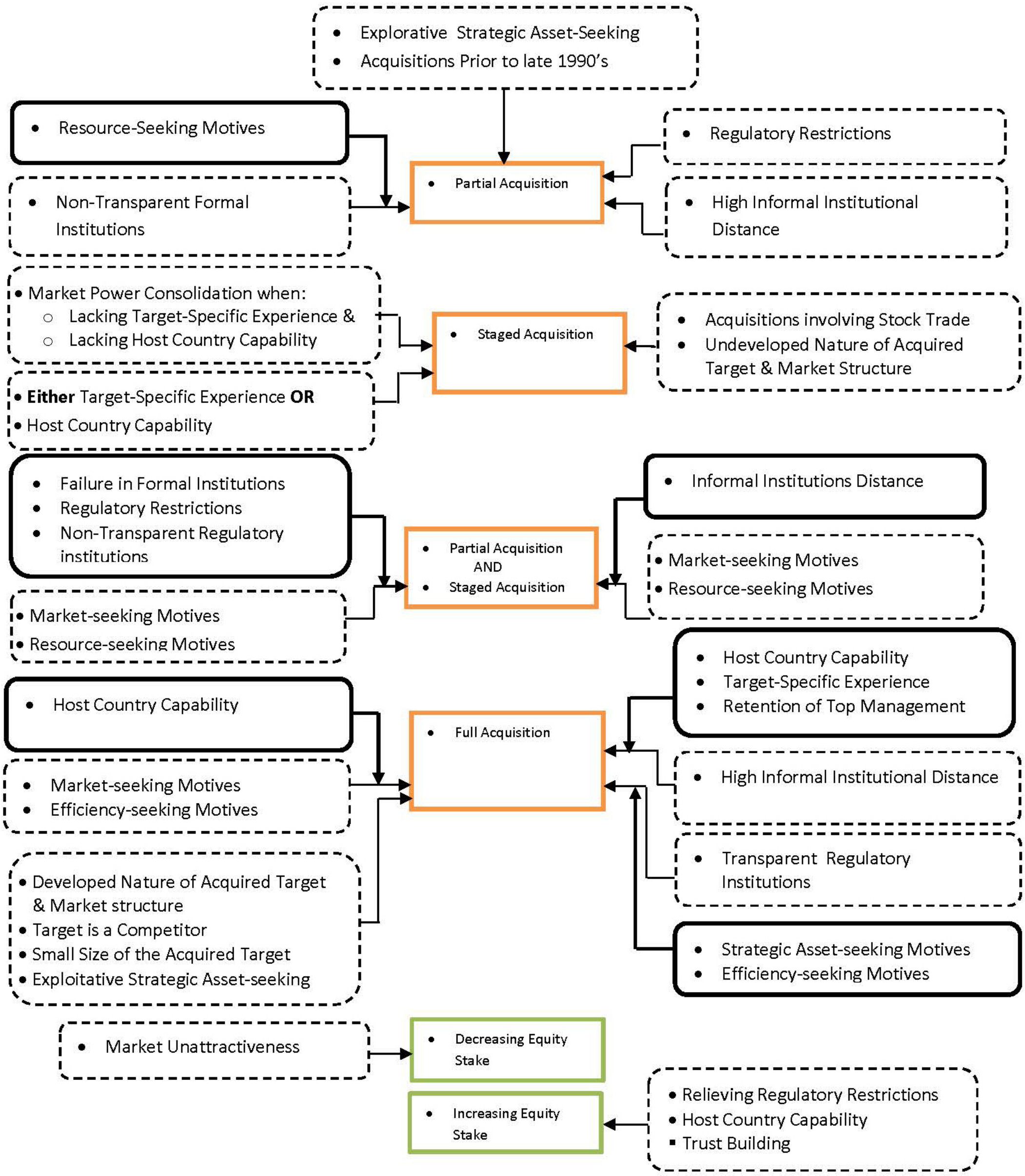

Figure 17. Findings on Partial, Staged and Full Acquisition and Changes in Equity

Partial, staged, and full acquisitions are acquisition strategies utilized by MNEs when entering into foreign markets. Partial acquisition is takeover transactions where the acquiring firm acquires less than 100% but not less than a 15% ownership in the target firm without a legal option to acquire completely over several years (Eyssell 1989; Shahrur 2005). Staged acquisition is an acquisition entry strategy at the time of entry that requires phased transaction using call options or earnout arrangements aimed at acquiring completely after several years (Modified from Dapena & Fidalgo 2003; Meyer & Tran 2006; Meyer & Estrin 2007; Jakobsen 2008). Full acquisition is takeover transactions where the acquiring firm acquires 100% ownership in the target firm (Lopez-Duarte & Garcia-Canal 2007; Zhu et al. 2011; Contractor et al. 2014).

Also, MNEs acquiring foreign targets aim for different acquisition motives such as market-seeking, resource-seeking, efficiency-seeking, explorative strategic asset-seeking motives and exploitative strategic asset-seeking motives. Market-seeking firms are firms motivated to enter the foreign market with the aim of serving the market in that country with the sole objective to increase their market size, market growth and adapt to local standards and requirements (Dunning 1993). Resource-seeking motives are firms that naturally aim to access specific resources in foreign host country at lower cost levels than they achieve at present in their country of origin (Dunning 1993). Efficiency-seeking motives are motives aimed at rationalizing production, distribution, and marketing activities through common governance of and synergy-building among geographically dispersed operations (Dunning 1993; Gorynia et al. 2007). Explorative strategic asset-seeking motives are motives aimed at acquiring strategic assets in which the technology/strategic asset is under development and not proven in the market (e.g., brands, product & process technology, key technological innovative competences etc.). Exploitative strategic asset-seeking motives are motives aimed at acquiring strategic assets in which the technology/strategic asset is already proven in the market.

There are certain contexts where each of these strategies is optimal for MNEs acquiring foreign targets. In the presence of restrictive regulations on foreign ownership stake in targets firms, the acquiring MNEs has no other options than to acquire partially that is, comply by acquiring the ownership stake permitted by law. Partial acquisition is also utilized when MNEs motivated for resource-seeking acquisitions aimed at gaining access to target firm host country raw materials, natural resources and semi-skilled labor especially in institutions characterized by non-transparent regulatory institutions. Such institutions are marked by corruption as they require illegal fees to facilitate the regulative process of obtaining for example import & export permits.

In terms of corruption, they facilitate the access to permits through indirect means that may require bribery. MNEs avoid such bribery and guarantee the sources of supply by opting for a local partner via partial acquisition. Furthermore, partial acquisition seems also to be an option for MNEs in high informal institutional environment because, in such environment, cultural ambiguity increases cross-cultural communication failure and the likelihood of contractual failure in acquisition negotiations. However, these are likely the case for acquisitions made prior to late 1990s when earnout provisions were not utilized.

One of the emerging themes from the study is that there are two types of strategic asset-seeking investments, one involving exploitative strategic asset-seeking and the other involving explorative strategic asset-seeking investments. It was found that MNEs opt for partial acquisition in explorative strategic asset-seeking investments, that is investments in which the technology/strategic asset is under development and not proven in the market (e.g., brands, product & process technology, key technological innovative competencies, etc.). The nature of the strategic assets in terms of its failure rates makes partial acquisition a viable option. The choice of partial acquisition provides a framework for the acquiring MNE to align the interest of the target firm owners and retain the key personnel. Without the retention of key personnel's and incentives to keep them motivated the acquisition is most likely doomed to fail.

The provisions of earnout arrangements have made the impact of informal institutions manageable. MNEs are able to bridge valuation differences with the acquiring firm by opting for staged acquisition which allows them to make down payments on the acquisition purchase price and to tie the final payment based on future performance within a certain number of years. Furthermore, it was found that when MNEs do not have target-specific experience (e.g. collaborative relationship in the form of a distributor, customer collaboration, supplier, and franchise) before the acquisition they tend to opt for staged acquisition as a means to build trust, learn from the target about the local business and gain market knowledge.

Similarly, MNEs that do not have host country capability (knowledge about host country institutions and market knowledge through ongoing business in the host market) also opted for staged acquisition to gain market and institutional knowledge. There were also cases involving MNEs that are deficient in both host country capability and target-specific experience or possessed either of host country capability or target-specific experience but opted for staged acquisitions. Specifically in cases where the MNEs possessed host country capability without target-specific experience, the acquisition was in a new business segment different from their existing subsidiary in the host country. Also, the MNEs ensured the retention of key management personnel.

There were cases the MNEs possessed target-specific experience but deficient in host country capability. Specifically on this cases, the nature of acquired firm business required extensive improvements similar to brownfields (extensive improvement in operational and accounting systems to standards of the acquiring MNE) and the market structure of the target host country is fragmented with very few global players and poor quality local business providers. Cases were the MNEs were deficient in both host country capability and target-specific experience they were motivated for market consolidation due to pressures of global competition, maturity, and declining markets within the Eurozone. These pressures makes them exert leapfrogging behavior. Such acquisitions engulf extensive management resources and use of external advisers and may often entail paying a high premium.

Finally, staged acquisition is often utilized in an acquisition involving a stock trade. This involves acquiring a majority stake from the blockholders that legally requires the acquiring MNE to make call option for the remaining equity.

While deficiency of host country capability and or target-specific experience lead to the choice of staged acquisition, MNEs that possessed host country capability and target-specific experience often opted for full acquisition. When they possessed host country capability, they were primarily motivated for market-seeking and efficiency-seeking acquisitions. While market-seeking acquisitions are acquisition aimed at entering a foreign market to serve the local market and increase the firm market size and growth and adapt to local standard requirements. Efficiency-seeking acquisitions are aimed at achieving economies of scale and scope by rationalizing production, distribution and marketing activities. These motives require extensive knowledge about the host country institutions and market (host country capability) for its successful management and operation. Market-seeking requires knowledge about the distribution networks, customer needs, local requirements and knowledge of the host country laws. Efficiency-seeking requires knowledge of the host country institutions and laws as well as its distribution networks. When the MNEs possessed target-specific experience they opted for full acquisition in cases where the business of the acquiring target was performing very well and the target firm had developed operational and accounting systems, and the market structure of the target host country is consolidating (i.e. the number of global market players gaining market share were increasing).

Furthermore, it was found that MNEs are developing effective strategies to cushion the effect of formal institutional environment on their acquisition strategies as they seek to remain competitive in the global marketplace by gaining faster entry into emerging and developing markets. MNEs opted for full acquisition in high formal institutional environment (non-transparent regulatory institution & failure in formal institutions) through the acquisition of host country capability, target-specific experience and ensuring the retention of key management personnel.

There were also two emerging themes on the choice of full acquisition. MNEs opted for full acquisition when the size of the acquired target is relatively very small compared to the size of the acquiring MNE. Acquiring MNEs opted for full acquisition because the value of the acquiring target was very small and financially negligible compared to the parent firm value. MNEs opted for full acquisition when the target is a competitor. When the acquired target is a competitor of the acquiring MNE, there is always a competitive preemption from the parent MNE that if they don't acquire the competitor, their competitors will do so triggering their choice for full acquisition. Finally, it was also found that MNEs opted for full acquisition in exploitative strategic asset-seeking investment (target firm technology/strategic asset is already proven in the market (e.g., brands, product & process technology, key technological innovative competencies, etc.).

The motives of the acquisition were found to have a significant impact on the acquisition strategies utilized by the parent MNEs. It was found that when host country regulatory institutions are transparent, and the formal institutions are less corrupt and stable, Finnish MNEs are more likely to opt for full acquisition than partial and staged acquisition in exploitative strategic asset-seeking and efficiency-seeking acquisitions. The reason for full acquisition is because, on one hand, the host country institutions are developed. On the other hand, efficiency-seeking acquisition requires developed institutions and regionally integrated markets to ensure efficient distribution networks across their geographic market presence. More so, exploitative strategic assets tend to be concentrated in developed economies, and developed economies have developed formal institutional environment.

The study reveals that firms that do not possess host country capability, target-specific experience and was unable to ensure the retention of key management personnel's entering institutional host countries characterized by non-transparent regulatory institutions, regulatory restriction and high political risks and corruption will prefer partial and staged acquisition rather than full acquisition for market-seeking and resource-seeking motives. The reason for the choice of partial and staged acquisition is because, on one hand, the MNEs are deficient in host country market knowledge and institutional knowledge required for successfully managing market-seeking acquisitions. On the other hand, local partner stake is required for resource-seeking acquisition because of its ties to host country government. It was also found that in resource-seeking and market-seeking acquisitions in informal institutional environment, contractual failure is likely to occur leading to MNEs option for partial and staged acquisition. However, this is the context that the effects of target-specific experience, host country capability, regulatory restrictions are not taking into cognizance.

Finally, it was found that there are consequences of not opting for the optimal acquisition strategies at the time of market entry. First, acquiring MNE will pay an enormous premium on the acquisition purchase price at a later date and waste scarce management resources if they opted for partial and staged acquisition at the time of market entry while they were supposed to opt for full acquisition. With regards to partial acquisition, they will be required to make new round of negotiations with the target often at high premiums because the target may have gained more knowledge about the true value of its assets and such renegotiations may often be unsuccessful due to the valuation differences between the acquiring parent and target firm. For staged acquisition, the final down payments will often be high due to wrong valuation estimate or market assessment initially conceived by the parent MNE.

Second, acquiring MNE that opted for partial acquisition where full acquisition would have been the optimal strategy are prone to loss integration synergies that would have been attained if it were a full acquisition. Opting for partial acquisition always makes integration more complex due to the existence of previous owners that may object or delay the full integration of the parent MNE operational and control systems. As a consequence, the synergies that should be attained will either be impossible, delayed or postponed to when the parent MNE have acquired full control of the acquired firm. Finally, opting for full acquisition in an institutional host country where partial acquisition is the optimal strategy could result in failed acquisition and additional cost to the organization. Finnish MNEs often abide by their code of conduct and play according to the rules of the game in all institutional environment. When they opted for full acquisition in dissimilar institutions where local competitors are not playing or abiding by the same rules, they may realize that their competitiveness has eroded because the local competitors set the market price. Consequently, they will have no other alternative than to divest the acquired subsidiary.

While opting for non-optimal acquisition strategy will incur cost and losses to the parent MNE, the parent MNEs are still able to develop certain capabilities such as host country capabilities, target-specific experience and retain target top management personnel's to manage their operations in highly dissimilar institutions (institutional distance countries). More so, in such institutions, it was found that MNEs can determine the impact of the institutions on the target firm. Based on this, they can factor in this impact on the target valuation. The impact of institutions could include additional profitability of the firm that are not under operating standards of the MNE e.g., business contracts obtained due to close ties to politicians in host countries or contracts or deals obtained through illegal facilitation by top management personnel's of the target firm. Gaining such knowledge about these types of activities may require target-specific experience and host country capability before undergoing such acquisitions.

7.2 Theoretical and Empirical Contributions

The current study is positioned within the business dynamics and strategy paradigm in international business research (see, for example, Griffith, Cavusgil & Xu 2008). Within this paradigm, extant research has focused on entry mode strategy, the internationalization process, knowledge management and exporting (Griffith et al. 2008). The current study is specifically situated within two sub-themes, entry mode strategy, and internationalization process. Specifically on entry mode strategy, it addresses a yet neglected entry mode strategy in extant literature "partial and staged acquisitions". Specifically, on internationalization process, it showcases that these strategies are "in process-like" as firms can change their intended and actualized strategy during the internationalization process based on host country institutional environments, firm-specific motives and by the exploitation of its networks of business relationships.

Within the paradigm focus of this study, there were several theoretical, empirical and managerial contributions. Theoretically and empirically, the dissertation makes five significant contributions to theory and research in acquisition entry strategies and performance through:

(1) Extending the institutional base view of international business by accounting for additional constructs.
(2) Extending Uppsala model and its application in acquisition.
(3) The establishment of cause of effect explanation on why firms opt for different acquisition strategies in foreign markets.
(4) Through the developments of constructs that explains the choice of acquisition strategies, changes in equity stake and differential performance returns on acquisition strategies.
(5) The advancement of IB research from institutional influences to strategy development, to strategy development in response to institutions.

The first theoretical contribution of this study is that it extends the institutional theory by accounting for additional measures of institutions that influences acquisition entry. The formal aspect of institution is extended to include institutional transparency (Alford et al. 1993; Ball et al. 2000; Zhou et al. 2007; Moskalev 2010; Child & Marinova 2014) and failure in formal institutions (Miller 1992; Howell & Chaddick 1994; Bremmer 2005; Abidde 2009: 25; Baek 2011; Al Khattab et al. 2012; Child & Marinova 2014). The informal aspect of the institution is focused on the manifestation of cultural issues (negotiation complexities) in acquisition decision (Drew 1997; Jakobsen 2008; Dina 2010). By accounting for an additional measure of formal institutions, the study provides other aspects of institutions that influence acquisition entry decisions and how firms respond to these institutions at the time of market entry. Thus, regulatory formal institutions are not the only aspects of host country formal institutional environment that influences entry strategies of MNEs in foreign markets as reported for example Yiu and Makino (2002); Deng (2003); Khanna and Palepu (2010). In addition to formal regulatory institutions, how transparent these institutions are and the political and corrupt nature of the business environment influences MNEs entry strategies.

Most emerging markets have already established economic liberation policies within the last two decades, and they are said to have market conforming values (Arslan 2011). Ownership restrictions are fairly better today compared to then (ibid). Institutional challenges in emerging markets have moved from ownership restrictions to one of transparency and stability of political institutions and corruption. Consequently, IB studies exploring institutional theory should account for these additional aspects as they delineate main aspects in determining entry strategies of MNEs in foreign markets. They also enable IB studies to understand aspects of the host country institutions MNEs develop specific capabilities in response to the institutional constraints they posed at the time of market entry. Disaggregating the institutional dimensions into these various categories is appropriate than aggregating them all as formal institutions because even though they impact on each other, one category may have a stronger influence in predicting entry strategies. For example, Saudi Arabia has autocratic regime and failure in formal institutions. However, regulatory restrictions were more predictor of entry strategies in Saudi Arabia.

Second, a remarkable theoretical contribution of this study is that it extends the application of Uppsala model (Johanson & Vahlne 2009) to acquisitions. This is the first study to apply Uppsala model empirically to explain international acquisitions. Clarifying the critics of the Uppsala model (Reid 1981; Young & Wilkinson 1989; Melin 1992; Andersen 1993; Oviatt & McDougall 1994; 2005), the study showed that through the development of target-specific experience and host country capability an acquisition is more likely to be successful. While Johanson and Vahlne (2009) argues that previous relationship with the target before an acquisition is more likely to increase the success of the acquisition. This study argues that not limited to previous relationship with a target, the existence of an earlier subsidiary with an ongoing business operation is more likely to increase the success of subsequent acquisitions in a particular host country because the acquiring MNE would have acquired experience on how to work with the host country culture.

Also, by viewing acquisition as one that comprises a continuum of increasing and decreasing equity stake, it is possible to explain the continuum through the state and change variables in the Uppsala model. It is shown that partial acquisition and staged acquisition can serve as foothold strategy were both partners can learn about each other and build trust. Knowledge opportunities are said to be the outcome of these learning that leads to the next commitment decisions (full acquisition). Also, it was shown that under unfavorable learning (unfavorable market condition), firms can decrease their equity stake or exit from the market.

Third, a strong empirical contribution of this study concerns the findings that firms utilize three acquisition strategies when entering into foreign markets. This study is one of the first studies to empirically study partial, staged and full acquisition in one study as distinctive acquisition strategies utilize by MNEs when entering into foreign markets. There are two streams of studies on entry mode strategies of MNEs. The first stream focuses on the choice of acquisition vs. greenfield investments (Wilson 1980; Barkema & Vermeulen 1998; Padmanabhan & Cho 1999; Brouthers & Brouthers 2000; Hennart & Park 1993; Hennart, Larimo & Chen 1996; Brouthers & Brouthers 2000; Larimo 2003; Chen & Zeng 2004). The second stream of study focuses on the choice between full and partial acquisition (Lopez-Duarte & Garcia-Canal 2004; Hennart & Chen 2004; Chen 2008; Jakobsen 2008; Arslan 2011; Arslan & Larimo 2011; Contractor et al. 2014). This study extends these stream of study by showing that partial and staged acquisition are unique entry strategies utilized by firms when entering into foreign markets. It also showed that these strategies are not only influenced by the host country formal and informal institutions, but they are also influenced by the motives of the acquisition, size of the acquired target, target is a competitor, nature of target business and the acquisition of target-specific experience and host country capability prior to the acquisition.

This study specifically supports Jacobsen (2008) and Chen (2008) who found that subsequent investment of foreign parent with direct investments in host country are less likely to be partial acquisition rather than full acquisition. Also, the findings of this study contradict Jacobsen (2008) who found that prior host market knowledge is positively associated with entry by partial acquisition. Prior host market knowledge is gained via target-specific experience. The findings of the study suggest that prior host market knowledge gained via target-specific experience is likely to result in staged acquisition especially when the target business is well developed, profitable, and the host market structure is consolidating.

While Chen found support for other strategic motives to drive partial acquisition, this study found support that resource-seeking motives drive partial acquisition. While Arslan (2011) and Arslan and Larimo (2011) found that high formal institutional distance led to the choice of partial acquisition. This study found that regulatory restrictions (one of the constructs of the formal institutional environment) led to the choice of partial acquisition. In addition, unlike Arslan and Larimo (2011) who found that high informal institutional distance between home and host countries of parent and target firms led to the choice of full acquisition, this study complements Contractor et al. (2014) that in high informal institutional distance MNEs are more likely to opt for partial acquisition rather than full acquisition. The measure of informal institutional distance differs in both studies. In this study, the informal institutional environment is captured based on negotiation complexities more related to individualism vs. collectivism aspects of culture. Contractor et al. accounts for uncertainty avoidance dimension of culture.

Finally, while Contractor et al. (2014) found positive relationship between high formal institutional distance and MNEs preference for full acquisition, this study finds that in high formal institutional environment, MNEs opt for both partial acquisition and staged acquisition in the context of market-seeking and resource-seeking motives and at the time of their entry they are unable to achieve the retention of key management or owners of the firm, and are deficient in either target-specific experience or host country capability. Furthermore, this study found that MNEs opt for full acquisition in high formal institutional environment when they possess host country capability, target-specific experience and ensure the retention of key management personnel.

Finally, the dissertation contributes to the stream of studies that shows that acquisition entry strategies influence subsidiary performance (Lopez-Duarte & Garcia-Canal 2007; Zhou et al. 2007). Alongside Brouthers (2013) that showed that firms whose entry strategies can be predicted by institutional theory tend to perform better than firms whose strategies cannot be predicted by institutional theory. This dissertation complements Brouthers (2013). However, it argues that the finding that institutional theory predicted entry mode choice performs better than non-institutional theory predicted entry mode is necessary but independently insufficient. The dissertation shows that MNEs have moved beyond the predictions of institutional theory on entry mode choice and are developing capabilities such as host country capabilities that enables them to effectively manage their operations and determine the right degree of integration in institutional distance markets. For example, MNEs with host country capability that opt for full acquisition in institutional distance countries as against the prediction of Brouthers (2013) still achieved their strategic motives for setting up the subsidiary.

7.3 Practical and Managerial Implications

While a firm's institutional environment influences its chosen strategies (Xu & Shenkar 2002; Peng 2002; 2003; Dikova & Van Witteloostuijn 2007; Estrin et al. 2009; Peng & Khoury 2009; Arslan 2011; Arslan & Larimo 2011; Santangelo & Meyer 2011) and performance (Gaur & Lu 2007; Dhanaraj & Beamish 2004; Markides & Ittner 1994; Lopez-Duarte & Garcia-Canal 2007; Pattnaik & Choe 2007; Aybar & Ficici 2009; Brouthers 2013). It is important not just for MNEs to understand how these institutions influence their entry strategies and performance but also how to develop capabilities and what capabilities is needed to respond and manage the impact of institutions on their chosen strategies and performance.

Acquisitions are multifaceted activities. They engulf enormous scarce resources both financial and human resources that the risks of failure should be at the forefront of managerial considerations before making acquisition deals. Managers are often confronted with the optimal strategy for entering into foreign market. The academia has often been at the forefront of proposals for managerial decision making. So far, it has been suggested that when the MNE product is not related to that of the target firm, a greenfield investments should be selected (Hennart & Park 1993; Hennart, Larimo & Chen 1996; Brouthers & Brouthers 2000; Larimo 2003; Chen & Zeng 2004; Wang 2014). Furthermore, the academia has also suggested that greenfields should be selected when the parent firm is deficient in international experience (Wilson 1980; Barkema & Vermeulen 1998; Padmanabhan & Cho 1999; Brouthers & Brouthers 2000).

Every manager understands that technologies and innovations are dispersed globally, and their sources are not limited to organic growth. Opting for greenfield ventures when the acquired product is unrelated to parent MNE product suggest that managers should limit their sources of new products technologies to organic growth. Nowadays, technologies are breaking industry boundaries and product boundaries such that unrelated and un-competing industries are today competing (Accenture 2015). When parent MNE product or capabilities are unrelated to target products and capabilities, MNEs still have the option to opt for partial and staged acquisition. Through these acquisition strategies, MNEs are able to preserve the innovative capabilities of the acquired firm by aligning incentives of the key personnel's and also preserve the structural autonomy of these companies which made them innovative at the first place (Puranam et al. 2006; Puranam & Srikanth 2007; Puranam et al 2009). Competencies from the acquired targets can be gained by sending key personnel's of the parent MNEs to learn the capabilities of the newly acquired firm.

Furthermore, if organic growth such as greenfields are the only viable growth options when MNEs are deficient in international experience, then the internationalization of born global would be different from empirical observations (Oviatt & McDougall 1994; 2005). Managers should take into cognizance that when their organization is deficient in international experience they still have an option for staged acquisition especially in market-seeking acquisition irrespective of the institutional context. Through staged acquisition, they can make down payments and bind the final down payment based on the performance of the targets after several years. Staged acquisition helps to bridge valuation differences more especially in informal institutional environment where cultural complexities can magnify the abilities to reach a deal on the acquisition purchase price. Additionally, through staged acquisition the acquiring firm can retain local owners with local knowledge, build trust, gain legitimacy and acquire capability on how to manage the operations in the local market.

Managers are confronted with what optimal acquisition strategy is suitable in the different institutional context. The findings of this study suggest that, the optimal acquisition strategy depends on the institutional context, the capabilities of the organization, and the motive of the acquisition and the characteristics of the target firm (e.g. firm size, developed/profitable business and host market structure). Managers from developed economies that already have existing relationship with the target firm (e.g., distributor collaborative relationship, supplier collaborative relationship, competitor collaborative relationship, customer collaborative relationship & other strategic alliances) located in high formal institutional distance countries (institutions characterized by political risks, corruption and transparency) should opt for full acquisition when the motives of their investment is for market-seeking motives and in the context that the target firm operational and control systems are developed according to standards of the acquiring firm and the target firm host market is consolidating.

Similarly, they should opt for full acquisition if prior to the recent acquisition, they already have existing functional subsidiary in the host country. However, when they are deficient in host country capability and target-specific experience, partial and staged acquisition is the optimal acquisition strategy. However caution must be taken when acquiring partially. Acquiring partially without the use of earnout arrangements could make it even more challenging when renegotiating to acquire the remaining equity from the target firm managers because the sellers reverse asymmetric information problem may make them prefer to retain a stake in the enterprise to ensure that they get a share of the increased value of the firm (Jakobsen 2008), thus making the transition to full ownership unattainable or at a very high premium.

More so, when the target firm is relatively small compared to the parent firm size or the target firm is a competitor, it makes sense to acquire fully. It is often easy to absorb a small sized company into a multinational corporation than to integrate and absorb a large company of relatively similar size. Where target firm is a competitor, it is often optimal to acquire fully, because of the relatedness and potential synergies that it creates to the parent MNE and potential competitiveness the firm may lose because other competitors will acquire it if they fail to do so.

Institutions play a less significant impact on the acquisition strategies of MNEs from developed economies acquiring target firm located in developed countries. For these MNEs, the motives and the target firm characteristics are the contexts that determine the optimal acquisition strategies. Managers confronted with decisions regarding the optimal acquisition strategy should opt for full acquisition when the motives of acquisition are to gain economies of scale and scope and they seek to rationalize production, distribution, and marketing activities in their global or regionally dispersed operations. Such acquisition requires tightly integrating the acquired firm that will be defeated if the target firm management retains their stake in the acquired subsidiary.

Finally, managers may often be confronted with how best to acquire technology focused companies or startups whose technologies are either established in the market or still in research and development. The findings of this study suggest that partial acquisition is the optimal acquisition strategy when the technology is still developing because it provides a better risks sharing platform and incentive alignment of the technology resources of the acquired firm. Such technology acquisition has high rates of failure because of the nature of technologies but also yields disruptive competencies that could keep the organization at leading edge technologies compared to its competitors (Graebner, Eisenhardt & Roundy 2010). Contrarily, when the technologies are well developed, it makes sense to acquire fully. For example, it is easier to estimate the value of proven technologies and its future trajectories or life cycle returns than in cases where the technology is undergoing research & development.

7.4 Direction for Future Research

IB scholars have recently been concerned if IB field is running out of steam because the significant research questions IB scholars are engaged have been tackled, and no distinctive topic has emerged since then (Buckley 2002). Within the business dynamics and strategy paradigm in international business research (Griffith, Cavusgil & Xu 2008), scholars have also been concerned if we need more entry mode studies especially when trajectory of recent studies suggest they are more of the same (e.g. Shaver 2013). In response to this, several other scholars have posited several future research areas in entry mode studies. For example, Hennart and Slangen (2015) suggest that we need more entry mode studies and future research areas should focus on (1) the determinants of evolution of operations resulting from suboptimal mode choices (2) causes of replication of past entry mode choices, (3) how entry decision process is structured. On one hand this study contributes to this research agenda, and on the other hand, it extends the call for future research on entry mode studies to more explicit research areas.

The current study somewhat addresses some of the above research agenda by arguing that the causes of replication of past mode choice is as a result of host country capability of the MNEs. For instance, the empirical findings suggest that firms that previously had a subsidiary in host country opted for full acquisitions. This suggests a replication of full acquisition strategies by acquiring MNEs in host countries where they already have a subsidiary. Thus, host country capability is a requisite for replication, not just an outright replication. Similarly, the motivation and findings of this study suggests that entry mode decisions are structured inductively (Hennart & Slangen 2015: 119) in such a way that MNEs systematically omit other entry mode from their decision process rather focuses on acquisitions because acquisitions have become an increasingly important mode of foreign expansion (Ghemawat & Ghadar 2000; Brouthers & Dikova 2010; Zander & Zander 2010; Hennart & Slangen 2015).

First, both managers and researchers often mix up IJVs as partial acquisitions and vice versa. Although they are similar in the sense that it involves shared ownership, they are also distinct (Lopez-Duarte & Garcia-Canal 2004). It would be significant for researcher to include IJVs in future studies and to explore what differentiates IJVs and partial acquisition and the context where any is optimal. This would require cases studies of MNEs that have explored both partial acquisitions, IJVs and full acquisitions and the context why and how each was explored as unique entry strategies in foreign markets.

Second, as argued in the limitations of this study, the boundaries between the motives of FDIs/acquisitions are not so clear. Future studies should explore the boundaries of these motives and identify how these motives can be used in entry mode studies in explaining managerial motivations for acquisitions. Dunning paradigm suggest a general motives of FDIs which are somewhat contradictory (e.g. strategic asset-seeking and resource-seeking motives) and in some cases firms combine all these motives in entry mode strategies. Chen (2008) suggests capability procurement and other motivations (e.g. speeding up entry into rapidly growing markets, control capacity expansions in mature industries and market power consolidation) to drive acquisitions. Strategy and finance scholars suggest synergy, agency and hubris motives to drive acquisitions (Davidson, Cheng, Rowe & Singh 2004; Torabzadeh & Dube 2007). Future studies should explore the managerial decision-making process leading to acquisition decision to uncover the true motivations that drive acquisition decisions. Such studies should focus on case studies utilizing qualitative-action science research approach rather than quantitative studies that rely on secondary data sources.

Third, entry mode research in the manufacturing sector have been heavily researched than the service sector and empirical evidence suggest that entry mode of service differs from those of manufacturing firms (Sanchez-Peinado, Pla-Barber & Hebert 2007). Though, the boundaries between a service MNE and manufacturing MNE is becoming blurred because product-oriented MNEs are restructuring their operations to focus on service business. Also, services today are seen under the auspices of S-D logic where goods are viewed as distribution mechanisms for services (Vargo & Lusch 2004; Penttinen, 2007; Ng, Parry, Smith, Maull, Briscoe 2012). However, the degree of servitization differs. For example, the degree of servitization in knowledge intensive service MNEs differs from those of manufacturing MNEs. Consequently, the motives of the acquisition strategy of knowledge intensive service MNEs would be far from resource-seeking motivations that may drive manufacturing MNEs. Future research should explore the motives and acquisition strategies of knowledge intensive service MNEs specifically to understand if their acquisition strategies and motives differ from those of manufacturing sector.

Fourth, Hennart and Slangen (2015) call for future research to focus on the determinants of the evolution of operations resulting from suboptimal mode choices. They suggest that IB studies lack knowledge of the determinants of longevity, dissolution or governance change in foreign operations arising from suboptimal mode choice. This study suggests that such scholarship is not needed to advance IB field because MNEs have moved beyond theoretically predicted entry mode choice to the management of entry mode choices in foreign market through the development of specific capabilities.

As the empirical findings suggest, organizations are entering foreign market without theoretically predicted entry mode choices. Rather, they rely on their organizational capabilities in managing their acquired subsidiaries in foreign markets. In other words, firms are looking beyond the predictions of institutional-performance relationship (Markides & Ittner 1994; Dhanaraj & Beamish 2004; Gaur & Lu 2007; Pattnaik & Choe 2007; Aybar & Ficici 2009; Brouthers 2013); to institutional management-performance relationship (Boddewyn & Brewer 1994; Schuler 1996; Oh 2008; Bruckman et al. 2013; Aklamanu 2014) to manage their operations in different institutional context. Consequently, it is argued that IB scholars should look beyond institutional theory from the auspices of how institutions influence firms strategies but rather, on how firms develop strategies in response to different institutional contexts. In other words, IB scholars should move from institutional response to strategy development to strategy development in response to institutions. This would, not limited to the latter, but also entail focusing on how firms manage their operations in different institutional context.

Finally, while this study contributes to process perspective in IB with regards to the internationalization process of a firm, it is worth nothing that it does not include process data in the process theorizing (See Welch & Paavilainen-Mantymaki 2014). To uncover the actual mechanisms leading to the acquisition decision will require process data as both process focused research requires a process data (ibid). Future research should explore the decision making process leading to acquisition strategy decision. Such study should utilize longitudinal data from the inception of the acquisition target, subsequent negotiations leading to the acquisition decisions as well as the subsequent decision making process leading to changes in equity stake. This may require other research methodology such as action science research approach. Such an approach can observe acquisition negotiation decisions in different institutional context and identify how each institutional context is different in the acquisition decision and the actualized acquisition strategies.

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Appendices

Appendix 1 Informed Consent Form/Email to Interviewee

Vaasan yliopisto
UNIVERSITY OF VAASA

Dear Mr.

I am a doctoral student at the University of Vaasa. I am writing my doctoral thesis on the strategic factors that influence MNEs choice for partial acquisition, sequential/staged acquisition and full acquisition at the time of entry. In particular, I am examining the role of acquisition motives, target country capabilities, complexities of the institutional environment of the host countries, acquisition negotiation challenges, and asset valuation difficulties on the choice for partial acquisition, sequential/staged acquisition and full acquisition at the time of entry and how these entry choice impact on acquisition performance. Also, I am also examining why organizations increase or decrease their equity stake in these acquisitions in later years.

The main purpose of this letter is to request 60-90 minutes of personal interview with you in your office to answer some questions regarding what and how these strategic issues impact upon your firm's strategic decisions to opt for these acquisition choices, changes in equity and subsidiary performance.

Your Company (A) is a suitable case study for this Dissertation because you have had some partial and full acquisition in the past. Examples are:

- YearXXXX…. Target Country name: XXXXX, Name of Target Firm: XXXX, original equity stake at market entry: XXXX, equity changes at later stages: XXXXXX.

For confidentiality purpose, the names of the interviewee will not be disclosed. If you accept to participate in this interview, please respond to the email to certify your participation and recommend suitable dates at your convenience. The dissertation is part of the Academy of Finland funded research project on Value Creation in International Growth (VCIG) for the years 2011–2015. My supervisor is Professor Jorma Larimo (+358 6 324 8253 or by e-mail at jorma.larimo@uwasa.fi) of the Faculty of International Business at University of Vaasa.

Oguji Nnamdi
Researcher/PhD. Student Mobile: +358449966229

Appendix 2 Interview Questionnaire

A. Background Questions:

1. Could you please describe how long you have worked for this company, positions you have held before, and other job experiences you held similar to your current role in the company?

B. Interviewee relevance to research questions:

2. Have you been involved in an acquisition that was acquired partially or fully?
3. Have you been involved in an acquisition that was acquired in staged i.e. partially and gradually acquired fully or was acquired fully and later reduced the equity to that of partial acquisition?

C. Questions related to research Objective:

4. How will you define partial acquisition, staged acquisition and full acquisition from your organization perspective?
5. What are the organizational and strategic characteristics of partial, staged and full acquisition as unique international expansion strategies? Please discuss why these acquisition strategies are utilized?
6. Does your organization have any policy or strategic choice in any region or location implying that a specific acquisition strategy should always be used?

D. Questions related to the specific acquisition that you were involved

7. Describe the acquisition process in your organization: In essence, what are the activities, functions, processes that are undertaken when your firm is engaging in deciding firms to acquire and how much equity should be acquired?
8. What were the motives when acquiring partially, staged and full acquisition? How did your motives for market entry aid your decision to acquire partially, fully or in staged?
9. Before market entry into a specific market that you were involved as the acquisition manager or decision maker, did your organization had any direct or indirect previous relationship with the target firm? (If answer is no, go to 11)
10. If yes, describe what type of previous relationships your organization had with the target firm before deciding to acquire the target firm and the choice of acquisition type (staged/full/partial)? How long has your firm been doing business in the host country before the acquisition? (go to 12)
11. Hence your firm had no previous relationship with the acquired firm before the acquisition, why the acquisition strategy used? What challenges did you encounter and what learning experience did it provide to your organization?

12. How would you describe the pre-existing knowledge in your organization that you seem was relevant when deciding to acquire the target firm? What factors (internal and external/institutional factors) did your organization consider before making the acquisition decision? Could you discuss any regulatory, institutional factors, cultural/negotiation complexities, country and political risks that influenced your decision to acquire partially, fully or in staged? Describe if there were any role of market uncertainty, competition, technologies of the parent firm and general valuation of the target firm assets in aiding your decision to acquire partially, fully and in staged?

E. **Specific case of Increasing and Decreasing Commitments in acquisitions**

13. Discuss the motivations and reasons for changes in equity commitments if there have been instances where your organizations have increased or decreased equity in foreign acquisitions?
14. Discuss any constraints/challenges encountered at the time of entry that was relieved subsequently and thus triggered changes in equity commitment?

F. **Performance of Acquisitions**

15. Describe how your organization measure the performance of your acquired subsidiary for which there are several distinct motives as highlighted in the earlier stage of this interview? How would you access the performance of these acquisitions?
16. Diff in regulations impact on performance
17. How would you described overall performance and achievements of strategic motives of these acquisitions we discussed
18. Describe what factors necessitated the performance outcomes of these acquisitions or the challenges that hindered the performance of these acquisitions?
19. Describe if the initial motives of market entry influence your headquarter assessment of subsidiary performance or return on investments?

Appendix 3 Anonymity and Confidentiality Confirmation

Dear Mr/Mrs.

For privacy reasons, please confirm if this is fine with you.

It is fine to publish the name of the company but don't mention the interviewee name and details (yourself). Only interview data, public information from company web pages and financial statements are included in the analysis and any confidential information or internal company presentation or documents that were informed not to disclose/publish in the dissertation is not disclosed.

BR

Nnamdi Oguji

S/NO	Names of Finnish Companies	**Confirmation Received(Yes/No)**
A	UPM-KYMMENE	☒
B	AHLSTRÖM	☒
C	ATRIA	☒
D	KONECRANES	☒
E	KEMIRA	☒
F	KONE	☒
G	COMPONENTA	☒
H	FAZER	☒