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Influence of institutional distance on cross-border mergers and acquisitions in Latin America

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ABSTRACT:

Cross-border mergers and acquisitions (M&As) serve as a key mechanism for firms to achieve rapid internationalization, access new markets, and acquire strategic resources. However, their success is heavily influenced by institutional distance factors (IDFs), the differences in formal institutions and informal institutions between home and host countries. While M&A research has predominantly examined developed economies and Asian emerging markets such as China and India, Latin America remains relatively underexplored. This gap is particularly notable amid the region's rising M&A activity, nearshoring trends, natural resource abundance, and recent trade advancements like the EU-Mercosur agreement.

This thesis addresses the research question: How are institutional distance factors in emerging markets, with a focus on Latin America, influencing cross-boder M&A processes? Adopting an interpretivist philosophy and an inductive qualitative approach, the study relies on secondary data consisting of industry reports, alongside expert videos and podcasts featuring practitioners with extensive Latin American M&A experience. The data were analyzed using the Gioia methodology, progressing systematically from initial codes to first- and second-order themes, and ultimately to aggregate dimensions.
The analysis uncovers three core aggregate dimensions through which institutional distance factors shape CBMA processes: (1) interpreting institutional context for strategic market selection; (2) strategically managing risk–reward trade-offs in market entry; and (3) building institutional capabilities for deal execution and integration. These findings are integrated into a novel processual framework of institutional distance in M&As, illustrating how formal and informal IDFs dynamically influence the pre-deal, deal-making, and post-deal phases while underscoring the central role of capability development and knowledge transfer.

Theoretically, the study extends institutional theory and M&A literature by providing a Latin American regional lens and addressing inconsistencies in prior findings. Managerially, it offers practical guidance for executives and investors on navigating Latin American institutional complexities through local expertise and adaptive strategies. Societally, it fosters a more nuanced understanding of the region's institutional diversity and supports policies aimed at attracting quality foreign investment and promoting sustainable economic development.

KEYWORDS: Cross-border mergers and acquisitions (CBMAs), institutional factors, institutional distance, formal emerging markets (EMs), Latin America (Latam)

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1. Introduction

1.1. Problem Background

Globalization has been one of the defining characteristics of the modern economic system and a central topic within international business research. In its contemporary form, globalization is commonly associated with the post-World War II period, during which Western economies, particularly the United States and Western Europe, played a dominant role in shaping international trade systems, institutional frameworks, and business practices. International organizations such as the International Monetary Fund, the World Bank, and the World Trade Organization contributed to the expansion of global economic integration and market liberalization (UNCTAD, 2024, p. 2). As globalization intensified, international business activities including foreign direct investment (FDI) and cross-border mergers and acquisitions (CBMAs) expanded significantly. According to UNCTAD (2025, p. 1), global FDI flows reached approximately USD 1.4 trillion in 2024, with cross-border M&A activity continuing to represent a substantial share of these investments despite economic fluctuations (UNCTAD, 2025, p. 3).

While globalization research has traditionally focused on North America, Western Europe, and more recently Asia, Latin America has long represented an economically important yet comparatively underexplored region in international business studies. The World Bank (2023, p. 15) highlights the region's importance in global commodity markets and its attractiveness for foreign investors due to its natural resources and expanding consumer base. Recent data further underscores this relevance: foreign direct investment inflows into Latin America increased by 7.1% in 2024, reaching approximately USD 189 billion, with Brazil and Mexico accounting for the largest shares (ECLAC, 2025, pp. 12–14). Additionally, regional integration efforts such as the agreement between the European Union and Mercosur are expected to strengthen trade and investment ties, creating a combined market of around 700 million people (European Commission, 2026, p. 3).

Despite increasing global integration, firms engaging in cross-border activities continue to face significant challenges related to differences in institutional environments. These differences commonly conceptualized as institutional distance factors (IDFs) include variations in legal systems, regulatory frameworks, governance structures, and cultural norms. Such factors are particularly critical in the context of cross-border mergers and acquisitions, where firms must integrate operations across diverse institutional settings. Prior research indicates that institutional distance can significantly influence acquisition outcomes, including deal completion and post-merger performance (OECD, 2022, p. 27). However, existing literature has predominantly focused on developed economies and Asian markets, leaving Latin America comparatively underrepresented. Given the region's growing economic importance and increasing participation in global investment flows, this thesis aims to examine the influence of institutional distance factors on CBMAs in Latin American emerging markets, thereby contributing to the broader international business literature.

1.2. Theoretical background

Mergers and acquisitions (M&As) are strategic tools that are used by companies for different reasons and purposes. They date back to the mid 20th century, with really taking of in the mid to late 1990s (Shimizu et.al, 2004, p. 308). While mergers and acquisitions, are both used to expand businesses, they are two different strategies. Mergers, meaning combining two companies into one, and acquisitions meaning one firm engulfs the other firm through the process of purchase. However, in both academic and practical context, the terms are often used interchangeably (Wiedemann et.al, 2024, p. 2374). In the 90s M&As did not only become more popular but also more divers through the additional spread of Cross-border mergers and acquisitions (Shimizu et.al, 2004, p. 308).

M&As are complex strategies that come with many different challenges, adding the element of cross-border – meaning the involved companies are from different countries – into the mix, makes the challenges even severer (Piekkari et.al, 2005, p. 332). The main challenges that are added through the international factor are things involving economy, culture and institutions in the formal e.g. legal sense or the informal e.g. social norms (Shimizu et.al, 2004, p. 309). On the contrary to the additional challenges that are added through the cross-border factors, there are positive effects or reasons, why a company would choose to involve themselves internationally. The main interest of companies in cross-border mergers and acquisitions (CBMA), are often either an investment opportunity in a different country or continent, or they are using CBMA as a mode of entry into a new market, as it can sometimes be tricky due to limited knowledge, limitations or other factors, to venture into unknown markets, when originating in another country (Ahsan et.al, 2024, p.1).
The two different countries in the CBMA process are called home-country, which is the is the country of the acquiring firm; and host-country, which is the name of the acquired or target firm. One of the most discussed topics are the differences between those two partners, as mentioned above, there are various different streams and factors, that can be a challenge and through that the congruence or incongruence of them can be a make-or-break point throughout the deal (Hu & Li, 2025, p. 2). These different streams and factors can in the context of CBMAs have many different names, one of the more common ones are institutional distance factors, short IDFs. Those IDFs include country specific formal and informal characteristics (He & Padrón-Hernández, 2024, p. 266).
When talking about the differences between the countries in the context of CBMA, there are different categories that countries can be split into. The first group are the advanced or established market countries, where countries such as USA, UK, France, Canada and Germany, have played the biggest role in CBMA since the 1980s (Alcaro, 2018, p. 681; Brózda-Wilamek, 2023, p. 346). The second group consists of the emerging economy or market countries. They began to become more visible and involved in CBAM in the in the 90s, which included Latin America (Alcaro, 2018, p. 681), and form the early 21st century the Asian market, led by but not limited to China and India (Brózda-Wilamek, 2023, p.

346). A sub-category that has been formed within the second category is called BRIC, an acronym for Brazil, Russia, India, China, and South Africa. When the conversation in CBMA is talking about emerging markets or emerging market firms (EMFs), it often uses this acronym or at least one of these countries as an example (Xie et.al, 2017; Zhou et.al 2016).

CBMA is a topic that is fast-evolving and prompted to open up new opportunities for many companies in different countries. Regulatory changes, such as trade agreements political shifts and other factors can change seemingly established positions of countries or trade unions for the better or for the worse. This is why it is important to not only constantly update and examine the standing and development of the seemingly biggest players such as China or India, but also on other entities, such as Afrika or Latin America and what role they play in the construct that is CBMA (Wiedemann et.al, 2024, p.2400).

1.3. Research Gap

Recently, CBMA activity from emerging countries have received significant attention from researchers, as there is a rapid increase in deals that involve countries from different emerging markets, along with the development of the global economy (Li et al., 2020, p.2400). There are various studies on CBMA and how the introduction of emerging market countries comes with new challenges, as many of those countries differ in formal and informal aspects, from the established market countries (He & Padrón-Hernández, 2024, p. 282). Many of the studies that have a specific country as an example or go into deeper analyzation of country specifics, primarily focus on China and India but less on other emerging markets, such as South American, or African countries (Wiedemann et.al, 2025, p. 2400; He & Padrón-Hernández, 2024, p. 283). This leads to the first of the research gaps, which is a demand for analysing different, new countries and regions in the context of emerging markets. Emerging markets are becoming bigger players not only in the M&A or CBMA world, but in the trade world in general. It is important to follow, observe and analyse their development. In the literature or secondary data form big firms different emerging markets often get put together with big players e.g.

Americas instead of splitting it to different countries or even continents (Henry & Van Oostende, 2026), instead of presenting their accomplishments and developments separately. This could lead to misunderstanding and under or over estimation and or appreciation of the emerging markets and does not offer them a fair chance, nor portraits them as being individual players.

The effects of IDFs for regional and country-specific institutional factors, can have contrasting influences on CBMA activities, when it comes to different home- and host-countries. When coupling this with the research design and metrics used in literature on the topic, this leads to some discrepancies among studies, when striving to measure the effect of the institutional differences (Ahsan et al., 2024, p. 16, Xie et al., 2017, p 154). Other authors affirmed this gap in their research by calling for future research using data from other emerging economies (Li et al., 2020, p.18, He & Padrón-Hernández, 2024, p. 280). The point that existing literature is presenting contradicting results, leads to the next research gap, which is the analysation and verification or refutation of the findings from previous literature on contextual institutional distance factors in CBMA. Inconclusive or contradictory findings can lead to a confusion about validity and authenticity of the different articles or the entire sector of research. Providing additional research and including new approaches, can bring clarity and provide an additional base for future research on the topic. Institutional distance or difference and its factors can be a key aspect in CBMA, which is why it is so important to have a clear and structured understanding of its role and influence in throughout the process.

Furthermore, most research on the effect of IDFs on CBMA relies on firm-level data without aggregate region data. While firm-level data captures confined firm behaviours, it hides systemic interactions at a regional level (Wiedemann et al., 2025, p. 2403). That results in missing geospatial patterns for the region, which has a high connectivity level in both formal and informal institutional distance, such as emerging, versus established or advanced markets or as Latin America versus North America. To understand moderation in institutional theory, non-aggregated data at the firm level is insufficient; it requires multi-level analysis to comprehend the impact of the institutional distance factor on CBMA (Ahsan et al., 2024, p. 16, Xie et al., 2017, p. 28). Understanding overall tendencies of institutional factors within a region, can help in the selection process of potential CBMA partners. Even though many companies have individual company cultures, the root is often similar within a region, which is why it is beneficial to have general knowledge of the region before going into more detailed company specific analysis. Offering additional perspectives and illumination to the differences of institutional factors across different countries, in the form of more research on a regional comparison, while acknowledging the fact that the company or firm level exists and should not be overlocked, can contribute to a better understanding and bring ease to the initial stages of CBMA.

In conclusion, a study, which analyses the effects of institutional distance factors within the context of CBMAs, which focuses on emerging markets and even more specific a new and different region in this instance Latin American, is needed. Previous research is showing gaps in form of missing papers on south or Latin America as a region, as well as contradicting output, when it comes to institutional distance factors. Additionally, it should not only complement the current research on emerging markets, providing a comparison for previous studies on other emerging countries and regions, but also comprehend understanding of IDFs on the region and country level. While the firm level is interesting and important, looking beyond firm level and analysing, as well as comparing regional levels and its IDFs are equally important.

1.4. Research Question

The research question is set in relation to the research gaps found, mentioned and defined in the part above. Through combining background and knowledge of the different parts related to the topic, the thesis aims to answer the question:

How are institutional distance factors in emerging markets, with a focus on Latin America, influencing CBMA processes?

The research question consists of multiple different aspects and parts within the CBMA literature. In the context of this thesis, it was decided to assemble a construct of multiple aspects, as the aim is to be as specific as possible and have one area, which will be covered thoroughly, instead of a broader scope, where one or multiple sub-areas would lack necessary attention.

1.5. Purpose of the Thesis

The purpose of this thesis is to obtain a more specific and focused knowledge about the emerging markets with special attention to Latin American countries (LATAM) and their involvement and position in cross-border mergers and acquisition. Furthermore, the thesis aims to understand what role the different institutional distance factors play in their position. Previous literature does provide certain insights into the topic, but they are either old in an academic understanding or only take knowledge they gained for other emerging market countries and similarly positioned countries, such as China and India, and transfer the knowledge on to the LATAM countries. Often times if there is knowledge on any of the Latin American countries, it is from Brazil, as Brazil is part of a emerging market cluster called "BRIC". By taking more specific insights for different LATAM countries found in literature and analysing additional published practitioner data sets, this thesis aims to contribute new and more specific insights for LATAM countries. Additionally, the aim is to analyse the institutional distance factors in the context of LATAM countries in CBMA, and synthesis their influence on the position, challenges and opportunities that are distinct for LATAM countries in this context.
Additionally, part of the thesis' purpose is to contribute in different ways, more precisely the thesis' expected contributions through its findings are threefold: theoretical, managerial, and societal.

1.5.1. Expected Theoretical Contributions

As the thesis is academic work, it expects to contribute with its finding in an academic context. The topic of CBMA has a growing and constantly developing body of literature. The thesis expects to contribute to this literature strand, with a focus on emerging markets and the within this under-researched area of Latin American countries. In

addition, the thesis aims to contribute by introducing new aspects through the analysation of published practitioner data to the existing academic literature regarding the influence of institutional distance factors on the CBMA process and progresses.
Instead of focusing the emerging market on the often used China and India (Wiedemann et.al, 2025, p. 2400) or generally the BRIC nations (Xie et.al, 2017), where the B stands for Brazil, which is then sometimes generalized and used as a representation of the whole Latin America, this thesis aims to contribute to a more targeted focus on a more divers selection of multiple Latin American countries. In a similar way the thesis will not categorise or merely include the Latin American countries in emerging markets but instead strive to position them independently, to be able to dissect them and their institutional distance factors, on a more congenial and precise level. On the contrary to other literature this thesis aims to contribute to the knowledge about institutional distance factors on a regional level instead on a firm-based level, as even if every company has its own culture, this thesis aims to contribute to the knowledge of underlying base layers and similarities of firms and companies in one region. Through this, the thesis aims to add a more current view on the LATAM institutional distance factors and how they influence CBMA processes.

1.5.2. Expected Managerial Contributions

By including published practitioner reports about Latin American countries and analysing them to combine the gained knowledge with existing academic work on emerging markets and the limited work on Latin America, the thesis aims to synthesise a clearer and more detailed context of the CBMA data for and about emerging markets and the distinctive aspects of LATAM countries. Additionally, an aim is to shine a light on emerging markets, more specific Latin American countries and how to successfully approach the countries in CBMA aspects. This aims to make CEO, strategy makers and all other involved, within LATAM countries, as well as abroad, aware of the institutional distance factors, and what opportunity and challenges can be expected, when conducting CBMA with LATAM countries.

1.5.3. Expected Societal Contributions

The thesis also expects to contribute to societal factors through its findings. Firstly, research in emerging markets can further the awareness of its similarities and differences to established markets, which can help establish a better understanding of the countries. Moreover, the thesis' findings aim to further the general wellbeing of society in LATAM countries, through shining a light on the countries. Subsequently, a bigger involvement in CBMA, opens new opportunities economically, regarding cultural representation and on the way to becoming more important and relevant players in the international world of strategy. Thereby, not only the companies gain an advantage but if implemented correctly the effect can be relayed on to society. Furthermore, by analysing and illustrating the institutional distance factors on a regional or country-based level, in this instance of LATAM countries, the countries themselves, their societies and their participants can faster gain an understanding of IDFs that can give them an advantage, when interacting with "outsiders". Additionally, the thesis outcomes can show which topic to trade carefully around or avoid in certain contexts. By having an understanding of that, it can become easier for LATAM countries to position themselves better not only within their own peer group but also when mixing with others. Although a big part of the societal outcome is supposably going to be for the society in LATAM countries, showing challenges and opportunities more clearly to other regions, can also take the unpredictability factor away or at least reduce it and invite more companies, consultant and other strategy players to take a more promising look at LATAM.

1.5.4. Delimitations

To avoid misunderstandings and assumptions about the thesis and its topic, delimitations are put into place. The first delimitation is that even though the thesis acknowledges the lack of specific literature for multiple regions within the emerging markets, this thesis will concern itself with solely Latin American as a focus region. Within the region the thesis will use a handful of countries as examples in respect of found data and literature. This does not imply that the findings cannot also apply to other countries in the region of LATAM or even other emerging markets, nor that other regions do not need additional research attention or are in any shape, space or form inferior. It only means that the scope of the master thesis is not big enough to go into detail about every country in the LATAM region and therefore a more general approach was chosen. This decision was made, as a focus on multiple or even all regions that are under researched, take away any specific focus that each of them require and would add to the research gap instead of closing it. In the end the thesis takes the middle road with a specification on LATAM as a region and some examples that are country specific.

2. Theoretical Framework

The theoretical framework establishes a comprehensive foundation by synthesizing key strands of literature relevant to the research problem. Specifically, it integrates insights from (1) cross-border mergers and acquisitions (CBMA), (2) institutional theory, and (3) the emerging markets context, with a particular focus on Latin America. Systematically and coherently structuring the theoretical foundation enables a synthesis of prior research and highlights the interconnections among the core theoretical perspectives underpinning the study.

The framework begins by discussing the principal theories and conceptual developments in CBMA literature. Subsequently, the discussion moves to institutional distance theory, which provides insights into how institutional differences between home and host countries influence firms' internationalization strategies and performance. Finally, the framework addresses the emerging market context, with particular emphasis on Latin America, to contextualize our empirical setting for our research.

2.1. Cross-border Mergers and Acquisitions

Cross-border mergers and acquisitions (CBMAs) represent a key strategic mode of foreign market entry and international expansion for firms. By definition, CBMAs involve transactions in which the acquiring and target firms are headquartered in different countries. Compared to organic growth or alternative entry modes, CBMAs enable firms to access new markets, strategic assets, and resources more rapidly, thereby facilitating international growth and competitive advantage (Wiedemann et al., 2025, p. 1; Fuad & Venugopal, 2024, p. 1). From a strategic perspective, firms engage in CBMAs to enhance performance through the acquisition of valuable capabilities and the realization of synergies. By combining complementary resources and competencies, firms can create value and exploit market imperfections across borders (He & Padrón, 2024, p. 1; Kalanoski et al., 2025, p. 2). Unlike greenfield investments, CBMAs provide immediate access to established assets, including labour, distribution networks, permits, and physical infrastructure, which can significantly accelerate market entry and integration (Hennart et al., 2015, p. 1). Beyond value-seeking motives, CBMAs also serve as a mechanism for firms, particularly those from emerging markets, to overcome domestic constraints. Firms operating in environments characterized by resource limitations, institutional inefficiencies, or weak technological capabilities may use CBMAs to access more advanced markets and escape institutional voids (He & Padrón-Hernández, 2024, p. 1; Li et al., 2020, p. 1; Xia et al., 2024, p. 2). As a result, CBMA strategies often differ systematically between firms from emerging and developed economies.

Importantly, CBMAs should be understood as a multi-stage process rather than a single transaction. The acquisition lifecycle typically consists of three interconnected stages: pre-deal involving target identification and evaluation; deal-structuring including negotiation, valuation, and financing; and post-deal focusing on integration and performance realization (Ahsan et al., 2023, p. 1; Fuad & Venugopal, 2023, p. 1). This process perspective is critical, as firms engaging in CBMAs operate across heterogeneous cultural, institutional, and economic environments, which significantly increases complexity and uncertainty (Wiedemann et al., 2025, p. 1).

The growing importance of CBMAs is reflected in the increasing volume of cross-border deals globally, despite relatively low completion rates (Fuad & Venugopal, 2024, p. 1). This has led to a rapidly expanding and diverse body of research within international business and strategic management. Recent literature reviews highlight the fragmentation of this field and attempt to synthesize existing findings. For example, Wiedemann et al. (2025, p. 4) identify three dominant perspectives in CBMA research: CBMAs as a mode of market entry, as a dynamic learning process, and as a value-creating strategy. Similarly, Fuad and Venugopal (2024, p. 15) provide a detailed review of the pre-deal stage, emphasizing how early-stage decisions shape overall deal outcomes. In addition, He and Padrón (2024, p. 19) highlight the importance of home-country characteristics such as institutional quality, macroeconomic conditions, and government policies in influencing CBMA strategies, particularly for emerging market firms.

Beyond conceptual developments, a substantial body of empirical research has examined the performance consequences of CBMAs. At the firm level, CBMAs have been shown to enhance long-term productivity and innovation, including improvements in research and development capabilities (Liu et al., 2024; Wu et al., 2024). At a broader level, participation in global value chains through CBMAs contributes to increased production efficiency and profitability, while at the macro level, it supports economic upgrading and national competitiveness, as illustrated in the context of China's international expansion (Liu et al., 2024, p. 15).

Another major research stream focuses on the determinants of CBMA success across different stages of the process. Scholars emphasize the role of cross-national distance and international relations between countries as key influencing factors (He & Padrón, 2024, p. 283). For example, strong trade relationships between countries facilitate information flows and reduce uncertainty, thereby increasing the likelihood of deal completion (Christine et al., 2024, pp. 1031–1033). In contrast, geopolitical tensions such as those between the United States and China can significantly reduce cross-border acquisition activity, particularly in sensitive sectors (Li et al., 2024, p. 1200).

In addition to macro-level factors, research also highlights the importance of psychic distance in shaping post-acquisition integration. Greater perceived differences between countries can hinder knowledge transfer and coordination between organizations, particularly when acquisitions involve firms from different institutional or status contexts (Yildiz & Fey, 2016, p. 850).

Overall, existing studies demonstrate that CBMAs are influenced by a complex interplay of macro-level factors (e.g., institutional and geopolitical conditions), micro-level factors (e.g., firm capabilities), and communication-related factors (e.g., distance and information asymmetry). Importantly, these factors do not affect all stages of the acquisition process equally but rather exert stage-specific influences.

Building on this insight, the present study focuses on institutional distance as a central explanatory factor, examining how differences in institutional environments shape CBMA processes and outcomes across stages. The following section develops this perspective by introducing the concept of institutional distance and its underlying dimensions.

2.2. Institutional Distance Factors

In international business research, several analytical frameworks have been developed to assess cross-country differences and their implications for firm strategy. Among the most widely used are country portfolio analysis (CPA) and the Cultural–Administrative–Geographic–Economic (CAGE) framework. CPA evaluates the attractiveness of foreign markets primarily based on economic indicators such as market size and growth potential, often proxied by gross domestic product (GDP) (Tokas & Deb, 2020, p. 1158). In contrast, the CAGE framework provides a multidimensional perspective by categorizing distance between countries along cultural, administrative, geographic, and economic dimensions (Ghemawat, 2001, p. 114; Tokas & Deb, 2020, pp. 1159; Lee et al., 2023, p. 2).

Collectively, these frameworks help explain how cross-country differences shape the complexity, risk, and attractiveness of international business activities, including cross-border mergers and acquisitions (CBMAs). However, while CPA and CAGE offer valuable descriptive tools for comparing countries, they remain primarily diagnostic in nature, focusing on identifying differences rather than explaining how these differences influence firm behaviour and outcomes. Within the CAGE framework, administrative distance is most closely related to institutional factors, as it captures differences in governance structures, legal systems, regulatory frameworks, and political relationships between countries. Nevertheless, administrative distance represents only a partial view of institutional differences.

To provide a more comprehensive and theoretically grounded explanation, this study adopts the concept of institutional distance, rooted in institutional theory presented by North (1990). Institutional distance extends beyond the administrative dimension of CAGE by encompassing the broader set of formal and informal institutional environments that shape firm behaviour. Specifically, it captures differences between the institutional contexts of the acquiring (home) and target (host) countries, including both codified rules and socially embedded norms. Unlike CAGE, which primarily categorizes types of distance, institutional distance offers an explanatory perspective by clarifying how and why these differences influence firm decision-making, strategic choices, and performance in cross-border contexts (Lee et al., 2023, p. 3). This makes it particularly relevant for analysing CBMAs, where firms must navigate complex and often unfamiliar institutional environments throughout the acquisition process.

Building on this perspective, the following sections further develop the concept of institutional distance by distinguishing between its two core dimensions are formal and informal institutional distance, and examining how these dimensions shape CBMA processes and outcomes across different stage

2.2.1. Formal and Informal Institutional Distance Factors

Institutional distance in cross-border mergers and acquisitions (CBMAs) refers to the extent of dissimilarity between the institutional environments of the acquiring and target countries. This distance encompasses variations in both formal and informal institutions, which jointly shape firm behaviour, strategic decision-making, and performance outcomes in international contexts (Zhang et al., 2023, p. 2; Ahsan et al., 2024, p. 1).

Formal institutional distance captures differences in codified systems such as laws, regulations, governance structures, and enforcement mechanisms. These institutions define the "rules of the game" by structuring economic interactions, reducing uncertainty, and enabling contract enforcement across markets. In contrast, informal institutional distance refers to differences in norms, values, beliefs, and socially embedded practices that guide behaviour through shared expectations rather than formal authority (Zhang et al., 2023, p. 2; Ahsan et al., 2024, p. 1). Together, these dimensions represent distinct yet complementary aspects of the institutional environment.

Institutional theory provides the foundational lens for understanding how these differences affect CBMAs. It emphasizes that firm strategies and outcomes are embedded within and constrained by both formal rules and informal social structures in home and host countries (Ahsan et al., 2023, p. 1; Li et al., 2020, p. 1). Although analytically separable, formal and informal institutions operate as interdependent pillars that jointly influence economic activity and organizational behaviour (North, 1990, as cited in Ahsan et al., 2024, p. 1). Formal institutions play a central role in shaping transaction efficiency and risk. By providing legal certainty, regulatory stability, and governance mechanisms, they reduce transaction costs and facilitate cross-border exchanges (Ahsan et al., 2023, p. 1; Ellis et al., 2017, p. 148; Levine et al., 2020, p. 194). In the context of CBMAs, differences in formal institutions affect firms' ability to navigate foreign regulatory environments, comply with legal requirements, and structure transactions effectively.

Informal institutions, in contrast, influence economic behaviour through social legitimacy, trust, and shared understanding. These unwritten rules guide interactions between actors and shape expectations in business relationships (Zhang et al., 2023, p. 2). Because they are largely self-enforcing, informal institutions are particularly important in contexts where formal institutions are weak or inconsistently applied. In

CBMAs, differences in informal institutions affect firms' ability to build trust, adapt to local practices, and manage relational dynamics (Wang et al., 2024, p. 1). From an institutional perspective, the distinction between formal and informal institutions reflects two complementary mechanisms: formal institutions reduce uncertainty through enforceable rules, while informal institutions facilitate coordination through legitimacy and social alignment (Zhang et al., 2023, p. 2; Wang et al., 2024, p. 1). Both mechanisms are essential for understanding how firms operate in cross-border settings.

Crucially, the interaction between formal and informal institutions plays a decisive role in CBMAs. Formal institutions often rely on informal norms for effective implementation, while informal institutions can compensate for weak or absent formal structures (Helmke & Levitsky, 2004, as cited in Ahsan et al., 2024, p. 1). In practice, formal institutions primarily govern legal compliance and regulatory approval processes, whereas informal institutions shape integration, communication, and collaboration between merging firms (Kalanoski et al., 2025, p. 2).

However, incongruence between formal and informal institutions can significantly increase uncertainty and coordination challenges. This is particularly evident in emerging markets, where institutional voids and inconsistencies are more prevalent (Khanna & Palepu, 2010, as cited in Castro Gama et al., 2025, p. 364). In such environments, misalignment between formal rules and informal practices can complicate both transaction execution and post-acquisition integration.

Therefore, distinguishing between and jointly examining formal and informal institutional distance is essential for explaining variation in CBMA strategies and outcomes. This distinction provides the conceptual foundation for analyzing how different dimensions of institutional distance influence specific stages of the CBMA process, as developed in the following section.

2.2.2. Institutional Distance Factors in Cross-border mergers and Acquisition

A substantial body of research has examined the influence of institutional distance factors (IDFs) on cross-border mergers and acquisitions (CBMAs). Institutional distance represents a critical differentiator between domestic and cross-border transactions, as firms must operate across heterogeneous regulatory, political, and socio-cultural environments (Wiedemann et al., 2025, p. 4). As a result, CBMAs are inherently associated with higher levels of uncertainty and complexity across all stages of the acquisition process. Importantly, institutional distance affects the entire lifecycle of CBMAs, including the pre-deal, deal-structuring, and post-deal stages, but its effects vary depending on the type of institutional differences involved. To provide a clearer analytical structure, this section distinguishes formal and informal institutional distance, while also recognizing their interaction.

Formal institutional distance refers to differences in codified systems such as laws, regulations, governance structures, and public policies. These factors are particularly influential in the pre-deal and deal-structuring stages, where regulatory clarity and enforcement mechanisms are essential. At the pre-deal stage, greater formal institutional distance increases information asymmetry and environmental uncertainty, making it more difficult for firms to evaluate potential targets. Empirical evidence suggests that the likelihood of deal completion is higher between countries with lower institutional distance, as regulatory similarity reduces transaction costs and approval barriers (Zhang et al., 2025, p. 98).

During the deal-structuring phase, formal institutional distance affects valuation and negotiation outcomes. Acquirers tend to pay higher acquisition premiums when institutional distance is high, reflecting difficulties in accurately assessing target value under unfamiliar regulatory conditions. However, this overpayment effect is mitigated when the target operates within a high-quality institutional environment or within a related industry (Zhang et al., 2025, p. 98). In addition, formal institutional differences may create opportunities for institutional arbitrage. Governance distance, for example, can generate heterogeneous performance outcomes, and under certain conditions may benefit acquiring firms by enabling them to exploit differences in regulatory or governance systems for value creation (Ellis et al., 2017, p. 167).

Regulatory environments also shape the direction and intensity of CBMA flows. Stringent host-country regulations, such as antitrust policies, can deter inbound acquisitions (Clougherty & Zhang, 2021, pp. 417–418). Conversely, differences in taxation, such as lower corporate tax rates, may attract foreign acquisitions (Gan & Qiu, 2019, p. 1176). Furthermore, regulatory misalignment or policy instability in the home country can push firms to internationalize in order to escape unfavorable institutional conditions, as illustrated by regulatory reforms and anti-corruption campaigns in China (Chen et al., 2024, p. 189).

Informal institutional distance captures differences in cultural norms, values, business practices, and social expectations. These factors play a crucial role throughout the CBMA process, particularly in legitimacy building, negotiation, and post-acquisition integration. A key challenge in CBMAs is overcoming legitimacy barriers, which are intensified by institutional distance between home and host countries. These barriers reflect differences in both formal and informal institutional environments, including regulations, organizational structures, and business practices (Wang et al., 2022, p. 1672). Gaining legitimacy in the host market is therefore essential for successful deal completion (Li et al., 2019, p. 323).

The literature presents two contrasting perspectives on how firms respond to these challenges. One stream suggests that firms minimize institutional distance by targeting countries with similar institutional environments (Ang et al., 2015; Zhang et al., 2011; Xu & Shenkar, 2002, p. 615). In contrast, another stream argues that firms can overcome institutional distance by leveraging external support mechanisms, such as local partners, networks, or intermediaries, to build legitimacy (Chan & Makino, 2007; Zaheer et al., 2010; Zhang et al., 2018). This divergence highlights an ongoing debate regarding whether institutional distance acts primarily as a barrier or as a manageable constraint.

During the deal stage, informal institutional distance influences due diligence, negotiation, and valuation processes. In environments where business practices are less formalized, information is often dispersed and difficult to access, making it challenging for acquiring firms to conduct thorough due diligence (Dye & Sridhar, 2002, p. 781).

These challenges are further intensified in contexts dominated by small or family-owned firms with centralized ownership structures, which complicate negotiation and valuation processes (Li et al., 2019, p. 323; Xu & Shenkar, 2002, p. 615).

In the post-deal stage, informal institutional distance becomes a critical determinant of integration outcomes. Cultural differences influence communication, trust, and knowledge transfer between organizations. However, empirical findings remain mixed. Some studies suggest that cultural distance negatively affects integration by increasing misunderstandings and reducing employee retention (Reus & Lamont, 2009, p. 1312). Others argue that cultural diversity can enhance performance by fostering learning and innovation, particularly when firms successfully manage integration challenges (Chakrabarti et al., 2009, p. 230). Similarly, Hajro (2015, p. 211) finds that both national and organizational cultural differences significantly influence integration, with organizational culture playing a more direct role in control mechanisms. In contrast, other studies find no significant relationship between cultural distance and post-acquisition performance in certain contexts (Vanwalleghem et al., 2020, p. 20; Bhagat et al., 2011, p. 262). These mixed findings suggest that the impact of informal institutional distance is contingent on contextual and managerial factors.

Beyond their independent effects, formal and informal institutional distance interact in shaping CBMA outcomes. This interaction is particularly important in emerging markets, where institutional environments are often characterized by institutional voids and reliance on informal mechanisms. Home-country factors, including institutional quality, macroeconomic conditions, government policies, and socio-cultural characteristics, further contribute to the distinctiveness of CBMAs (He & Padrón, 2024, p. 283). For example, labor regulations influence both the direction and motivation of acquisitions. Firms may target countries with weaker labor regulations to enhance cost efficiency, particularly in labor-intensive industries, or countries with stronger regulations to gain market access and legitimacy (Alimov, 2015, p. 999; Levine et al., 2020, p. 215).

In addition, firms develop institutional capabilities through international experience, enabling them to navigate diverse institutional environments more effectively. These capabilities consist of accumulated knowledge, heuristics, and routines that help firms manage institutional complexity and build competitive advantage (Carney et al., 2016, p. 883). Firms with greater international experience are better equipped to handle both formal and informal institutional challenges, particularly in post-acquisition integration (Dikova & Sahib, 2013, p. 84). Such capabilities can be codified and transferred across contexts, allowing firms to replicate successful strategies in new markets (Putzhammer et al., 2018, p. 569).

In addition to institutional and cultural factors, language has emerged as an important determinant of CBMA outcomes. Although linguistic distance does not directly affect target selection, it influences multiple stages of the acquisition process through its impact on communication and information flows (Li et al., 2024, p. 1200). Greater linguistic distance is associated with increased information asymmetry and communication barriers, which in turn lead to lower equity stakes in foreign targets (Cuypers et al., 2015, p. 439). This finding aligns with the broader information asymmetry perspective, which suggests that firms prefer higher ownership levels when uncertainty is low (Malhotra & Gaur, 2014, p. 207).

Overall, institutional distance is a multidimensional construct that shapes CBMA strategies, deals with outcomes, and post-acquisition integration through regulatory, governance, and socio-cultural mechanisms. Formal institutional distance primarily influences uncertainty, risk, and deal feasibility, while informal institutional distance affects legitimacy, communication, and integration processes. Their interaction is particularly significant in emerging markets, where institutional complexity amplifies both challenges and opportunities. This study builds on these insights by examining how firms navigate institutional distance in the context of Latin America, thereby contributing to the ongoing debate on whether institutional distance constitutes a barrier or a source of strategic advantage in CBMAs.

2.3. Emerging Markets

In academic literature, as well as practitioners work the term Emerging market is often used interchangeably, with emerging economy and emerging country. The term is used for countries that are categorized as low- or lower-middle income, according to the gross national income per capita (Kumar et al., 2022, p. 1052). The term Emerging market (EM) in the practitioner sense was coined by a world bank economist in the end of the 80s. The term as well as the topic got more attention throughout the 90s and early 2000s (Nielsen et al., 2018, p. 1679). By the 2020s the research and attention that previously focused on the internationalization and globalization in the advanced or established countries, has shifted onto the fast-paced development of the emerging markets (Inkizhinov et al., 2021, p.1404). Even though the attention on emerging markets increased, there is still not a consensual base for defining an emerging market. There are two major definition streams for EMs. The first one focuses on monetary or economical aspects of the country, and the second major stream focuses on the institutional characteristics of the countries (Nielsen et al., 2018, p. 1680), which is the research stream and definition that is followed in this thesis. In addition, to the two major streams, Emerging markets are multifaceted, and research has focused on topic such as "market segmentation and integration, market volatility, returns expectations, organisational behaviour and culture, organisational performance analysis, evolutionary finance and many more" (Kumar et al., 2022, p. 1052).

2.3.1. Emerging Markets in Cross-Border Mergers and Acquisitions

Emerging markets are becoming more involved in the international market and with that are also more interesting, when it comes to strategic endeavours, such as CBMA. They are not only hosting companies form established market but are also starting to venture into the established markets with their companies (Zhou et al., 2016). Unlike in domestic M&A or CBMAs between two developed markets, CBMA with participation of an emerging market country can involve new hurdles, such as unfamiliar environments or miscommunication, as many emerging countries and their firms function differently, from established market firms. Additionally, formalities such as laws and regulations can become issues on a broader level if not taken into account properly (Zhou et al., 2016, p. 1078).

Cross-border mergers and acquisition in and of itself is a complex topic and almost any aspect and outcome of it, is dependent on multiple variables. Changing one variable into a fixed component, in this instance the involvement of an emerging market country, can give clarity or at least a direction to a certain extent but there are still many factors that are interchangeable and vary with every deal. On one hand, the 15 most influenceable variables for CBMA deals in EMs are mostly on firm-level (micro) basis and are as follows: “Public acquirer, Private target, Private acquirer, Equity value, Advisor, Public targets, Percentage sought, Acquirer GDP, Deal size, Acquire institution, Religious diversity, Target unemployment, Year, Acquirer firm size and Acquirer HDI” (Zhang et al., 2024, p.17). On the other hand, research shows that industry and country level factors often follow a pattern on a macro-level and differences in institutional distance factors can be advantages of disadvantages depending on the situation (Zhang et al., 2024, p.18).

2.3.2. Institutional Distance Factors in Emerging Market CBMA

Research on CBMA with country participation of a country form an emerging market, often talk about why things do or do not work differently from CBMA processes with two countries from developed countries. In this process a factor that often comes up is congruence or distance of the institutions in the two countries (Hu & Li, 2025, p.1; (Musteen et al., 2025, p. 1). According to Musteen et.al. (2025, p. 2) the quality of the institutions does indeed play a relevant role in the selection of a target country in cross-border mergers and acquisitions, as good institutional layout can help immensely in the process, while business-unfriendly or unclear institutions can be a obstacle.

When it comes to the involvement of emerging market countries in CBMA, another problem that comes with a difference in the institutional aspects, is the uncertainty that is triggered through aspects such as corruption or information asymmetry, which are more predominant in EMs compared to developed countries (Musteen et al., 2025, p. 2). Those uncertainties continue to emerge throughout all phases of the deals, form the pre-deal information challenges that might lead to paring issues, negotiations that are not held on the base of equal knowledge and emerging market country legitimacy challenges, to integration issue in the post-deal phase (Popli & Ahsan, 2024, p.3). Informational asymmetry is not the only issue, when it comes to general aspects of institutional distance between emerging and established markets, it can also lead to heightened legal costs, a higher chance of deal abandonment and complex procedures (Ahsan et al., 2024, p. 8).

The previously mentions aspect of corruption is not the only issue that is related to governments, when it comes to government involvement that can make or break an emerging market country's potential for a CBMA participation. The government oversees regulations, taxes and laws and can create these in a way which is attractive for potential home-countries or off-putting (Ahsan et al., 2024, p. 8).

Additionally, to the formal institutional factors that are different in emerging markets and influence the deal process, there are also informal institutional factors that can come up during CBMA. Those informal institutions are more connected to the people that the CBMA process comes in contact with or whose life it influences. The informal distance in the institutions often becomes clearer in the integration process, where it is important to understand that emerging countries have different cultural understandings and unspoken rules that they follow (Kumar et.al, 2026, p. 110).

2.3.3. Emerging Market Focus on Latin American Countries

Countries that are classified as emerging countries, are spread over the whole world, form Africa, Asia, the Middle East, Central and Eastern Europe, to South America (Kumar et al., 2022, p. 1052). There are different segmentations within the geographical areas, as listed above, or the EMs are split into groupings by degree of emerging development wise. According to Nielsen et al. (2018, p. 1679) the most commonly used groupings include the following names or abbreviations: "BRIC" – *Brazil,* Russia, India, China, and South Africa "MINT" – *Mexico*, Indonesia, Nigeria and "Next-Eleven" – Bangladesh, Egypt, Indonesia, Iran, South Korea, *Mexico*, Nigeria, Pakistan, the Philippines, Turkey and

Vietnam. These groups show, who the most spoken about and researched countries in the emerging markets are. This also shows, who the two biggest players in Latin America are: Mexico and Brazil. Moreover, these groupings show that countries do not have to be neighbours to be portrait as similar and neighbours do not necessarily fall into the same category. As mentioned in 2.3. there are different streams for defining emerging markets, an economic and an institutional characteristics' one. The groupings above are mostly based on economic bases. Without saying that one stream is better, more valid, or more precise than the other, this thesis will lean and focus more on the institutional characteristics stream, as the focus of the thesis related to that topic. In the context of geographical and characteristic wise, Latin American countries are arguably more connected to one another and closely related than to countries of other regions and history. In that regard it can be said that even though Latin America consists of - depending on the definition - minimum 17 countries, an area of 21 million square kilometres and around 570 million inhabitants, the countries share similar values, culture and history through the Spanish and Portuguese colonial and language ties (Conti et al., 2015, p. 1980).

3. Scientific Methodology

This chapter serves to explain the methodology used by the authors in this master thesis. It starts off, with the choice of the subject, as well as the pre-understanding of the subject. Afterwards the various aspects of research methodology, followed by the research approach are considered. Furthermore, the research design aspects and choices are addressed. Subsequently, the process of the literature search, selection and review, as well as the source criticism are discussed. Lastly, an overview of the chosen scientific methodology is given.

3.1. Choice of subject

The choice of the subject does not have one standalone origin but instead is the outcome of different factors. As this thesis is written by two authors that had different subject throughout the master program, both authors had different interests. One of the reasons of interest in the topic stems from a strategic management course at Umea university. Within the course the different possibilities within different strategic choices were discussed, which caught the authors attention and interest. With strategy as a base, multiple topic options were discussed and the first variable that was decided was the common interest in M&A, which later changed into CBMA. First, we started looking into different research streams within CBMA, we found the topic of institutional distance factors mentioned often within important and potential influential criteria but also in the recommendations for future research. Secondly, the Factor of emerging markets was decided, as there seemed to be a higher demand for research on emerging market, as developt markets have been involved with one another for far longer. When going through the literature more thoroughly, we discovered that papers on emerging markets often focus on Asian countries and other regions, are at least in the English academic literature, often not mentioned and researched to the same extent, in this context. This led us to the decision of which country or region to choose. Then the news of a new trade agreement between Mercosur (Latin America) and the EU (Europe) was made public, which drew our attention onto south America. Even though we are aware that it will not be possible to see any influence of the new treaty yet, it is still interesting and important to analyse the situation as it is right now, which is how we decided to put a special focus on Latin America within the emerging markets.

3.2. Pre-understanding

Every person has a different level of knowledge about any topic. The amount of knowledge that a person has on a topic, as well as what kind of knowledge a person has, can influence the perception and understanding of further information on a topic. It is important to clarify what knowledge the authors had before the start of the research for this thesis, as well as how some new information where in influenced of perceived because of the knowledge that already existed previously (Stenbacka, 2001, p. 554).

The knowledge the authors had about the topic of the thesis before the beginning of the writing process was limited to common knowledge, information presented in news and knowledge gain through university courses and related projects. The previous knowledge on the different elements of the thesis was gained in different ways. To be more specific, the previous knowledge about M&A as well as CBMA was gained through strategic management courses throughout the years in university. Another factor that can be added to the CBMA knowledge are publications and news about big and influential mergers and acquisitions. Previous knowledge about emerging markets mostly stems from reports in the news, as well as specific cases and examples talked about in courses. The authors have general, as well as partially specific knowledge about the more narrow field of Latin America, as they have been to some of the countries and have contacts there, although the knowledge about these areas is more of political, social, societal and general economic knowledge, rather than specific knowledge about strategic management or even CBMA issues. Lastly the topic of institutional distance factors should be discussed. The authors did not have a broad knowledge about the term IDF itself but after learning, what it means and which topics fall under this term, there is previous knowledge from both authors on related issues. Previous knowledge on topics related to IDFs include but are not limited to different cultural and societal aspects, knowledge about different formal factors, such as laws, taxes etc. Additionally, news on economic agreements and international treaty changes and influences on different countries are among the general interests of the authors. Lastly, the authors have both lived in multiple countries and worked in, for and with multinational companies, which gives them some perspectives and functional knowledge on how multinational companies work and what potential issues can occur, when multiple countries meet within one company.

3.3. Research Philosophy

The research philosophy consists of two major branches Ontology and Epistemology, which together give information about how the authors of the thesis view the world and how they presume knowledge to be developed and perceived. There is no correct or better answer to the question, which research philosophy was used, but it is rather about under which circumstances and pretences the information on the topic and research is presumed to be understood (Saunders et al., 2009, p. 108). The definition of the research philosophy for every project is important, as different research areas can be seen in different lights, depending on which research philosophy is used. In some academic areas, there are very set ways of seeing and perceiving different aspects and facts, while in other areas of the academic world, topics can have multiple streams or proponents of different approaches, which follow different fundamental philosophies. Additionally, one person can have different perceptions of how the objects work or are perceived, depending on, what the object and research topic or relationship between objects is (Marsh & Furlong, 2002, p. 21).

3.3.1. Ontology

The first of the two branches is Ontology, which stems from the Greek “onto”, and translates to “being” (Dangi & Dewen, 2025, p. 5). Ontology is also called the “Theory of being". The different types of Ontology explain to the reader the researchers' views on the nature of the world, how things really are. Do the objects of our research exist as an independent, distinct entity with inherent attributes, or is reality ambiguous, fluid and socially constructed, and therefore not the same across different cultural, social and historical contexts? In other words, ontology concerns itself with how we view the world that constitutes our field of study (Justesen & Mik-Meyer, 2012, p. 12).

There are different Ontology approaches, in the case of this thesis, we are following the anti-foundationalist position. The anti-foundationalist position follows the believe that the world consists of social constructs, which get their meaning by people and are man-made (Marsh & Furlong, 2002, p.18). In the eye of anti-foundationalism there is no objective view on things, as everything is made up of social constructs and everyone is influenced by these social constructs. This view aligns with the argument that social reality cannot be understood as fixed or independent, but is continuously shaped through social interaction and interpretation . Furthermore, there are two levels of hermeneutics in anti-foundationalism. The first one consists of the meaning given to a construct by the actor, and the second level consists of the interpretation of the observer of the constructs (Marsh & Furlong, 2002, p. 19).

The adoption of an anti-foundationalist ontology is particularly suitable for this research, as the study focuses on institutional distance factors (IDFs) and their influence on cross-border mergers and acquisitions (CBMAs) in Latin America. Institutional distance factors are not fixed or universally defined entities, but are shaped by cultural, political, and social contexts, and are therefore interpreted differently across countries and actors. In emerging markets such as Latin America, institutional environments are often complex, dynamic, and influenced by both formal and informal elements, making it difficult to assume a single objective reality. Instead, these institutional factors are constructed and understood through the perspectives of practitioners and stakeholders involved in CBMAs.

By adopting an anti-foundationalist position, this research acknowledges that institutional distance is not an objective measure but a socially constructed phenomenon that varies depending on context and interpretation. This allows the study to explore how different actors perceive and respond to institutional differences, rather than assuming that these differences exist as stable and measurable variables. Therefore, this ontological stance provides an appropriate foundation for examining the complexity and context-dependency of CBMA processes in Latin America.

3.3.2. Epistemology

The second branch is Epistemology, which stems from the Greek “episteme”, and translates to “knowledge” (Dangi & Dewen, 2025, p. 5). Building on Ontology and its concept of being, Epistemology is the “Theory of knowledge”. Epistemology alludes to the researchers view on what we can know about the world and how we can know it. Furthermore, question such as how is knowledge possible? And what is the status of the knowledge we gain through our research? How reliable is this knowledge? Does our own subjectivity and its context influence the process of knowledge acquisition, and if so, how? (Justesen & Mik-Meyer, 2012, p. 12).

As Ontology and Epistemology are not separate but rather the Ontology’s position has an influence on the Epistemology one, it is deductive to describe our Epistemology position as Interpretist, as an anti-foundationalist ontology, with a hermeneutic approach concludes in an Interpretism approach in the epistemology (Marsh & Furlong, 2002, p. 19). Hermeneutic comes from the Greek word for “to interpret” and the approach aims to understand the meaning of behaviours rather than to explain them (Marsh & Furlong, 2002, p. 20). In the context of Epistemology Interpretism refers to the work researchers are doing, to gain knowledge social constructs. As the Interpretism relies on social constructs, it is important to clearly define the constructs that are used in the thesis, to avoid misunderstanding and misunderstandings regarding the research and its outcomes (Marsh & Furlong, 2002, p. 27). This perspective is also consistent with qualitative research traditions, which emphasize that knowledge about social phenomena is generated through understanding how individuals interpret their experiences and contexts rather than through objective measurement .

The adoption of an interpretivist epistemology is particularly suitable for this study, as the research aims to understand how institutional distance factors (IDFs) influence cross-border mergers and acquisitions (CBMAs) in Latin America. These processes are not only driven by formal, measurable elements such as regulations or economic indicators, but also by informal factors such as cultural norms, business practices, and managerial perceptions. Such factors cannot be fully understood through objective or quantitative measurement alone, but require interpretation of how actors perceive and make sense of these institutional environments.

In this context, knowledge about CBMAs and institutional distance is constructed through the experiences and interpretations of practitioners involved in these processes. Therefore, an interpretivist approach allows the research to focus on meaning-making and sense-making processes, rather than attempting to establish universal causal relationships. This is particularly relevant in the context of emerging markets such as Latin America, where institutional environments are complex, dynamic, and often interpreted differently across actors and contexts.

By adopting an interpretivist epistemology, this study acknowledges that knowledge is context-dependent and influenced by both the participants' perspectives and the researcher's interpretation. This enables a deeper understanding of how institutional distance factors are perceived and acted upon in practice, which is essential for answering the research question. Therefore, this epistemological stance provides an appropriate foundation for generating contextually grounded and meaningful insights into CBMA processes in Latin America.

3.4. Research Approach

The research approach serves as an explanation on how the theory in the thesis is built and how theoretical aspects are tested. There are two main research approach construct, inductive and deductive. The third alternative is not very typical for thesis and consists of an approach, where both approaches, inductive and deductive are combined into one circular approach (Saunders et.al., 2019, p. 152). While deduction stems from the natural science and is more finite, induction has its origins in the social science and is open to variables (Saunders et.al., 2019, p. 155).

The research approach used in this thesis is the abductive research approach. Abduction combines elements of both inductive and deductive reasoning, allowing the researcher to move iteratively between theory and empirical data. Rather than starting from a completely empty theoretical position, abductive reasoning builds on an existing body of knowledge while remaining open to new insights emerging from the data. This makes it particularly suitable for social science research, where phenomena are complex and context-dependent, and where both existing theory and empirical observations contribute to knowledge development (Saunders et al., 2019, p. 153).

While induction is concerned with generating theory purely from observations, and deduction focuses on testing predefined hypotheses, abduction allows for a more flexible and iterative process. In this approach, the researcher begins with a theoretical foundation, but continuously revisits and refines this understanding in light of empirical findings. This iterative movement between data and theory enables the identification of both expected and novel patterns, making it especially relevant for interpretive and qualitative research.

This approach serves this research, as it is more suited to connect different constructs to one another and find a correlation or show that there is no correlation to be found, at least with the data available (Saunders et.al., 2019, p. 154-155). Furthermore, abductive reasoning contains flexibilities and allows for deviations and reinterpretations throughout the research process, while still leading to a coherent theoretical outcome. Unlike purely deductive reasoning, which requires fixed assumptions, or purely inductive reasoning, which assumes no prior theoretical grounding, abduction acknowledges the role of both existing knowledge and emerging insights.

Our research talks about the entire continent of Latin America, and connects two different constructs, CBMA and IDFs by analysing the influence from one on the other;

choosing an approach, which allows for variables and is built on patterns, rather than derived solely from known facts, offers more extensive opportunities for the research on hand. Furthermore, this thesis builds on an existing theoretical framework of institutional distance while also aiming to generate new insights specific to the Latin American context. This requires continuous interaction between theory and data, which is a defining characteristic of abductive reasoning.

Additionally, the use of the Gioia method in data analysis further supports the abductive approach, as it involves iterative comparison between emerging findings and existing literature, allowing concepts to be refined and developed throughout the research process. As highlighted in qualitative research, this back-and-forth movement between empirical data and theory is essential for generating robust and contextually grounded insights .

In conclusion, the abductive research approach is most suitable for this study, as it allows for a flexible and iterative process that integrates existing theoretical knowledge with empirical observations, enabling both the extension of current theories and the discovery of new insights related to CBMAs and institutional distance factors in Latin America.

3.5. Research Design

There are different forms of research design. The kind of research design chosen for the thesis, explains what kind of research will be conducted and what kind of data will be used to support the thesis. The two different designs used the most in academic work, are quantitative research design and qualitative research designs (Adams et.al, 2007, p. 26). This thesis follows a qualitative research design, as the process of data collection is qualitative rather than quantitative, meaning the quality of the data is more important than the amount (Adams et.al, 2007, p. 26). Qualitative research consists of a process in which data is collected, analysed and interpreted trough a subjective lens. It serves the purpose of finding underlying reasons, for how something or someone behaves (Dangi & Dewen, 2025, p.14).

There are three different types of qualitative research design, phenomenology, ethnography and case study. Phenomenology concerns itself with a rare occurrence, ethnography is about people and what a specific group shares, based on an attribute, such as occupation, culture etc, and lastly a case study, which analyses at least one case that is interesting for the research topic (Dangi & Dewen, 2025, p.14).

We went through a thorough decision and elimination process to select a research design that best suits our research question and aims. When it comes to CBMA and IDFs, these are not topics that many people would list in their general knowledge. Similarly, while more people might be familiar with Latin America, finding enough participants to obtain reliable quantified data was not realistic for us, which led to the exclusion of a quantitative research design (Thai Hieu Phan, 2026,). Furthermore, a qualitative approach is uniquely appropriate for this study because institutional distance factors are complex, context-dependent, and difficult to capture through isolated numerical variables (Lagan and Morris, 2019, p. 808).

Since our research question focuses on "how" institutional distance factors in emerging markets influence CBMA processes, we require the in-depth understanding of multidimensional relationships and meanings that qualitative research provides (Bryman and Bell, 2015, p. 386). While thinking of informal factors, ethnography could have been an option, but we wanted to include formal factors as well; focusing solely on human behavior would have shifted the thesis toward a psychology analysis rather than strategic management (Thai Hieu Phan, 2026,). Therefore, a case study design is the most effective choice, as it provides the contextual sensitivity required to understand how stakeholders navigate complex environments (Birkinshaw et al., 2001, p. 574). Analyzing specific instances of CBMAs and how IDFs influence them offers a sensible groundwork for providing meaningful insights into the Latin American context.

3.6. Research Design Implementation

Research design provides a supportive structure of the way this research will be undertaken and set parameters for the study showing it will be conducted in specific way (Lagan and Morris, 2019, p. 78). This study adopts a qualitative secondary research design to investigate how institutional distance factors (IDFs) influence cross-border mergers and acquisitions (CBMAs) in Latin America (LATAM). This research design primes in the form of inquiry using data already exists and conducts research to explore human phenomena and interaction in the world.

The implementation of this research design is also guided by the study's anti-foundationalist ontology and interpretivist epistemology. From an anti-foundationalist perspective, reality is not viewed as a single objective entity but rather as socially constructed and context-dependent. This implies that social phenomena cannot be understood as fixed or independent from human interpretation, but are continuously shaped through social interaction and context (Marsh & Furlong, 2002, p.19). In the context of CBMAs, this means that institutional distance factors do not exist as universally agreed constructs, but are interpreted differently by actors depending on their experiences, positions, and institutional environments. Building on this, the interpretivist epistemology assumes that knowledge is derived from understanding these interpretations rather than from observing objective reality. As highlighted in qualitative research traditions, social reality is better understood through the meanings and sense-making processes of individuals rather than through purely measurable variables . Therefore, the research design is structured to explore multiple perspectives and interpretations rather than aiming to identify one objective truth.

A qualitative approach is appropriate for this study because the phenomenon of institutional distance is deeply embedded in social, political, historical contexts, this is indicated in theoretical framework part of this thesis. Theoretical framework also has strong influence on our research and research design; it is guided in Figure 1. Institutional distance factors are complex and context-dependent and hard to be fully captured through isolated variables. According to Bryman and Bell (2015, p. 386), qualitative research provides an in-depth understanding of multidimensional relationships by focusing on meanings, interpretations, and processes more than quantitative approach. Furthermore, CBMAs is an International Business (IB) research, qualitative methods are particularly crucial to providing the contextual sensitivity required to understand how stakeholders navigate complex environments (Birkinshaw et al., 2001, p. 574). In context of CBMAs, institutional distance factors include formal elements such as policies and regulations, as well as informal dimensions such as business practices and cultural. A qualitative lens provides an interpretive analysis to explore the “how” and “why” behind acquisition decision and outcomes. This interpretive focus is consistent with the epistemological stance of the study, which prioritizes understanding socially constructed meanings over objective measurement.

This study is implemented using secondary data to provide both scientifically rigorous and practical necessary for an analysis on the scale of Latin America region. Wide range accessible existing materials, including industry reports and expert discussions in videos and podcasts, which together provide comprehensive perspective on CBMAs across Latin America. Saunders et al. (2019, p. 316) argue that secondary data is valuable when investigating large-scale or global phenomena, as it enables the integration of diverse sources of information that it would be difficult to collect through primary data alone. That is reinforced by Hox and Boeije (2005, p.593), authors state that secondary data is distinct and valid form of data collection that allows researchers to access a broader geographic scope than primary data collection usually permits. In this research of CBMAs, collecting primary data of institutional factors across multiple countries in LATAM would be highly resource-intensive and potentially unfeasible within scope of a master’s thesis. Additionally, dealing with high-level corporate activities like CBMAs, secondary data offers access to up-to-date insight into current market dynamics, high-level strategic documents, and expert-validated information, which could be inaccessible to an individual researcher (Vartanian, 2010, p.14). The use of secondary data ensures that findings are grounded in robust databases, supporting data triangulation, thereby enhancing the credibility of research findings (Denzin, 1978, p. 291). This approach is also consistent with interpretivist research, as it allows access to multiple accounts and interpretations of reality constructed by different actors across contexts, rather than relying on a single measurable dataset.

Furthermore, the decision to rely on non-numerical over numerical metrics is rooted in nature of institutional theory and strengthens suitability of the research design. As mentioned, institutional factors consist of both formal and informal elements, while formal distances can sometimes be quantified, informal institutions require non-numerical, narrative analysis to be captured. Numerical data tends to oversimplify the nuances of phenomena into measurable variables, whereas qualitative data, such as textual descriptions, narrative, and expert opinions, allows researchers capture more nuanced understanding of institutional dynamics to interpret how institutional factors influence CBMAs. According to Vaara and Tienari (2011, p.371), language and stories found in secondary materials reveals the power dynamics and cultural clashes inherent in M&As that numbers simply mask. Moreover, Gioia et al. (2013, p. 18) emphasize that non-numerical data is valuable for developing new theoretical insights, it allows researchers to capture informant-centric perspectives and translate them into meaningful conceptual categories. This is aligned with the anti-foundationalist assumption that reality is constructed through interpretation rather than existing as an objective and measurable entity, and therefore requires analysis of meanings rather than numerical reduction . By focusing on non-numerical data, this research is able to uncover underlying mechanisms, capture reality of institutional distance, and provide comprehensive understanding of how institutional distance factors influence CBMAs in Latin America.

In conclusion, the research design of using qualitative, secondary databases, and non-numerical data is appropriate to answer the research question and well aligned with research objectives, as well as with the underlying philosophical stance of the study, which emphasizes interpretation, context, and the socially constructed nature of reality

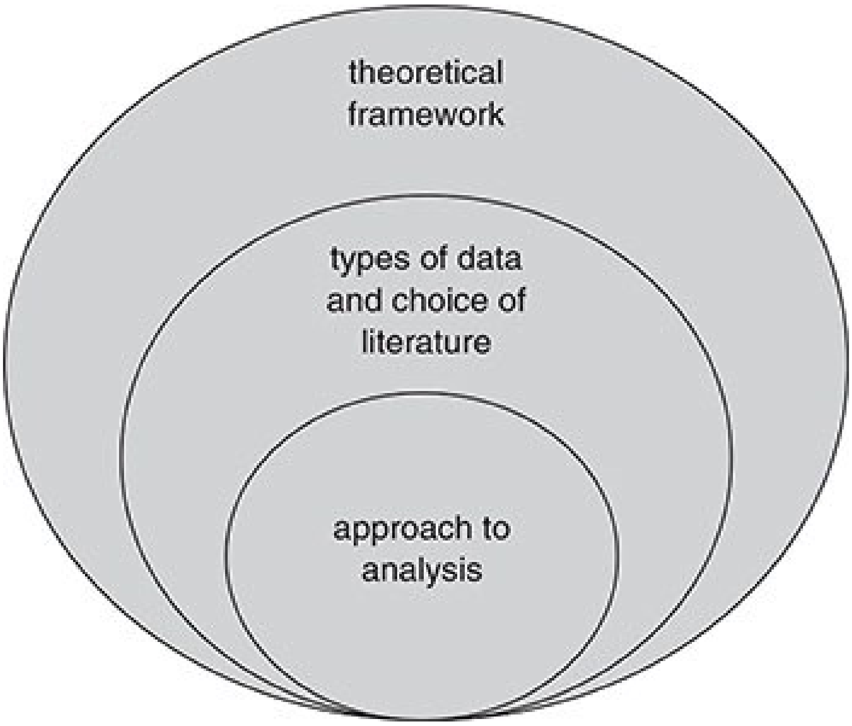

Figure 1. The influence of theory on your research (Lagan and Morris, 2019, p.808)

3.7. Data Collection

3.7.1. Data sources

Secondary data refers to data originally collected by other researchers or institutions but used for new research purposes (Saunders et al., 2019, p. 316). This embraces all forms of human documentary evidence that exist; therefore, significant possible sources can be used within our research (Lagan and Morris, 2019, p. 13). These vary from existing and archived research data to photographs, policy review, print media, video, and so on.

Selecting suitable sources of data from many options to answer our research question, we consider what data we want to use, whether we can use this data, and how this data enables us to answer our research question. Throughout the process, three main categories of data have been used in our study (Lagan and Morris, 2019, p. 18). As Figure 2 reveals, there are two sorts of data need to include in research are data for literature review and data for analysis. For building literature review and theoretical framework, scientific literature is selected. The data for analysis includes two sources of data: industry reports and multimedia sources (videos and podcasts).

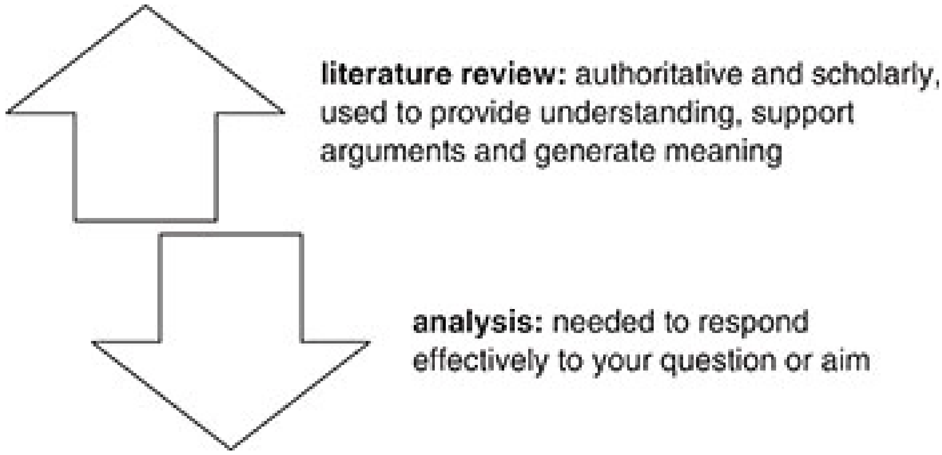

Figure 2. Sorting your sources of data (Lagan and Morris, 2019, p. 21)

3.7.2. Data collection criteria

In the landscape of qualitative secondary research, it is important to be aware of possible problematic associated data characteristics during data collection process. Issues can arise in all types of data used in this study, including industry reports to videos and podcasts, which can lead to data distortion in a range of forms. Although secondary data is easily and readily available, resulting in enormous amounts of accessible material from internet, this creates both advantages and disadvantages. On one hand, it provides large amount of useful data, on another hand, it can be demanding to manage and may affect the validity and authenticity of the research. Therefoe, the quality of data selection is more vital than the quantity of data collected.

As qualitative secondary researchers, we have no control over the production of data, however, we do have control over data selection, evaluation, and usage. Using existing data, developing an understanding of what constitutes quality data is crucial for ensuring research rigor. According to Largan and Morris (2019, p. 168), data quality has three aspects including intrinsic, contextual, and representational. These aspects are shown in Figure 3.

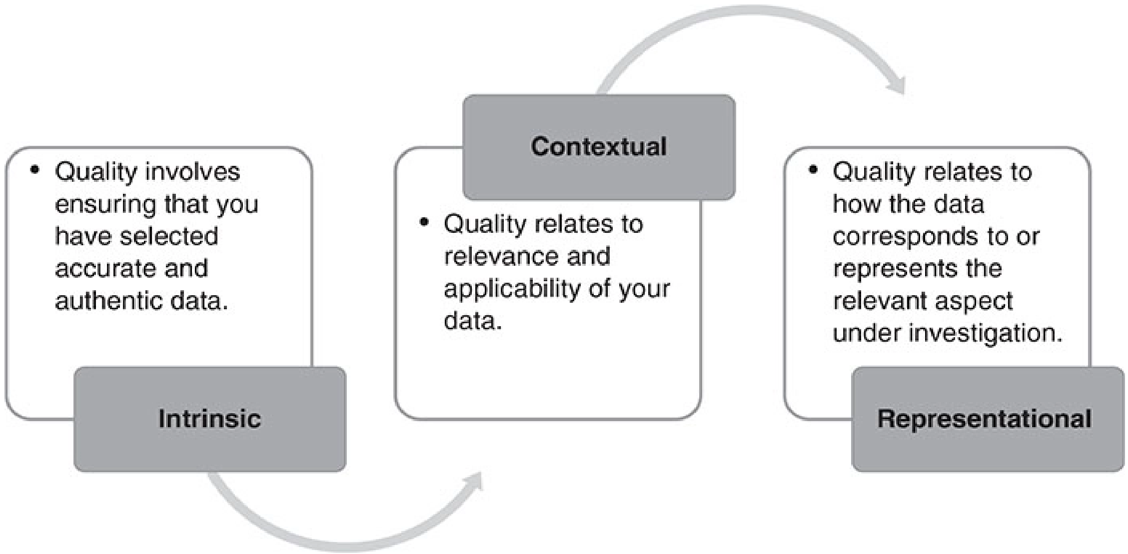

Figure 3. Aspects of data quality (Lagan and Morris, 2019, p. 168)

Based on this understanding, this study adopts a critical and questioning approach to data selection. Rather than collecting large volumes of data, explicit criteria were developed to systematically evaluate each source and determine its contribution to answering the research question. These criteria help to reduce data overload, maintain focus on relevant materials, and ensure that the selected data contributes to the overall quality and rigor of the research. This systematic approach is essential for maintaining research integrity and enhancing transparency in qualitative secondary research (Largan & Morris, 2019, p. 167).

The following criteria were applied in the data selection process:

- Relevance: In line with the research purpose, all sources must directly relate to cross-border mergers and acquisitions (CBMAs), with a specific focus on the influence of institutional distance factors (IDFs) in the context of Latin American (LATAM) countries.
- Recency: Given the dynamic nature of CBMAs, most sources were published within the last ten years (2016–2026) to ensure that the data reflects current trends, developments, and market conditions.

- Authenticity: The origin and integrity of the data were carefully assessed to ensure that the sources are genuine, accurately represented, and not manipulated or misleading.
- Credibility: Data was sourced from credible and reputable institutions to ensure reliability. Academic articles were primarily selected from peer-reviewed journals, particularly those listed in the Academic Journal Guide (ABS ranking). Industry reports were obtained from globally recognized consulting firms such as McKinsey & Company, as well as the videos and podcasts from experts who operate CBMAs in Latin America region.
- Representativeness: The selected data reflects the broader context of CBMAs and institutional environments, ensuring that the findings are not based on isolated or atypical cases.
- Theoretical Contribution: Academic sources were selected based on their contribution to institutional theory and CBMA literature, ensuring alignment with the study's conceptual framework.
- Meaning: Sources were required to provide sufficient depth, detail, and explanatory value to support qualitative analysis and enable meaningful interpretation.

The systematic application of these criteria improves the rigor and transparency of the data selection process. Furthermore, by applying these selection criteria, the study ensures that the data used is credible, accurate, and relevant, thereby enhancing the overall robustness of the research. This approach strengthens credibility and supports the confirmability of the research findings Largan & Morris, 2019, p. 175).

3.7.3. Data Collection Procedure

Determining the types of data sources for this research involved the use of industry reports and videos, both of which support and enhance the data collection process. Industry reports were identified through systematic internet searches and collected directly from the official websites of consulting firms and international organizations.

For video data, YouTube was utilized as a primary source due to its extensive repository of relevant content.

The data collection process followed iterative cycles of searching, scanning, refining, and discussing. Initially, we searched for accessible data related to cross-border mergers and acquisitions (CBMA) and foreign direct investment (FDI) in the context of Latin American countries. This was followed by a thorough scanning and review process, guided by professional judgment informed by the theoretical framework, particularly focusing on the role of institutional distance factors (FDIs) in cross-border investments. Based on this, search prompts were continuously refined to identify richer and more relevant data sources. Subsequently, informed judgment was applied to justify and defend the selection of data sources, in line with the approach suggested by Lagan and Morris (2019, p. 172). As the thesis was written in pair, all data sources were jointly discussed and evaluated against the data selection criteria introduced in the previous section.

The final dataset obtained after a rigorous data collection process consists of five industry reports with 394 pages and four videos with total time duration is 142 mins in total. The final data collection is presented in Table 1, while the full list of reports and videos can be found in Appendix 1.

No	Data type	Sources	Quantity	Pages number/ Time duration
1	Reports	Company/organization website	5 Reports	394 pages
2	Videos	YouTube	4 Videos	142 min 00 sec

Table 1. Data collection overview

Regarding the industry reports, two come from KPMG, while the other three are from Baker McKenzie, the Organization for Economic Co-operation and Development (OECD), and Clairfield. All of these are credible global firms and organizations operating across multiple countries, including the LATAM region.

KPMG is one of the most well-known firms providing audit, tax, and advisory services since 1891, operating in 138 countries. Baker McKenzie is a global law firm founded over

75 years ago, with more than 70 offices across over 40 locations. The OECD is a forum and knowledge hub for data, analysis, and best practices in public policy. It works closely with policymakers, stakeholders, and citizens to establish evidence-based international standards and to address social, economic, and environmental challenges. Clairfield is a corporate finance and M&A advisory firm founded in 2004, with offices in 34 countries, where approximately 80% of its transactions are cross-border.

For the video data, most interviewees in the panel discussions and podcasts are professionals actively working in the LATAM region. They come from cross-disciplinary backgrounds, offering a wide range and depth of knowledge on CBMA activities in the region.

Video 1 is from The Nearshore Cafe Podcast channel, a nearshore talent partner connecting U.S. companies with English-speaking software engineers and digital talent across Latin America. The guests include Jean-Pierre (JP) Trouillot, Deal Advisory Partner at KPMG LLP and Regional Advisory Leader for KPMG Americas, and Alan Riddell, Head of Deal Advisory & Strategy for KPMG in Brazil and South America. The discussion provides insights into the future of M&A in Latin America.

Video 2 is from the M&A Science channel, which is a community resource for M&A tips, techniques, and strategies aimed at achieving better deal outcomes. It shares behind-the-scenes stories, proven techniques, and key takeaways from real-life M&A deals. The guest speaker is Juan Guillermo Castaneda, former Senior Advisor to the CEO of Smurfit Kappa, who has over 10 years of experience managing deals in Brazil and other LATAM countries. Smurfit Kappa is a global company operating in 23 European countries and 13 countries in the Americas.

Video 3 is from the SiGMA World channel. SiGMA Group is a private international events and media company operating across Europe, Asia, Africa, the Americas, and the Middle East. It connects operators, suppliers, affiliates, regulators, investors, and policymakers across the gaming and technology industries. In this panel discussion, the speakers include Susan Breen, Partner at Mishcon de Reya, a global law firm; Andre Gelfi, Managing Partner at Suaposta, a Brazilian betting platform; and Cristina Romero, Partner at LOYRA, a global firm with over 44 years of experience and strong expertise in regulated industries, particularly gaming and betting law in the LATAM region.

Video 4 is from The Bridge with Juan Carlos podcast, which features insightful conversations with industry experts from Europe and the Americas. The podcast focuses on tools, strategies, and networks needed to expand into new markets. The guest in this episode is Kamil Pekacz, founder of Latam Consulting. With over a decade of experience in international trade and a strong track record of supporting European companies entering the LATAM region, he provides practical insights into navigating the complexities of doing business in Latin America.

3.7.4. Pilot testing

Pilot testing represents the final step prior to conducting the full data analysis. It is a critical phase in qualitative research, functioning as a small-scale trial that enables researchers to evaluate the feasibility of the methodology, assess the suitability of the data, identify potential issues, and refine the research design before full implementation (Hassan et al., 2006, p. 70). In the context of this thesis, the selected data must provide sufficient insight into how institutional distance factors (IDFs) influence cross-border mergers and acquisitions (CBMAs) in Latin America.

For the pilot test, an industry report titled *"In an Uncertain World, LatAm M&A is on the Rise"*, published by KPMG in June 2023, was selected. The report comprises 28 pages and offers relevant insights into M&A activities in the region. Both researchers independently reviewed the report and collaboratively conducted initial coding, resulting in the extraction of 72 first-order codes.

Following a rigorous evaluation of data fit and methodological feasibility, particularly in relation to the Gioia method, the method we aim to use to analyze data, the findings from the pilot test supported the suitability of the selected data sources. Consequently, the research proceeded with the full dataset identified during the data collection phase.

Overall, the pilot testing process not only supports the validity of the study but also enhances its reliability.

3.8. Data analysis

3.8.1. Analytical Approach: Gioia Method

The data analysis in this study follows the Gioia method, a qualitative approach designed to systematically develop concepts and generate theoretical insights from qualitative data (Gioia et al., 2013, p. 16). This thesis is situated within social research and adopts an interpretive perspective, using qualitative data to examine how institutional distance factors (IDFs) in emerging markets specifically in the context of Latin American countries, influence cross-border mergers and acquisitions (CBMAs). As such, the research focuses on meaning-making processes that are better understood through interpretive analysis rather than through purely observational or quantitative measurement. This analytical approach is further grounded in the study's anti-foundationalist ontology and interpretivist epistemology, which assume that reality is socially constructed and cannot be understood as a single objective truth, but rather through multiple interpretations shaped by context and social interaction (Marsh & Furlong, 2002, p.20). Therefore, the data analysis is designed to interpret how institutional distance factors are understood and acted upon by practitioners, rather than to measure their effects as fixed variables.

Furthermore, this study aims to contribute to the existing literature on institutional distance factors and institutional theory, while also offering practical implications for investors and managers involved in CBMA processes. The Gioia method is particularly suitable for this purpose, as it is designed to bridge empirical observations with theoretical contributions. It has become widely recognized as a standard approach in qualitative interpretive research (Mees-Buss et al., 2022, pp. 405–406), emphasizing transparency and rigor through a structured process of coding and abstraction. This process moves from informant-centric terms to researcher-driven theoretical dimensions. This progression reflects the interpretivist logic of knowledge development, where theoretical insights emerge inductively from the interpretations embedded in the data rather than being imposed a priori. As highlighted by Gioia et al. (2012, p. 15), qualitative inductive research aims to generate credible interpretations while maintaining systematic analytical discipline, thereby ensuring both rigor and relevance .

One of the key challenges in interpretive qualitative research is managing researchers' subjectivity during the theorization process. As noted by Mees-Buss et al. (2022, p. 406), this challenge is especially prominent in social research. To address this issue and enhance the rigor and credibility of the interpretive process, structured methodological guidance is essential. The Gioia method provides such guidance through a clearly delineated set of steps, offering a widely recognized and institutionalized approach to qualitative analysis. In doing so, it helps reduce epistemological and methodological ambiguities and strengthens the scientific credibility of interpretive research. At the same time, consistent with an anti-foundationalist stance, subjectivity is not entirely eliminated but is acknowledged as an inherent part of the knowledge construction process, requiring reflexive and systematic handling rather than complete removal. This view is supported by interpretive research traditions, which emphasize that understanding social phenomena requires engagement with how actors construct their realities rather than assuming objective neutrality .

Moreover, the Gioia approach addresses limitations associated with traditional methods of knowledge development, which are often constrained by existing theoretical frameworks and may limit the discovery of new insights (Gioia et al., 2013, p. 16). In this thesis, the Latin American context remains relatively underexplored in relation to how institutional distance factors influence CBMAs, particularly from a qualitative perspective. By applying the Gioia method, this study seeks not only to extend existing knowledge derived from other emerging markets but also to uncover novel insights specific to this context. The method enables a more flexible and iterative engagement with data, allowing for the emergence of new concepts rather than merely confirming existing theories. This is aligned with the interpretivist epistemology, where the aim is to generate contextually grounded understanding rather than test predefined hypotheses, and with the view that social reality is constructed through meaning-making processes .

The data analysis process following the Gioia method involves constructing a data structure through three key stages: first-order codes, second-order themes, and aggregate dimensions. In the first-order analysis, researchers engage with a large volume of informant-centric terms derived directly from the raw data. The objective at this stage is to remain as close as possible to the original data, preserving its integrity without imposing premature theoretical interpretations. This typically results in a substantial number of initial codes and categories. This stage reflects the interpretivist commitment to capturing the language and meanings expressed by practitioners, ensuring that the analysis remains grounded in their perspectives, as informants are considered knowledgeable agents capable of explaining their experiences .

The analysis then progresses to the development of second-order themes, where similarities and differences among first-order categories are identified. At this stage, categories are reduced and abstracted into more general concepts. Each theme is expressed through a phrasal description that reflects a higher level of abstraction and begins to capture emerging theoretical relationships. This marks the transition into the theoretical realm, where existing literature is consulted to help interpret and explain observed patterns. Particular attention is given to nascent concepts that may not yet be well represented in prior research, especially those relevant to the novel context of this study. Once theoretical saturation is achieved, the analysis proceeds to the development of aggregate dimensions, which represent the highest level of abstraction (Gioia et al., 2013, p. 20). This inductive progression from empirical observations to theoretical constructs is consistent with an anti-foundationalist view of knowledge, where theory is developed through interpretation rather than derived from universal foundations, and where concepts emerge from data rather than being predefined .

Upon completion of these stages, a data structure is constructed to visually represent the progression from raw data to theoretical insights. This structure illustrates the relationships among first-order codes, second-order themes, and aggregate dimensions, providing a transparent and systematic overview of the analytical process. As shown in Figure 4, an example of Gioia data structure, the data structure serves as a visual tool that enhances the clarity and rigor of the research by demonstrating how findings were derived from the data. It also reinforces the transparency of the interpretive process, making explicit how subjective interpretations were systematically developed into theoretical insights, which is a key requirement for establishing qualitative rigor .

Finally, an important aspect of applying the Gioia method is the iterative comparison between emerging findings and existing literature throughout the analysis process. Researchers must continuously move back and forth between data and theory to identify both established findings and newly emerging concepts. This requires careful balance: avoiding “enforced ignorance” of the literature, where relevant theories are overlooked, while also mitigating the risk of “premature closure,” where excessive reliance on existing literature may bias interpretation and constrain novel insights (Gioia et al., 2013, p. 21). This iterative movement reflects the interpretivist approach to knowledge construction, where understanding evolves through continuous interaction between data, theory, and researcher interpretation, rather than being discovered as a fixed and objective reality.

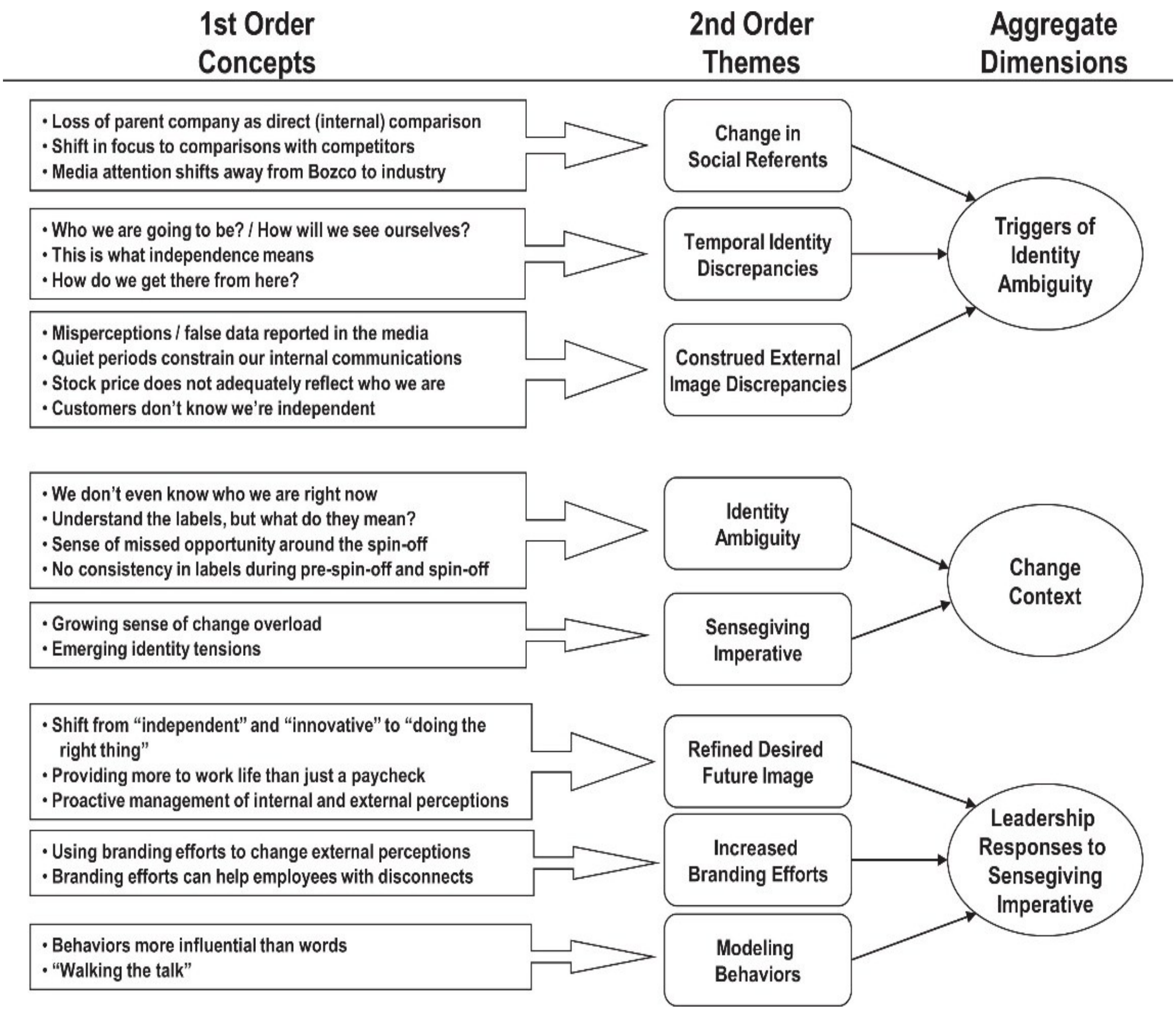

Figure 4 . Data structure example of Gioia method (Gioia et al., 2013, p. 21)

3.8.2. Data analysis process

This following chapter will reveal the process of multiple analysis in this thesis to develop the data structure from the guide above of Gioia method. Our analysis consists of following four steps: Developing initial codes, developing first-order codes, developing second-order codes, and developing aggregate dimensions. Parallel with developing data analysis, the process going back and forth between relevant theory and data also applied, especially in phases developing second-order codes from first-order codes and developing aggregate dimensions from second-order codes (Gioia et al., 2013, p. 21).

Step 1: Developing initial codes

In the first step of the analysis, slightly different procedures were applied to the two types of data. For industry reports, which are text-based sources, initial codes were generated directly from the documents. In contrast, for videos and podcasts, initial coding was conducted after the content had been transcribed. The primary objective of this stage was to develop an overall understanding of each report and video through careful reading, listening, and interpretation (Saunders, 2019, p. 205).

To preserve the integrity of the data in the early stages of analysis, a descriptive and low-inference coding style was adopted. Initial codes were kept as close as possible to the original wording of the data sources, ensuring that interpretations were grounded in the empirical material (Elliott, 2018, p. 2852; Lindgren et al., 2020, p. 4). Additionally, as noted by Eisenhardt (1989, p. 539), it is often difficult to determine in advance which data will prove relevant in later stages of analysis. Therefore, all data segments reflecting the influence of institutional factors were included and developed into initial codes. As a result of this process, a total of 432 relevant initial codes were generated from five industry reports and four videos. These are presented in Table 2 below.

Case/ Video	Number of page / time duration	Number of initial codes	Percentages of total codes
Case 1	28	72	17%
Case 2	36	49	11%
Case 3	35	41	9%
Case 4	25	46	11%
Case 5	68	138	32%
Video 1	0:30:44	34	8%
Video 2	0:50:53	22	5%
Video 3	0:29:03	18	4%
Video 4	0:31:20	12	3%
Total		**432**	**100%**

Table 2. Overview of initial codes

Step 2: Developing first-order codes

The development of first-order codes involves analysing the initial codes across multiple cases and videos to identify recurring topics and concepts related to how institutional distance factors influence cross-border mergers and acquisitions (CBMAs). The aim of this stage is to organize data segments that share similar characteristics into coherent categories (Saldaña, 2025, p. 9). This categorization process forms the foundation for generating new theoretical insights in qualitative research (Grodal, 2021, p. 594), as it enables the transition from fragmented empirical observations to more structured conceptual groupings.

Building on the 423 initial codes generated in the first stage of analysis, each code was systematically examined using a dual classification approach. Specifically, each initial code was assessed based on the type of institutional factor it refers to and the stage or process of the CBMA it relates to. This approach facilitated the identification of patterns, allowing codes associated with similar institutional factors or similar effects on CBMA processes to be grouped together. Through iterative comparison and constant movement between data segments, similar codes were clustered into broader categories. This back-and-forth process ensured that the emerging categories remained grounded in the data while progressively increasing in abstraction. As a result, a total of 23 first-order codes were developed. These are presented in Table 3 below.

First order codes
1.a.1. Investigating country-specific legal factors, taxes, and regulations to avoid unforeseen struggles throughout the deal
1.a.2. Comparing regional economic and regulatory volatility before choosing Latin America
1.a.3. Evaluating regulatory restrictions and country-specific regulation frameworks to assess investment feasibilities
1.b. 1. Viewing market conditions in the region as entry constraints.
1.b.2. Analyzing political and economic stability and if they could pose a risk for potential or ongoing deals
1.b.3. Perceiving political and regulatory uncertainty as a barrier to deal possibilities
1.c.1. Responding to supportive government policies and economic initiatives when choosing a deal location
2.a.1. Utilizing abilities to navigate market imperfections into a strategic advantage to identify and exploit investment opportunities.

2.a.2. Adapting to high-risk market conditions to achieve higher returns with adaptive and well-prepared strategies
2.a. 3. Identifying sectoral growth opportunities and market expansion potential to justify investment decision
2.b. 1. Using flexible payment structures in high-cost financing environments to bridge valuation gaps and enable deal completion
2.b.2. Structuring transactions to adapt to differences in tax and legal systems to optimize value, minimize risk, and ensure deal feasibility
2.b. 3. Using negotiation strategies and transactional workarounds to overcome regulatory and valuation frictions and enable deal completion
2.c. 1. Collaborating with governments and institutions to support and de-risk investments
3.a.1. Benefiting from local expertise to understand regional differences and build relationships that mitigate risk in the deal process
3.a.2. Leveraging local expertise to navigate regulatory complexity and cultural differences for effective deal implementation
3.a.3. Building personal relationships and trust to progress deals in relationship-oriented business environments
3.b.1. Misunderstanding company operations and their standards, leading to assessment problems throughout the deal
3.b.2. Manipulated and untruthful reporting structures and statements impact the business and deal valuation
3.c. 1. Leveraging workforce capabilities, cultural diversity, and relational practices to support investment execution
3.c.2. Adjusting to cultural aspects to bridge potential operational differences
3.c. 3. Understanding the workflow and systems in the company to enable a smooth transition
3.d. 1. Learning from operating in volatile and diverse country contexts to build confidence and improve future deals

Table 3. Overview of first-order codes

Step 3: Developing second-order codes

The development of second-order codes involves generating higher levels of abstraction from first-order codes by systematically engaging with existing literature. Alongside the continued analysis of raw data, initial codes, and first-order codes, each first-order category was critically reviewed and compared with prior research to identify underlying theoretical patterns. As emphasized by Kathleen M. Eisenhardt (1989, p. 544), this step is essential in theory building, as it enhances both the validity and generalizability of research findings.

Building on the 23 first-order codes, relevant literature was used to interpret and refine each category. For example, the study “Shopping as Locals: A Study of Conduit Acquisition by Multinational Enterprises” by Wang et al. (2022) was used to inform the interpretation of first-order code 3.a.1. The authors highlight the importance of local presence in responding to institutional distance and mitigating risks during the deal process (Wang et al., 2022, p. 1687). In a similar vein, our findings suggest that firms benefit from leveraging local expertise to better understand regional differences and build relationships that reduce uncertainty and risk in CBMA processes. Through this iterative process of abstraction and theoretical comparison, first-order codes were consolidated into broader, more conceptually driven categories. This resulted in the development of ten second-order codes, as illustrated in Table 4 below.

First order codes	Representative literature	Second order codes
1.a.1. Investigating country-specific legal factors, taxes, and regulations to avoid unforeseen struggles throughout the deal	Entrepreneurial Decisions of the Location Choice for Mergers and Acquisitions in the EU-27, (Chiriac et. al 2025, p. 484)	1.a. Analyzing legislative and governance frameworks to gauge opportunities and prevent issues from going into the deal
1.a.2. Comparing regional economic and regulatory volatility before choosing Latin America	Entrepreneurial Decisions of the Location Choice for Mergers and Acquisitions in the EU-27, (Chiriac et. al 2025, p. 484)	
1.a.3. Evaluating regulatory restrictions and country-specific regulation frameworks to assess investment feasibilities	Macroeconomic influences on M&A deal outcomes: An analysis of domestic and cross-border M&As in developed and emerging economies (Kumar et.al. 2023, p. 8)	
1.b. 1. Viewing market conditions in the region as entry constraints.	Abandonment of cross-border acquisitions: The role of target country context (Musteen et al., 2025, p. 13)	1.b. Observing the Latam countries' macroenvironment to identify

1.b.2. Analyzing the political and economic stability and if they could pose a risk for potential or ongoing deals	Abandonment of cross-border acquisitions: The role of target country context (Musteen et al., 2025, p. 13)	potential deal conflict points
1.b.3. Perceiving political and regulatory uncertainty as a barrier to deal possibilities	Abandonment of cross-border acquisitions: The role of target country context (Musteen et al., 2025, p. 13)	
1.c.1. Responding to supportive government policies and economic initiatives when choosing a deal location	Abandonment of cross-border acquisitions: The role of target country context (Musteen et al., 2025, p. 13)	1.c. Identifying appealing market Interventions for investment location
2.a.1. Utilizing abilities to navigate market imperfections into a strategic advantage to identify and exploit investment opportunities.	Springboarding and activity load: Constraints on managerial attention and dependency on advisory firms in cross-border acquisitions (Popli et al., 2015, p.13)	2.a. Leveraging knowledge of the market dynamics to configure business conditions
2.a.2. Adapting to high-risk market conditions to achieve higher returns with adaptive and well-prepared strategies	Mitigating post-acquisition risk: the interplay of cross-border uncertainties (Lewis & Bozos, 2019, p.13)	
2.a. 3. Identifying sectoral growth opportunities and market expansion potential to justify investment decision	Abandonment of cross-border acquisitions: The role of target country context (Musteen et al., 2025, p. 13)	
2.b. 1. Using flexible payment structures in high-cost financing environments to bridge valuation gaps and enable deal completion	Shopping as locals A study of conduit acquisition by multinational enterprises (Wang et al., 2022, p. 1687)	2.b. Overseeing financial and regulatory constraints to orchestrate deal designs
2.b.2. Structuring transactions to adapt to differences in tax and legal systems to optimize value, minimize risk, and ensure deal feasibility	Shopping as locals A study of conduit acquisition by multinational enterprises (Wang et al., 2022, p. 1687)	

2.b. 3. Using negotiation strategies and transactional workarounds to overcome regulatory and valuation frictions and enable deal completion	Shopping as locals A study of conduit acquisition by multinational enterprises (Wang et al., 2022, p. 1687)	
2.c. 1. Collaborating with governments and institutions to support and de-risk investments	Government guidance funds and state-owned enterprise merger and acquisition performance: The role of government-business relations (Zuo & Yi, 2025, p.7)	2.c. Leveraging institutional cooperation to mitigate investment risks
3.a.1. Benefiting from local expertise to understand regional differences and build relationships that mitigate risk in the deal process	Going naked without local knowledge and expertise into foreign deals in complex and diverse maturity, cross regional is dangerous (Faelten et al., 2014, p. 504)	3.a. Enhancing local embedded capabilities to navigate deal operations
3.a.2. Leveraging local expertise to navigate regulatory complexity and cultural differences for effective deal implementation	Arena and Dewally (2017, p. 81) state that the local expertise o significant influence on deal outcomes in investment banking.	
3.a.3. Building personal relationships and trust to progress deals in relationship-oriented business environments	Wang et al., (2022, p. 1672) suggested that the second way to gain legitimacy is leveraging local network with reputable partners, local intermediaries and establishing local relationship.	
3.b.1. Misunderstanding company operations and their standards, leading to assessment problems throughout the deal	Information widely dispersed in M&A maturity is low or diverse and investors find it hard to collect needed information themselves (Dye and Sridhar, 2002, p. 781).	3.b. Reducing information asymmetry to ensure deal evaluation
3.b.2. Manipulated and untruthful reporting structures and statements impact the business and deal valuation	Unlike the advanced markets where information disclosure requirements are more stringent, in emerging market, opaqueness causes negative impacts, but it is partially manageable (Li et al., 2019, p. 323)	
3.c. 1. Leveraging workforce capabilities, cultural diversity, and relational practices to	Firms acquire knowledge from international acquisitions, particularly through the workforce of acquired firms (Kumar et al., 2026, p. 111).	3.c. Adapting culture and business practice

support investment execution		for integration success
3.c.2. Adjusting to cultural aspects to bridge potential operational differences	More internationally experienced acquirers can better manage their challenges and benefit from cultural diversity because they are aware of the challenges imposed in CBMA (Dikova & Sahib, 2013, p. 84)	
3.c. 3. Understanding the workflow and systems in the company to enable a smooth transition	The legitimacy concern in context of CBMA reflects in the differences in organizational structure, business practice, and policies (Xu & Shenkar, 2002, p. 615)	
3.d. 1. Learning from operating in volatile and diverse country contexts to build confidence and improve future deals	MNEs operating across multiple host countries build experience in focal markets and transfer it to others; those with broader international exposure can recombine knowledge to better address M&A challenges due to their exposure to diverse internationalization contexts (Putzhammer et al., 2018, p. 569).	3.d. Developing abilities to improve future deal completion

Table 4. Overview of development of second-order codes

Step 4: Developing aggregate dimensions

The final stage of the analysis involves the development of aggregate dimensions, which represent the highest level of abstraction in the Gioia method. Aggregate dimensions capture broader conceptual themes by integrating multiple second-order codes into more comprehensive theoretical constructs (Elliott, 2018, p. 2852).

Similar to the development of second-order codes, this stage involves an iterative process of synthesizing lower-level codes while continuously engaging with existing literature to support conceptual development. However, at this stage, the research question becomes particularly central to the analysis. As highlighted by Kathleen M. Eisenhardt (1989, p. 546), researchers must ensure that the emerging theoretical constructs are not only grounded in the data but also directly relevant to addressing the research question. Through this process of abstraction and alignment with both theory and research objectives, three aggregate dimensions were developed. These are presented in Table 5.

Second order codes	**Representative literature**	**Aggregate dimensions**
1.a. Analyzing legislative and governance frameworks to gauge opportunities and prevent issues from going into the deal	Entrepreneurial Decisions of the Location Choice for Mergers and Acquisitions in the EU-27, (Chiriac et. al 2025, p. 484)	1. Interpreting institutional context for strategic market selection
1.b. Observing the Latam countries' macroenvironment to identify potential deal conflict points	Abandonment of cross-border acquisitions: The role of target country context (Musteen et al., 2025, p. 13)	
1.c. Identifying appealing market Interventions for investment location	Abandonment of cross-border acquisitions: The role of target country context (Musteen et al., 2025, p. 12)	
2.a. Leveraging knowledge of the market dynamics to configure business conditions	Mitigating post-acquisition risk: the interplay of cross-border uncertainties (Lewis & Bozos, 2019, p.13)	2. Strategically managing risk–reward trade-offs in market entry
2.b. Overseeing financial and regulatory constraints to orchestrate deal designs	Communicational and demographic influences on M&A abandonments: Informal institutional perspective and evidences from US cross-border M&A deals (Kumar et.al., 2026, p.110)	
2.c. Leveraging institutional cooperation to mitigate investment risks	Government guidance funds and state-owned enterprise merger and acquisition performance: The role of government-business relations (Zuo & Yi, 2025, p.7)	
3.a. Enhancing local embedded capabilities to navigate deal operations	Anticipating potential resistance from host countries and gaining legitimacy is crucial in MNE's successful completion of CBMA (Li et al., 2019, p. 323) Institutional capabilities enable a firm to navigate weak institutions in emerging economies (Carney et al., 2016, p. 882)	3. Building insitutional capabilities for deal execution and integration

3.b. Reducing information asymmetry to ensure deal evaluation	Investors need knowledge of host-country economic conditions and regulations to reduce information asymmetry and lower the likelihood of paying a takeover premium" (Xie et al., 2017, p. 156)	
3.c. Adapting culture and business practice for integration success	"National and organizational cultural distance significantly affects integration by shaping interpersonal relationships, trust, and shared identity, which in turn influence cooperation between merged firms" (Hajro, 2015, p. 211)	
3.d. Developing abilities to improve future deal completion	Institutional capabilities can be sufficiently codified to transfer to markets with similar institutional conditions (Carney et al., 2016, p. 893)	

Table 5. Overview of development of aggregate dimensions

3.9. Use of Artificial Intelligence (AI)

Artificial Intelligence (AI) is increasingly recognized as a supportive tool in qualitative research, particularly in enhancing efficiency during the analysis process. In this study, however, AI was used only in a limited and supportive capacity, ensuring that the core analytical work remained the responsibility of the researchers.

First, AI was utilized to assist with the transcription of video data. Although all videos were carefully listened to in full, the four videos included in the analysis amounted to over 140 minutes of content, making manual transcription highly time-consuming. AI-based transcription tools were therefore used to convert the video content into text format, after which the transcripts were thoroughly reviewed and cross-checked against the original videos to ensure accuracy.

Second, as both researchers are non-native English speakers, AI was employed as a brainstorming tool during the abstraction process. Specifically, it was used to generate and refine higher-level conceptual wording derived from lower-level data. This was particularly useful given the breadth of the research topic, which encompasses both formal and informal institutional factors, including culture, laws, and regulations, that are outside the researcher's study major. In practice, AI supported the abstraction process by suggesting and refining conceptual labels during the transition from first-order codes to second-order codes, as well as from second-order codes to aggregate dimensions.

Overall, the use of AI in this study was carefully controlled and limited to auxiliary tasks. This approach allowed the researchers to improve efficiency while maintaining full responsibility for the analytical process, ensuring the integrity, rigor, and credibility of the research.

3.10. Ethical considerations

This thesis relies entirely on secondary data, including academic publications and industry reports, and multimedia sources. The absence of primary data that addresses the concern of informed consent, participant harm, anonymity, or confidentiality because no individuals are directly involved in data collection (Largan and Morris, 2019, p. 99). However, ethical considerations remain crucial in our working process to guide and inform us during research process to maintain the integrity and credibility of our research. There are key ethical considerations we applied across our thesis.

First, doing qualitative secondary research, we are aware of informed consent when using data. In this thesis, sources were selected based on their accessibility and professional nature. These reports, videos, and podcasts typically involve companies or experts sharing knowledge in public contexts, where there is a reasonable expectation that the content may be widely accessed and referenced.

Second, all data used in this research were sourced from publicly available or institutionally accessible platforms. We comply with intellectual property rights by appropriately citing all sources by using APA 7th style to ensure academic integrity, respect the copyrights, and prevent plagiarism.

Third, ethical responsibility in qualitative secondary research extends to the conduct of the researcher. This includes maintaining transparency, accuracy, and honesty throughout the research process. Any interpretations or syntheses are grounded in the original content to remain the integrity and accuracy and avoid misrepresentation (Largan and Morris, 2019, p. 111)

Finally, as researchers in secondary qualitative analysis, we recognize that our biases and background impact on how we interact as well as interpret the data (Tracy, 2013, p.39). Writing the thesis in pairs, we mitigate it by working together on the entire research process involved cross-check and continuous reflection to ensure the objectivity of the research

4. Empirical findings and discussion

Within this chapter, we will reveal our empirical findings from our data collection as analytical progress. Firstly, data structure will be presented with an overview of aggregate dimensions, second-order codes, and first-order codes. Subsequently, we will present the aggregate dimensions separately and unpack them into second-order codes, then ground them with first-order codes with explanations from empirical evidence. Based on the findings, then we will compare and contrast them with relevant academic literatures.

4.1. Empirical findings

Our study objective is to provide a better understanding of how institutional distance factors in emerging markets, with a focus on Latin America, influence CBMA processes. In this chapter of empirical findings, the substantive findings from our analysis will be presented as a discrete chapter, summarizing each part and providing a more integrated overview (Lagan and Morris, 2019, p. 278).

The resulting data structure is illustrated in Figure 5, which outlines the analytical progression from first-order codes to aggregate dimensions. This multi-level structure enables a rigorous and transparent transition from empirical observations to theoretical interpretation. This structure demonstrates how key themes were systematically developed and how they contribute to answering the research question. The finding involves three aggregate dimensions: (1) interpreting institutional context for strategic market selection; (2) strategically managing risk–reward trade-offs in market entry; and (3) building institutional capabilities for deal execution and integration.

The aggregate dimension (1) interpreting institutional context for strategic market selection consists of three following themes: (1.a) Analyzing legislative and governance frameworks to gauge opportunities and prevent issues from going into the deal, (1.b) Observing the Latam countries' macroenvironment to identify potential deal conflict points, and (1.c) Identifying appealing market Interventions for investment location.

Secondly, the aggregate dimension (2) strategically managing risk–reward trade-offs in market entry is composed of three elements: (2.a) Leveraging knowledge of the market dynamics to estimate entry opportunities, (2.b) Overseeing financial and regulatory constraints to orchestrating deal designs, and (2.c) Improving institutional cooperation to mitigate investment risks

Lastly, the aggregate dimension (3) building institutional capabilities for deal execution and integration is comprised of four components: (3.a) Enhancing local embedded capabilities to navigate deal operations, (3.b) Reducing information asymmetry to ensure deal evaluation, (3.c) Adapting culture and business practice for integration success, and (3.d) Developing experience transfer abilities to improve future deal completion. Additionally, the findings are not presented in isolation. To ensure depth and contextual richness, the analysis is supported by empirical evidence from case materials, including direct quotations from interviews and relevant excerpts from video data. These illustrative examples serve to ground the analysis in the data and enhance the credibility and transparency of the findings.

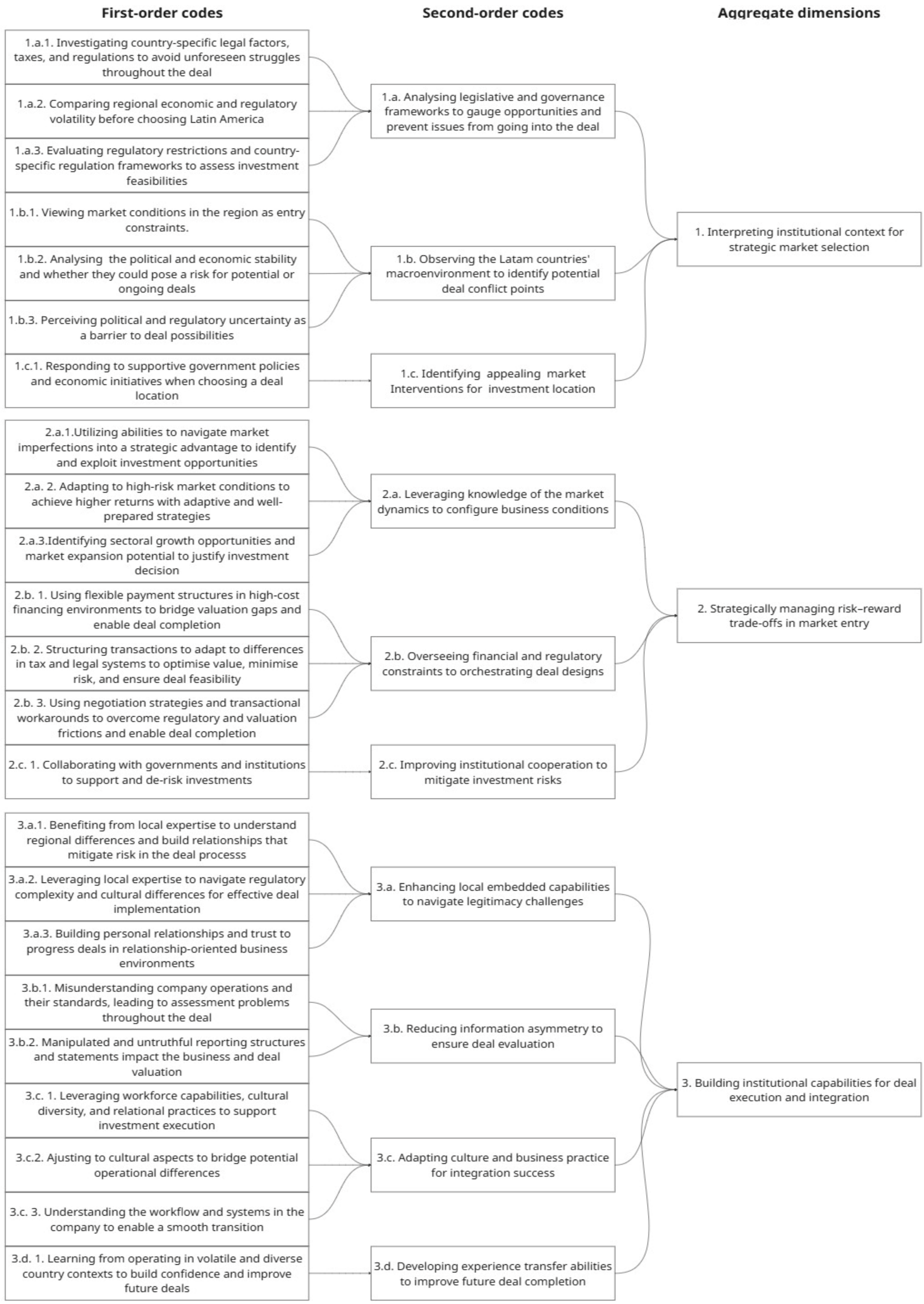

Figure 5. Overview of the data structure

4.2. Aggregate dimension 1: interpreting institutional context for strategic market selection

The first aggregate dimension that arises from our data analysis suggests that the process of choosing a target country, region or market, needs to be accompanied by thorough analysation and interpretation of the different institutional factors. To be able to analyse the different aspects of the aggregate dimension further, it was split into three second order themes: (1.a.) Analysing legislative and governance frameworks to gauge opportunities and prevent issues from going into the deal. (1.b.) Observing the Latam countries' macroenvironment to identify potential deal conflict points, and (1.c.) Identifying appealing market Interventions for investment location.

1.a. Analysing legislative and governance frameworks to gauge opportunities and prevent issues going into the deal

The findings from the data analysis show that governments play a vital role when it comes to the institutional factors in Latin America. As almost everywhere, their influence is rather complex and can be positive or negative, depending on what the aim of the deal is. To go deeper into the complexity of the legislative and governance framework and their influence on the deal, three first order codes where created: (1.a.1.) Investigating country specific legal factors, taxes and regulations to avoid unforeseen struggles throughout the deal, (1.a.2.) Comparing regional economic and regulatory volatility before choosing Latin America, (1.a.3.) Evaluating regulatory restrictions and country-specific regulation frameworks to assess investment feasibilities.

Firstly, (1.a.1.) Investigating country specific legal factors, taxes and regulations to avoid unforeseen struggles throughout the deal, denotes the importance of familiarising oneself with the formal institutional factors, because this could otherwise lead to unforeseen issues throughout the deal and complicate the process unnecessarily.

"The research also indicates that due diligence is one of the most complex and risky stages in the M&A lifecycle. Legal, financial and tax knowledge gaps, which are all influential areas for M&A deal pricing, cause the biggest due diligence blind spots.

Problems in evaluating these risks tend to come out at the end of the deal lifecycle, as harmonizing tax and legal structures stand as prominent trouble spots during integration phases" – Case 4

"When it comes to due diligence, there's the rule of law issue that can be a problem. Corruption and politicized judiciaries are an issue too (…) It may be better than in some regions, comparatively, but it's not as good as it is in advanced industrial countries in the EU or the US "– Case 1

Secondly, (1.a.2.) Comparing regional economic and regulatory volatility before choosing Latin America, points to the importance of analysing the development in various aspects of the target country. Every country has its own pro and con arguments and there are different arguments that lead a company to the decision to choose the Latam market.

"If you think the rest of the world is less attractive, and that's why there's interest in Latin America, or Latin America is so interesting right now that it would have attracted investment anyway (...) Certainly as if you look at kind of the volatility in the world since let's say the last three, four years, the volatility in Latin America maybe looks a little less volatile. If you think about the, the economic stability of the region, it has performed fairly well. Of course you have to look at it country by country, but you're seeing signs of stability." – Video 1

"FDI has been volatile due to shifting global and regional conditions, and rising competition from other emerging markets; nevertheless, it has retained its structural significance, highlighting LAC's continued attractiveness to foreign investors" – Case 3

Thirdly, (1.a.3.) Evaluating regulatory restrictions and country-specific regulation frameworks to assess investment feasibilities, suggests that institutional factors can be the reason to choose a specific country in the Latam region, but they might also be an indicator that further precautions need to be made. It is advised to check deal feasibilities before just going into the Latam market.

"It is also of the utmost importance to analyse whether foreigners are allowed to invest in the target Sectors, as there are limitations depending on the nature of the activity. Until recently, several Sectors, such as healthcare, telecommunications, and airlines, had restrictions on foreign ownership. Legislation has evolved, but several Sectors with restrictions remain, including nuclear energy and rural properties" – Case 5

The first aspect that we found in this second-order code is that governments play a big role when it comes to the analyses of how and where the distance in the institutions makes a difference. Throughout the first aggregate dimension findings the governmental influence can be seen through the aspects of legislative and government frameworks; macro environment, which is heavily influenced by decisions made by governments; and market interventions, which are also government related. Governments and their influence on CBMA are not a phenomenon that is special in emerging markets and the Latam area but the gap to more established markets and with that to companies that might want to enter the Latam market is bigger and can lead to more substantial differences that need to be considered. An example for previous research that has done research on these effects is Chiriac et. al (2025, p. 484), they focus on Europe in their study but mention that to be more successful in CBMA, emerging countries should follow the lead of the "established" countries. They also talk about the fact that there are multiple factors that are important, when it comes to the process of choosing a location for M&A, leading with the argument that it is important to recognize that governments have a lot of influence and can steer the amount of incoming M&A in their country. In relation to that Kumar et.al. (2023, p. 8) allude to the fact that especially emerging market countries are subjected to a high volatility and its influence on the macroeconomy, which leads to a high number of deal abandonments. Our findings appeal to a special focus on the macroeconomic aspects its volatility during the due diligence and pre-deal phases to avoid deal abandonment later on.

1.b. Observing the Latam countries' macroenvironment to identify potential deal conflict points

The findings from the data analysis also showed that multiple macroeconomic aspects can be a trigger for conflict in the CBMA deal process. To understand the influence to a greater extend, three first order codes where created: (1.b.1.) Viewing market conditions in the region as entry constraints, (1.b.2.) Analysing the political and economic stability and if they could pose a risk for potential or ongoing deals, (1.b.3.) Perceiving political and regulatory uncertainty as a barrier to deal possibilities.

Firstly, (1.b.1.) Viewing market conditions in the region as entry constraints, means that certain institutional factors within Latam countries, can lead people and companies that consider companies in Latam countries as a host companies, to rethink their decisions or hesitate to enter, as the market does not offer enough initiatives or portraits to many burdens.

"Many Latin American governments are known for their bureaucratic obstacles, even those with liberal foreign investment policies." – Case 2

"In Latin America, people want more certainty on how to handle this new normal with trade. That said, we're beginning to see companies accept that this uncertainty is here for the time being and are finding ways to push ahead. Most executives acknowledge that risk has long been associated with this territory " – Case 4

"The country operates as a federal republic with a multiparty system, but political polarisation has often influenced governance. Key issues include economic management, social inequality, and human rights." – Case 5

Secondly, (1.b.2.) Analysing the political and economic stability and if they could pose a risk for potential or ongoing deals, talks about the importance of understanding and acknowledging the differences of the Latin American market. What market, in what country is best to enter at what time. These are the questions that possible investors need to ask themselves and consider thoroughly.

"Political leaders can change quickly in Latin America and the rules and regulations along with them. As a result, it can pay off to put your acquisition plans on hold for a while to see what direction a country takes under a new administration." – Case 2

"Mexico is another strong M&A contender, especially because of its North America nearshoring capabilities due to its logistics infrastructure paired with trade agreements such as the United States-Mexico-Canada Agreement. However, the country's tight links to the US are under strain as recent tariff tensions with the current US administration inject uncertainty and caution into the M&A market." – Case 4

Thirdly, (1.b.3.) Perceiving political and regulatory uncertainty as a barrier to deal possibilities alludes to the complicated relationship that the Latam countries have with a high fluctuation regarding politics, economic factors and other aspects that are often affiliated with them. Depending on these factors, the success of a deal varies.

"Political leaders can change quickly in Latin America and the rules and regulations along with them. As a result, it can pay off to put your acquisition plans on hold for a while to see what direction a country takes under a new administration." – Case 2

"The City of Buenos Aires is open for licensing, allowing operators and B2C suppliers to apply at any time. However, the tender process in the Province of Buenos Aires was delayed due to last year's elections, so licenses have not yet been granted. Companies are required to apply with a local partner. While the market has not kicked off yet, there is hope it will start soon." – Video 3

This empirical findings of this second-order code have talked about many differences between the various Latam countries, as well as the Latam region to other areas. When it comes to aspects such as legal factors, taxes and regulations, our findings show that every country has their own special categories and rules that need to be analysed and if they are underestimated, they can be the downfall of a deal. In more detail, many countries, such as Peru, Mexico, Argentina, Chile and Brazil all have special or difficult laws, regulations and, or tax issues that can influence the CBMA process. In a European comparison it is said that these formal, foreseeable factors, such as tax, law, regulation etc. bring the same amount of possible complications in high- and low-quality institutions (Musteen et.al., 2025, p.13). The factor that makes a comparison more difficult between the established markets, such as the US or EU to the emerging markets, such as Latin America is the "rule of law" issue, which refers to factors such as corruption, politicized judiciaries, etc. Musteen et.al. (2025, p. 13) refer to these factors as informal rules of the game and explain that emerging market countries often do not have the same history of democratic institutions, which leads to more possible instabilities. Not all emerging market countries are identical, and the data of our findings have shown that compared to other regions, Latam has proven that it is becoming more stable and less volatile over the course of the last years. Previous research claims that this development can be helpful for a heightened interest in Latam as a host-country, as more stable countries are more desirable in the host position, as the stability aides the CBMA process from due diligence, through the negotiation, till the post-acquisition integration, as it is easier to acquire the correct information from the acquiree, the institutions and other parties involved (Musteen et.al., 2025, p.13).

1.c Identifying appealing market Interventions for investment location

The third of the second order themes of the aggregate dimension concerns itself with market interventions that were created to make the market more appealing to other home-countries. The only first order code of the theme, (1.c.1.) Responding to supportive government policies and economic initiatives when choosing deal location, indicated, how institutional factors, such as country specific government policies and economic initiatives of different Latam countries, can be an important player, when talking about the choice of the deal location.

"Financial support instruments, such as tax incentives, can attract investment that drives sustainable and inclusive growth. However, in LAC countries with constrained fiscal space, their effectiveness depends on sound policy design, transparency, cost-effectiveness, and alignment with national priorities. Governments should regularly evaluate whether these measures genuinely lower the cost of capital for additional investment that would not occur otherwise."– Case 3

"Unlike Europe, Asia, or the US, Latin American jurisdictions are at a different stage, facing potentially extreme economic deficits. This creates strong government will to attract external investors — whether operators or financiers — to drive tourism, economic rebuilding, and private sector collaboration across all gaming verticals, from integrated resorts to online, land-based, slots, and sports betting" – Video 3

Through the last second-order code of this aggregate dimension we found that countries in the Latam region such as Costa-Rica and Argentina are using policies and initiatives to get more involved with CBMA and become more present and available as a strategic option. Additionally, multiple Latam countries are forming alliances that present a better stability than the individual countries can and with that present an initiative for more outside investors. Previous research has shown that this can be a smart move and states "business-friendly policies and regulations are a powerful incentive for cross-border deals" (Musteen et.al., 2025, p.12).

Further evidence of the role of interpreting institutional context for strategic market selection is presented in Table 6 below.

(1) Interpreting institutional context for strategic market selection	
(1.a) Analysing legislative and governance frameworks to gauge opportunities and prevent issues going into the deal	
1.a.1. Investigating country-specific legal	<u>Excerpt from report</u>

factors, taxes, and regulations to avoid unforeseen struggles throughout the deal	"Until recently in Peru, for example, the law required the new or surviving company in a merger, spinoff or reorganization to reapply for all licenses, permits and authorizations. In Brazil, Mexico and Chile, antitrust review can delay closing by three to nine months, depending on the transaction size and the industry. In Colombia, heightened scrutiny by the country's Superintendencia de Industria y Comercio (SIC) competition agency has also increased delays."– Case 2 "Successful M&A strategies must proactively address regulatory risks to ensure a deal's viability. While certain jurisdictions, like Mexico, do not legally mandate a specific timeframe for due diligence, establishing a clear schedule is considered a best practice to provide both parties with certainty and structure during the execution phase." - Case 5 "Since sellers are responsible for indemnifying buyers, due diligence must include a rigorous search of court databases across multiple jurisdictions to uncover existing lawsuits (tax, labor, civil, etc.). While most liabilities have a five-year statute of limitations, certain risks such as environmental damage have no expiration date, requiring exhaustive investigation to protect the buyer's interests." - Case 5 <u>Video quotes</u> "In most jurisdictions, regulators must overcome their fear of the unknown in online gaming. International operators and investors help by demonstrating that safe, responsible operations are possible even with servers abroad and non-local companies. They show that players can be handled with care, responsible gaming can be ensured, and AML-compliant banking can be maintained. As gaming falls under key ministries (Economy or Home Affairs), regulators benefit greatly from this knowledge transfer and are therefore welcoming this wave of investment." – Video 3
1.a.2. Comparing regional economic and regulatory volatility before choosing Latin America	<u>Video quotes</u> "I think you have a more willing governmental perspective in Latin America, when it comes to the example of the online gambling industry, which is quite different to the sort of Asian perspective, which is particularly aggressive e.g. in terms of China they have the movement of gambling funds being seen as a national security risk. It is different again to the European perspective, where you have a highly toxic political, cultural debates and fight going on between governments, operators and the customer. They talk about where the damage and the harm is being caused within the gambling industry. This leaves you with the two large markets of Latam and the US, (leaving Africa aside for one minute in that debate) but the two are on slightly different trajectories." – Video 3
1.a.3. Evaluating regulatory restrictions and country-specific regulation frameworks to	<u>Excerpt from report</u> "Strong institutions facilitate local financial market development attract high-quality FDI and implement bankable projects that maximise development impact."– Case 3

assess investment feasibilities	
(1.b) Observing the Latam countries' macroenvironment to identify potential deal conflict points	
1.b. 1. Viewing market conditions in the region as entry constraints	Excerpt from report "Long-standing issues with corruption and weak governments have been compounded by recent political and macroeconomic developments. But the world where change and risk are the new normal, the case against the region is weakening." – Case 1 "Strengthening the alignment between investment frameworks and broader development objectives is a central policy priority for LAC governments. Across the region, investment strategies are increasingly connected to broader agendas, such as productivity upgrading, the green transition and digitalisation, but these links may not always be coherent or guided by a common long-term vision. Their implementation may also be challenging as responsibilities for economic, social and environmental policies are distributed across multiple ministries and agencies, hindering effective co-ordination and diluting the impact of national investment strategies." – Case 3 Video quotes "Another key issue involves property titles. Many local family-owned businesses have expanded over time without proper documentation. While locals can easily manage these grey areas with authorities, multinational companies with strong reputations must fully comply with regulations. This makes the adjustment process significantly more complicated when acquiring or partnering with such companies." Video 2
1.b.2. Analyzing political and economic stability and if they could pose a risk for potential or ongoing deals	Excerpt from report "Complex and shifting regulatory environments in Latin America often also lead to discrepancies in risk assessments. Buyers and sellers may have differing perceptions of the likelihood or severity of liabilities, particularly when local regulations are subject to frequent change or lack alignment with international standards. These differences can complicate negotiations as assumptions about risks and synergies may diverge significantly. Generalist Due diligence teams may struggle to accurately evaluate such risks, resulting in flawed assumptions about synergies and costs." – Case 5 Video quotes "There is a universal push-pull between labour and business. Latin America has traditionally been very pro-labour, but governments often shift towards more business-friendly policies to attract investment. Experienced investors and private equity firms anticipate these policy cycles and protect themselves through resilient strategies — such as focusing on lower-risk sectors, structuring deals carefully, and partnering with well-connected local players"- Video 1

1.b.3. Perceiving political and regulatory uncertainty as a barrier to deal possibilities	Excerpt from report “Political instability along with strict and complex regulations have at times been associated with countries in Latin America, giving it a reputation for being a risky place to do business (…) The political outlook in most of the regions is dire, there are weak governments and high levels of public discontentment, and governments are struggling to make reforms, maintain economic stability and boost growth.” – Case 1 “A notable 63% of executives surveyed say that recent political shifts in the region are increasing uncertainty around tax and regulatory policies that impact M&A respondents rank these two systemic factors among the three risks most difficult to price into deals. Also, most (58%) say that uncertainty around global trade and tariffs is wakening Latin America's appeal as an investment “– Case 4 Video quotes “When entering Latin America, especially Brazil, foreign investors face highly complex regulations, particularly in labour and taxation. Brazil stands out with its intricate federal and state tax system, resulting in many companies carrying significant tax liabilities. A common issue is that owners often view these as manageable “rollover” liabilities rather than real debts, making it difficult to adjust the purchase price during acquisitions.”- Video 2
(1.c) Identifying appealing market Interventions for investment location	
1.c.1. Responding to supportive government policies and economic initiatives when choosing a deal location	Excerpt from report “Costa Rica is actively trying to attract investors. In February 2023 the government launched a range of new incentives to promote foreign direct investment. These focus on enhancing the country’s competitiveness by reducing bureaucracy and opening Sectors, including tourism, manufacturing and services to further development” – Case 1 “Argentina is implementing market-oriented reforms and new investment incentives to help create a stable and predictable environment for long-term domestic and foreign investment. These policies, supported by fiscal discipline and international backing, have worked to improve investor confidence. As a result, the country is attracting new investments, particularly in the mining and energy Sectors.” – Case 4 “The robust M&A markets in Eastern Europe offer a clear precedent, and we are noticing similar reforms are underway in many of our countries in Latin America. This is positive and signals that the business environment is becoming more predictable, promising and more attractive to well-prepared acquirors,” says Luiz Penno, partner of Clairfield in Brazil” – Case 5 “With falling interest rates and lower risk, deal volume in Latin America is expected to accelerate. Local investors have increased their share, while US and European investors are regaining momentum after a period of stronger Asian participation. Governments are also rolling out

	measures to attract foreign capital, as seen in Argentina's new investment incentive regime, which has already boosted market activity significantly." – Video 1 Video quotes "what i'm seeing on the approach from regulators is that they welcome international investors, they welcome international players, also from the know-how side." – Video 3

Table 6. More evidence of interpreting institutional context for strategic market selection

4.3. Aggregate dimension 2: strategically managing risk–reward trade-offs in market entry

The second aggregate dimension that originates from the data analysis points to the importance of knowing the potential risks and challenges that are specific and related to the target market/ Latam region, and under which circumstances they can arise during the CBMA deal process. As there are multiple different aspects to the matter, we formed three second order themes that are more specific in their nature: (2.a.) Leveraging knowledge of the market dynamics to configure business conditions. (2.b.) Overseeing financial and regulatory constraints to orchestrate deal designs, and (2.c.) Leveraging institutional cooperation to mitigate investment risks.

2.a. Leveraging knowledge of the market dynamics to configure business conditions

The findings from our data analysis show that getting people and tools on board and/or taking advise from people, who have done deals in the area previously, can help understanding the market dynamics in Latin America and speed-up the process of configuring the different conditions. This is based on three different first order codes: (2.a.1.) Utilizing abilities to navigate market imperfections into a strategic advantage to identify and exploit investment opportunities. (2.a.2.) Adapting to high-risk market conditions to achieve higher returns with adaptive and well-prepared strategies, and (2.a.3.) Identifying sectoral growth opportunities and market expansion potential to justify investment decision.

The first of the first order codes (2.a.1.) utilizing abilities to navigate market imperfections into a strategic advantage to identify and exploit investment opportunities, alludes to the point that not all differences in institutional factors need to portrait a barrier but can rather be seen as strategic advantage, when they are understood correctly. Certain areas in Latam might not be as developed as they are elsewhere but instead of taking at as a reason not to enter the market, it could be seen as an opportunity to invest in this area yourself and get an advantage out of it.

"In Brazil, Mexico, Argentina, and other emerging Latin America countries, complexity doesn't have to be a barrier to entry; it can be a strategic advantage to those who navigate it well." – Case 5

"The economic and political volatility in our region has been a major force in creating good opportunities for investors," said Liliana Espinosa, chair of Baker McKenzie's Latin America M&A Practice." – Case 2

The second first order code (2.a.2.) adapting to high-risk market conditions to achieve higher returns with adaptive and well-prepared strategies, presents the factor that using well prepared strategies to react to high-risk situations can be a valuable asset. Latin America is rather new and often portrait as unstable, which is why it is described as a high, risk market but with high risk, the opportunity for high reward, is not far away.

"It is rewarding when you are prepared, when you know what you're doing and why you're going to Latin America, when you have the appropriate budget and a proper strategy — and when you are ready to modify that strategy along the way based on market feedback. In that case, Latin America can be very rewarding. I've worked with companies that gained 40-50% of their niche in Colombia, making it their second-best market after Poland."– Video 4

"Despite the risks, there is starting to be a lot of interest from foreign investors entering Latin America (…) Why? In various countries, there are prominent challenges and risks to consider. So when you start to think about where people can actually put their money where they can grow or make new deals, Latin America become very interesting" – Case 1

The third first order code (2.a.3.) identifying sectoral growth opportunities and market expansion potential to justify investment decision, shows that having different institutions makes the Latam region more attractive in some instances and for some sectors. Not only the region of Latam is dependent on that but the different countries within the region, also have more or less favourable institution for certain sectors, which leads to higher or lower interest depending on the circumstances.

"The other thing that I think lends itself to positive feelings towards investing in the region is that there are some very attractive investment opportunities in the region (...) in Sectors such as infrastructure, technology, energy, financial services, these are, these are Sectors that are expected to grow. And where there are a number of opportunities in the region for foreign investors" – Video 1

"Buyers are not only targeting the region's energy and infrastructure Sectors, but also consumer goods, technology, financial services and healthcare." – Case 2

The second main finding focuses on the risk-reward trade-offs throughout the CBMA deal, combining findings and literature. Investments and especially foreign investments, which CBMA belongs to, always presents a risk. Investors need to calculate if they think or want to wager that the risk presented through the acquisition or merger is worth the potential reward. Additionally, they also need to carefully analyse, in which steps within the CBMA process it is the most probable to encounter which kinds of hiccups and how to be prepared for them or avoid them as good as possible. In summary it is important to identify uncertainties and eliminate as many, as fast as possible (Lewis & Bozos, 2019, p. 2). The three pillars we have identified as important to analyse and understand in risk-management are the market dynamics, financial and regulatory constraints, as well as institutional cooperations.

The first step in the process of CBMA is figuring out where the firm wants to go, which country are they targeting, what is the aim. Managers often do not have enough information to make the decision on their own, it has become rather typical to hire advisors or consultants The knowledge that advisors have on other countries, can be formed into a strategic benefit. We have found in our research that understanding a region and its institutions, how they differ from the home-country, and how to navigate them, can have a big impact on the entire process, starting at the targeting of the ideal country. Similar findings have been published in a paper on emerging markets (Popli et al., 2024, p.13), where they talk about how managers are facing informational overload and a phenomenon called liability of emergingness. They go on to say that because of the high amount of required new knowledge, the number of advisors and consultants hired to guide and aid in the process is high. Another point our findings show is the importance of preparing for the specific case on hand, on multiple levels including financial, strategic, institutional knowledge. The precision of the preparation is key, when it comes to the execution success of the deal. Lewis & Bozos (2019, p.13) point out that overconfidence and investing high amounts of money into a CBMA deal is not the solution for a functioning operational synergy and cannot substitute missing knowledge about the target region. Instead, they highlight that institutional distance is a major player in the context of liability of foreignness. Additionally, our findings talk about the importance of knowing which country, offers the best opportunities, when it comes to which sector. Selecting the best suited region for the companies' sector can minimize the risk of a deal abandonment and enhance the chances of a higher reward for the investment. Lewis & Boszos (2019, p.13) mention that industry relatedness in the selection of the target company can derisk the acquisition process, as the knowledge required for the company is at least not all new. Meanwhile, Musteen et.al. (2025, p.13) talk about the importance of knowing the market and understanding its institutions before selecting the target market.

2.b. Overseeing financial and regulatory constraints to orchestrate deal designs

The second of the three second order themes, talks about the financial and regulatory side of the deal design. As this entails many different aspects, the theme is split into three first order codes: (2.b.1.) using flexible payment structures in high-cost financing environments to bridge valuation gaps and enable deal completion, (2.b.2.) structuring transactions to adapt to differences in tax and legal systems to optimise value, minimise risk, and ensure deal feasibility, and (2.b.3.) using negotiation strategies and transactional workarounds to overcome regulatory and valuation frictions and enable deal completion.

The first of the first order codes is (2.b.1.) using flexible payment structures in high-cost financing environments to bridge valuation gaps and enable deal completion. As Latin America is identified as a high-risk region and most CBMA processes entail large sums, when it comes to the investing, constructing flexible payments might help to lower the risk component.

I think here in Brazil, high interest rates have widened the valuation gap. The sell side wants to sell at higher valuations from before the rates increased, while buyers discount at higher rates, leading to lower valuations. To close this gap and create a deal zone, the solution is to be more creative in structuring the deal — particularly the payout. Instead of full payment upfront, structuring payouts that can even be higher but contingent on performance. This has helped close deals, although it means sellers are dragged into staying longer to support the transition, integration, and development of the asset."- Video 1

The second first order code (2.b.2.) structuring transactions to adapt to differences in tax and legal systems to optimise value, minimise risk, and ensure deal feasibility, focuses on tax and legal issues and how the differences of the region can have an influence on various factors of the deal, when not properly taken into consideration.

"The legal structure of the acquiror and the payment scheme directly impact the sellers' tax amount and the buyer's future tax bill. Thus, choosing the most suitable structure can increase the value for both the acquiror and the seller." – Case 5

"For the buyer, structuring the transaction correctly can provide tax efficiency, particularly in terms of depreciation or amortisation of acquired assets. However, unlike in some jurisdictions, goodwill amortisation is not deductible for income tax purposes in Argentina. As a result, buyers cannot benefit from reducing their taxable base through goodwill deductions" – Case 5

The last first order code (2.b.3.) using negotiation strategies and transactional workarounds to overcome regulatory and valuation frictions and enable deal completion, talks about the grey areas that are created, when entering the Latam market. Sometimes it is easier to go an unconventional route and not follow the typical protocols from the home-country market.

"Explaining the factors underlying your valuation can help convince sellers of its accuracy and enable them to move past the personal connection they have to their businesses. (…) Providing details to the seller about the effects of taxes and indemnities,

plus the additional costs you will assume during the transaction, can also help sellers understand why your offer is lower than what they were expecting. (…) *When the two sides can't reach a compromise on valuation, a technical solution may be in order. One such solution is to have the seller retain a stake in the target company, which they can sell back to the buyer in the future, presumably at a higher valuation. This allows both parties to get closer to the price they want while avoiding the contractual difficulties associated with earnouts."* – Case 2

Connect the this finding with the literature, Wang et. al (2022, p. 1687) allude to the fact that MNEs sometimes use the acquired company and its legitimacy to gain an advantage with local institutions, by using the existing connectivity between the company and the institutions, instead of building their own, new connections. Our findings support that statement and show that in the Latin American context companies pick and choose the best solution for the acquisition, especially when it comes to formal institutional aspects such as taxes and the regional legal system. Some CBMA process even choose dubious methods to save adjustment or integrational costs especially in the negotiation and integration phases (Wang et al., 2022, p.1687). Meanwhile, our findings point out that companies not always follow the correct protocol or most conventional route, when it comes to the deal valuation part of the deal negotiation, as Latin American companies are not the most truthful or ethical, when it comes to various reporting methods.

2.c. Improving institutional cooperation to mitigate investment risks

The third second order code, talks about how investment risks can be minimised, by taking the time to understand how certain formal institutions encourage (2.c.1.) collaborating with governments and institutions to support and de-risk investments.

"As economic conditions begin to stabilise and banks face growing pressure to modernise, a rebound in financial services M&A in 2025 is expected. Partnerships between traditional banks and fintech companies could play a key role in this wave of activity, though ongoing regulatory challenges and tight margins may keep expectations measured" – Case 5

"Partners are increasingly deploying guarantees, blended finance and equity co-investments alongside policy and project-preparation support to de-risk projects, attract institutional investors and align finance with national priorities. Development co-operation plays a crucial role in strengthening the enabling environment for FDI by

supporting regulatory reforms, skills development and training initiatives that enhance investment quality and maximise development impact" – Case 3

It is clear that governments and institutions cannot only portrait a hurdle, when it comes to institutional or geographical distance. We found in our research that governments and institutions in the Latam region are trying to become a bigger player in the strategic management world and are encouraging companies in their region to get involved with CBMA and other foreign direct investments. To do so, they have launched different programs and initiatives to lower the entry barrier and heighten the incentive not only for companies in their countries to participate in strategic moves, but also for companies in other countries to want to choose a company in the Latam region as a target company. Zou & Yi (2025, p.7) support these findings in their paper, where they state initiatives such as regional market guidance policies and government funds can offer support in different stages and improve companies' integration process.

Further evidence of the role of strategically managing risk–reward trade-offs in market entry is presented in Table 7 below.

(2) Strategically managing risk–reward trade-offs in market entry	
(2.a) Leveraging knowledge of the market dynamics to configure business conditions	
2.a.1. Utilizing abilities to navigate market imperfections into a strategic advantage to identify and exploit investment opportunities	<u>Excerpt from report</u> The consensus is that untested assumptions often lead to a shortfall in value. Organizations must continually test and refine M&A deal value forecasts. Organizations are responding by locking their sights on long-term value. The most popular strategic intent for M&A deals in Latin America for the next two years is to build long-term resilience instead of just addressing immediate risks. They will also evaluate M&A success against their long-term strategic outcomes. To succeed with these transformative ambitions, organizations will need to proactively factor in local nuances that can influence integration performance. – Case 4
2.a.2. Adapting to high-risk market conditions to achieve higher returns with adaptive and well-prepared strategies	<u>Video quotes</u> "If they export, it's great because they already have previous experience exporting to different areas. Latin America is not the easiest region to export to, so this history is very useful. They also need to have a minimum budget and understand that succeeding in Latin America is a long-term adventure — it won't happen in one, two months, or even half a year. They need to build a proper strategy and carefully choose which markets to start with. For example, mining equipment may be best for Peru or Chile, while automotive equipment suits Mexico. These kinds of factors matter a lot. " – Video 4
2.a. 3. Identifying sectoral growth opportunities and market expansion	<u>Video quotes</u> The region is highly interesting and final sentence we should be all very aware that we always talk about Latam as a region but i think

potential to justify investment decision	every country is one in itself so every country deserves a different approach that's something that we've seen, and it really has to be tailor-made and every partnership is different every tax rate is different every regulator is different. – Video 3 "An average European company from Czech Republic, Poland, Germany or France usually sells first in its home country, then to neighbouring countries and further across the EU, which is much easier. After that they may look at Dubai, some Asian countries, and of course the United States. Only then they realise there is also Latin America and think maybe we'll try there. However, there are exceptions — companies whose products are particularly well suited for the region, for example security equipment, where they see a big market and actively want to sell in Latin America." Video 4
(2.b) Overseeing financial and regulatory constraints to orchestrate deal designs	
2.b. 1. Using flexible payment structures in high-cost financing environments to bridge valuation gaps and enable deal completion	<u>Excerpt from report</u> "Earnout structures, where part of the purchase price is tied to the target's future performance, may seem like a solution but can generate conflicting incentives and serious post-transaction discord. Lack of clarity on performance metrics often leads to costly disputes. This mechanism is not universally used. More flexible deal structures such as vendor financing, holdbacks, escrows, and deferred payments can be employed to align value expectations. These approaches help bridge valuation gaps, particularly in regions with high capital costs like Mexico, while protecting both parties and keeping deals attractive."– Case 5
2.b.2. Structuring transactions to adapt to differences in tax and legal systems to optimize value, minimize risk, and ensure deal feasibility	<u>Excerpt from report</u> Tax liabilities are particularly common in smaller deals and can represent a substantial portion of the total transaction value. "In some regions, expected taxes upon closing are so high (30-35%) that sellers demand prices over market value to offset the tax burden, often refusing to sell otherwise," comments Pablo Coballasi, partner of Clairfield in Mexico In many regions, the acquiror is legally bound to the target company's liability for past tax obligations (typically with a five-year statute of limitation). Structuring deals to protect the acquiror while remaining attractive to the seller is therefore critical. – Case 5 Despite this restriction, there are legal mechanisms to circumvent this problem with some creative deal structuring. For instance, when one of the largest commodities traders in the world acquired grain warehouses in the Brazilian countryside to cope with the growing demand for corn and soybeans, it structured the transaction as an asset purchase of buildings and equipment coupled with a 99-year term lease of the land, thus reducing the risk of having the transaction rejected – Case 5

2.b. 3. Using negotiation strategies and transactional workarounds to overcome regulatory and valuation frictions and enable deal completion	<u>Excerpt from report</u> In some cases, overcoming regulatory hurdles takes time and you just need to accept a longer deal timeline. But other times workarounds can shorten delays. In an asset sale in Peru, for example, buyers still need to obtain a new operational license for each facility they acquire, which can take months. To avoid having to shut down operations while waiting for the new license, the buyer can have the seller assign its license to the buyer and then reapply for a new one immediately after closing. – Case 2 “It's very important to align with the executives of the target company and to capture the synergies together” – Case 1 “Once the acquisition is completed, the buyer becomes responsible for any identified or later-discovered contingencies. However, Argentine practice allows the buyer to seek contractual indemnification from the seller, provided that such rights were clearly established in the purchase agreement. As in Brazil, the emphasis is typically on indemnity clauses rather than price reduction, especially when dealing with contingent liabilities related to labour, tax, social security, and environmental risks” – Case 5
(2.c) Improving institutional cooperation to mitigate investment risks	
2.c. 1. Collaborating with governments and institutions to support and de-risk investments	<u>Excerpt from report</u> “Co-operation and FDI should work together as an integrated system to maximise development impact (OECD, 2022[20]). Aligning co-operation, including private Sectors mobilisation, official development assistance (ODA) and broader official financing flows with key FDI Sectors can create stronger synergies between public goals and private investment priorities and incentives. The growing alignment between cooperation and FDI to support the green transition is a valuable example to build on. Strengthening this coherence can better connect investment with measures that enhance sustainability and impact particularly through ODA support to key enablers such as infrastructure, skills and finance. Greater alignment would make the most of scarce ODA resources so that they are more focused and predictable reducing volatility and reliance on one-off projects” – Case 3 <u>Video quotes</u> ”They are working hand in hand very actively with multilateral institutions such as IFC, IDB, and the World Bank. Together with governments at federal, state, and municipal levels, they are developing investment programs, regulatory frameworks, market analyses, and high-quality structures for concessions and privatizations to make them more attractive to the private sector. This has been very positive. Even with the rise of left-wing governments, they have understood the importance of working with private capital. This has been a huge improvement for the

	infrastructure sector and some specific sectors. Local big players have taken advantage of this, but it is also interesting to see sovereign wealth funds, global infrastructure funds, and pension funds becoming very active in the region — not only in Brazil but also in the Andean region — preparing big investments in energy and natural resources."- Video 1

Table 7. More evidence of strategically managing risk–reward trade-offs in market entry

4.4. Aggregate dimension 3: building institutional capabilities for deal execution and integration

The last aggregate dimension that emerged from our data analysis indicates that the foreign investors must build institutional capabilities to execute deals throughout acquiring process and integrate the acquired after signing the deal. This finding is composed of four second-order code: (3.a) Enhancing local embedded capabilities to navigate legitimacy challenges, (3.b) Reducing information asymmetry to ensure deal evaluation, (3.c) Adapting culture and business practice for integration success, and (3.d) Developing experience transfer abilities to improve future deal completion. This last sub chapter discusses what institutional capabilities acquires need to build to navigate institutional distance to manage cross-border mergers and acquisitions (CBMAs) in emerging markets, with a specific focus on Latin America.

3.a. Enhancing local embedded capabilities to navigate legitimacy challenges

Our findings from data analysis show that acquirer has to enhance their local embedded capabilities to navigate deal operations. That is grounded by three first order-codes are 3.a.1. Benefiting from local expertise to understand regional differences and build relationships that mitigate risk in the deal process, 3.a.2. Leveraging local expertise to navigate regulatory complexity and cultural differences for effective deal implementation, and 3.a.3. Building personal relationships and trust to progress deals with relationship-oriented business environments.

Firstly, benefiting from local expertise to understand regional differences and build relationships that mitigate risk in the deal process (3.a.1) become crucial when investors enter the region, where they are not completely understood, especially the region is considered as volatile as Latin America. Having local advisors and building relationships with other key stakeholders in the target market allows investors to minimize unforeseen risks when operating deal in new market.

"To minimize the pitfalls as Latin America evolves, local expertise can proactively identify M&A threats and opportunities for long-term value" - Case 4

Having a strong local partner is arguably the most critical factor. Success depends on local partnerships and marketing agreements, and in markets such as Brazil, payment methods represent an additional key challenge. As the sector is still relatively undeveloped, gaining access to and approval from major local payment providers in the e-commerce ecosystem can take considerable time " - Video 3

Secondly, leveraging local expertise to navigate regulatory complexity and cultural differences for effective deal implementation (3.a.2) becomes evident that cross-country comparisons within the Latin American region are challenging, as regulatory frameworks and cultural contexts vary significantly among countries in region and differ from those in investors' home countries. In terms of regulation, the region is often characterized by instability and complexity, making it time-consuming to fully understand the implications of regulatory changes. Furthermore, investors report that they have underestimated the importance of cultural and interpersonal differences when conducting business in Latin America. These factors highlight the need for deep local expertise, professionals who possess a strong understanding of both regulatory environments and cultural dynamics are essential for successful deal implementation.

"Understanding the impact of regulatory changes like these can take time, and having local advisors to provide guidance can be critical. Over a third (36%) of all respondents said they hired outside help to manage due diligence challenges in their recent deals"- Case 2

"Information and facilitation services reduce investment barriers by clarifying rules and procedures, while IPAs serve as key entry points for foreign investors and provide aftercare to retain investors and strengthen linkages with local firms and markets" - Case 3

Lastly, doing business in environment where personal relationships are salient and highly valued, building personal relationships and trust is crucial to progressing the acquisition deal in Latin America (3.a.3).

"Having strong personal relationships is crucial to all aspects of doing business in Latin America and navigating the regulatory environment is no exception. Establishing direct lines of communication with regulatory officials helps reduce back-and-forth and expedite approvals. Knowing the people at the regulatory agencies can really keep things moving (...) If they need clarification about any aspect of the deal, they can contact us directly instead of taking weeks to issue a request on paper. It is much easier to explain the transaction to them this way" - Case 2

The findings suggest that, rather than relying solely on existing internal abilities, acquirers develop capabilities progressively to deal with institutional challenges during deal execution and post-acquisition integration. In line with prior research on capability building, firms accumulate heuristics, skills, and routines through repeated interaction with complex environments, which can later be transferred across contexts to improve future performance (Carney et al., 2016, pp. 882–883). Our findings identify four interrelated capabilities that enable acquirers to navigate institutional distance: enhancing local embeddedness to address legitimacy challenges, reducing information asymmetry to ensure accurate deal evaluation, adapting to cultural and organizational differences to support integration, and developing knowledge transfer ability to improve future deal. Together, these capabilities form a dynamic capability set that supports successful deal execution and integration in institutionally diverse environments.

First, one of the central challenges in CBMAs is gaining legitimacy in the host market, our research suggests investors enhance their local embeddedness to overcome legitimacy hurdles. Prior literature suggests that firms can either avoid legitimacy barriers by selecting institutionally similar markets or actively build legitimacy through local engagement (Wang et al., 2022, p. 1672). Our findings strongly support the latter approach, particularly in the context of Latin America, where institutional environments are complex and relationship oriented. The results show that acquirers enhance local embeddedness by leveraging local expertise, navigating regulatory and cultural differences, and building trust-based relationships with key stakeholders. These practices are especially important in environments where formal institutions are less developed, and business interactions rely heavily on personal connections. By engaging local advisors, intermediaries, and partners, acquirers can access critical knowledge and establish credibility within the target market. This finding aligns with prior research emphasizing the importance of local knowledge in reducing uncertainty and facilitating deal completion (Faelten et al., 2014, pp. 503-504; Bae et al., 2008, p. 605). Local actors often possess informational advantages and can provide direct access to firm-level insights that are otherwise difficult to obtain. Similarly, studies on conduit acquisitions highlight how local intermediaries can enhance legitimacy by embedding the acquirer within the local institutional context (Wang et al., 2022, p. 1687). Overall, our findings extend this literature by showing that local embeddedness is not merely a supporting factor but a core capability that acquirers must actively develop when operating in emerging markets characterized by high institutional distance.

3.b. Reducing information asymmetry to ensure deal evaluation

This following session describes the next second-order code of this aggregate dimension, reducing information asymmetry to ensure deal evaluation. Information asymmetry in CBMAs in Latin America come from two reasons that are shown in two first-order codes: misunderstanding company operations and their standards, leading to assessment problems throughout the deal (3.b.1) and manipulated and untruthful reporting structures and statements impact the business and deal valuation (3.b.2)

The research evidence shows that many of the companies involved in cross-border M&A deals in Latin America are family-owned. Unlike firms in more advanced economies, these companies often do not consistently follow standardized accounting practices, the corporate culture is shaped by a shareholder-oriented corporate governance model (3.b.1). Which makes accessing reliable financial information for due diligence and business assessment more challenging.

Depending on the size of the target and whether it is family owned, getting the information you need to evaluate the details of its finances and business operations can be a challenge. The missing or incomplete documentation can range from stock certificates, real estate deeds, environmental permits and operational licenses to tax and accounting records. This is simply because the business culture in Latin America is *not as developed as places like the US, Canada, Japan or Europe where there's a lot of order and compliance"* - Case 2

"A key challenge is that information is not always available in the way investors are used to, starting with financial statements. In U.S. companies, financials are typically reported in a standardized way and on time, but this is not always the case in these types of companies. There can be delays, so if you want to close based on financial statements as of December 30, you may not receive them until February or March" – Video 2

To obtain the necessary information for due diligence and business assessment, effective communication between the target and the acquiring company is essential. Investors must engage closely with target firms and clearly guide them on the type and scope of information required.

" Some Latin American sellers may hesitate to share sensitive employment or financial details in writing due to concerns about competitors or authorities. In such cases, in-person meetings with key departments can help fill information gaps. When dealing with sellers unfamiliar with M&A due diligence, it's important to provide clear instructions, including a detailed checklist and timeline. However, timelines should allow extra flexibility, as obtaining documents from government agencies or third parties can take several weeks"– Case 2

Another factor contributing to information asymmetry is the manipulation of information by target companies, often through identifiable misrepresentations or reporting inconsistencies. This can result in unreliable or untruthful disclosures, which in turn create significant challenges for accurate deal valuation (3.b.2)

"In other Latin American countries, however, some companies may have creative labor arrangements such as putting a large number of employees on service contracts rather than classifying them as full-time employees to avoid paying employment taxes. Other companies may engage in aggressive tax strategies or conceal the personal nature of their relationships with suppliers" – Case 2

This finding emphasizes on another major challenge identified in this study is the presence of significant information asymmetry during the deal evaluation process. In many Latin American contexts, target firms are often family-owned and operate with limited transparency, informal structures, and, in some cases, manipulated financial reporting. These conditions complicate due diligence and increase the risk of misevaluation. Ability to reduce information asymmetry brings acquirers advantage during deal evaluation and discussion with target firms' stakeholders. Consistent with prior research (Dye & Sridhar, 2002, p. 781; Li et al., 2019, p. 323), our findings show that dispersed and unreliable information is a defining feature of less mature M&A environments. Acquirers must therefore develop capabilities to interpret incomplete or distorted data and gain a deeper understanding of the target firm's operations, organizational structure, and business practices. To address these challenges, acquirers rely on both local expertise and internal efforts to build contextual knowledge of the host market. This includes understanding regulatory frameworks, economic conditions, and firm-level practices (Xu & Shenkar, 2002, p. 615). By doing so, firms can reduce uncertainty and improve the accuracy of valuation, negotiation processes to avoid takeover premium in cross-border deal (Xie et al., 2017, p. 156). Importantly, our findings suggest that reducing information asymmetry is closely linked to local embeddedness. Access to reliable information often depends on the strength of local networks and relationships, reinforcing the interdependence of these capabilities.

3.c. Adapting culture and business practice for integration success

Adapting culture and business practice for integration success can be explained by three codes: Leveraging workforce capabilities, cultural diversity, and relational practices to support investment execution (3.c. 1), adjusting to cultural aspects to bridge potential operational differences (3.c.2) and understanding the workflow and systems in the company to enable a smooth transition (3.c. 3).

Firstly, leveraging workforce capabilities, cultural diversity, and relational practices to support investment execution (3.c. 1) highlights that acquirors do not view the local workforce merely as a resource, but as an enabler of acquiring execution. The nature of culture diversity and relational practices suggests that firms need to leverage the local employee's knowledge and informal networks to navigate institutional complexity and ensure investment progression.

"It is a large region with a rapidly increasing population, a diversified culture that originated mainly from Europe, Asia and Africa, and is also highly influenced by the US and Canada. This diverse nature makes the workforce highly valued by global organizations" – Case 1

"You can combine the broad experience of headquarters with local insights into culture, regulation, business practices, and potential pitfalls. The approach is shifting to

incorporate more local management, which has become increasingly sophisticated due to greater global integration and the growing complexity of local markets. Capital markets in the region, particularly in Brazil, have developed significantly over the past decade. This has strengthened the knowledge and expertise of local management, making it highly valuable for staffing and planning in deals" – Video 1

Secondly, adjusting to cultural aspects to bridge potential operational differences (3.c.2) become evident when culture differences directly affect how integration unfolds. To ensure success integration, acquirors first recognize the differences in working culture, communications norms, decision making styles that could create operational misalignment. Then actively adjust their business practices to reduce friction across organizational boundaries.

"After a transaction closes, buyers are left with a host of integration issues. Chief among those issues is addressing the cultural differences between their approach to business processes and those of the acquired workforce. Sometimes the best way to ease a transition is to keep the current policies in place while slowly introducing new ones. Finding a way to balance the target's operations and management style and your corporate policies and procedures can go a long way in helping employees adjust to the new standards" – Case 2

"In cross-border deals, there is a much bigger cultural challenge to overcome, particularly in aligning people to understand and adapt to a new, shared culture. It is already difficult in local deals with two different cultures. For example, in one case, a large retailer merger involved one company with a modern, tech-savvy culture and another with a more traditional, old-school approach. In such situations, the challenge is to build a new culture rather than adapting one to the other, and to ensure that everyone adopts it. This is a key challenge in integration planning and execution." – Video 1

Lastly, understanding the workflow and systems in the company to enable a smooth transition (3.c. 3) reflects that transition challenges are rooted in target firm organizational workflows and systems. Understanding how the target company operates on a day-to-day level reduces risk of misalignment, avoids disruption, and enables seamless transition post-acquisition.

"I would say the most critical issue is not understanding the local structure and dynamics of the organization you are acquiring." – Video 2

"People and their ways of working must be evaluated in advance of a deal. Completing successful M&A in the region requires strong people management and listening carefully to what people are saying." – Case 1

Beyond deal completion, cultural and organizational differences play a critical role in post-acquisition integration. Our findings provide strong evidence that differences in culture and business practices can both hinder and enhance integration outcomes. Consistent with prior studies (Reus & Lamont, 2009, p. 1312), cultural distance can create challenges in communication, coordination, and employee retention. However, it can also serve as a source of value creation if managed effectively. For example, cultural diversity may enhance innovation and provide access to new perspectives, contributing to long-term performance (Chakrabarti et al., 2009, p.230). Our results highlight that successful integration requires active adaptation by the acquirer. This includes leveraging workforce capabilities, adjusting to local cultural norms, and developing an understanding of the target firm's workflows and operational systems. These practices help bridge differences and facilitate smoother transitions during the integration phase. Interestingly, prior research has shown mixed results regarding the impact of cultural distance on M&A performance (e.g., Bhagat et al., 2011, p. 262; Vanwalleghem et al., 2020, p.20). Our findings help explain this inconsistency by suggesting that outcomes depend on the acquirer's ability to develop adaptive capabilities rather than on cultural distance alone.

3.d. Developing experience transfer abilities to improve future deal completion

The final finding from our research indicates that investors and acquirers learn significantly from their M&A experiences in Latin America (3.d.1). The skills and insights they develop are not only transferable to other countries within the region but also applicable on a global scale, particularly in an increasingly volatile and uncertain business environment. Through these experiences, investors tend to develop greater optimism and confidence and improve future deals when engaging in cross-border M&A.

"The research indicates that dealmakers are developing transferable skills, such as adapting deal structures to manage risk and uncertainty. This builds strategic resilience that is applicable beyond Latin America. Overall, success in the region depends on the

resilience and execution capabilities needed to navigate an increasingly volatile global environment."– Case 4

"There has been a significant increase in confidence and optimism about M&A in Latin America. Part of this optimism comes from investors becoming more sophisticated after many years of investing in the region, better understanding of the inherent risks and learning from experience. As a result, they approach the region with greater confidence. Latin America has historically been volatile, but this experience has contributed to the development of more sophisticated global M&A strategies and approaches. This growing optimism is reflected in our research." – Video 1

Finally, the last finding of this study highlights the importance of developing knowledge transfer ability to improve future deals. Acquirers operating in volatile and institutionally diverse environments such as Latin America accumulate valuable experience through repeated engagement with complex deals. Consistent with the concept of organizational learning, prior international experience enhances an acquirer's ability to manage institutional distance and improve post-deal performance (Dikova & Sahib, 2013, p.84). This experience from focal market enables firms to develop institutional capabilities such as heuristics, skills, and routines that can be codified and transferred across contexts (Carney et al., 2016, pp. 882–883). Firms with broader exposure to diverse environments are better equipped to anticipate challenges and adapt their strategies accordingly (Putzhammer et al., 2018, p. 569). Our findings extend this perspective by showing that capabilities developed in challenging environments can be applied beyond the original context. In particular, the volatility and complexity of Latin American markets provide a rich learning environment that prepares firms for operations in other uncertain or institutionally distant regions. This process of capability transfer reinforces the idea that institutional capability building is cumulative. Over time, firms can leverage their experience to build a competitive advantage in cross-border deal-making.

Further evidence of the role of building institutional capabilities for deal execution and integration is presented in Table 8 below.

(3) Building institutional capabilities for deal execution and integration	
(3.a) Enhancing local embedded capabilities to navigate legitimacy challenges	
3.a.1. Benefiting from local expertise to understand	<u>Excerpt from report</u> "Once they have defined their investment thesis and examined the market, they need to build relationships with advisors, investment bankers, founders and other executives. A deep dive of due diligence is done by

regional differences and build relationships that mitigate risk in the deal process	accountants and advisors, and this step is crucial. (...) If you try to save money in the due diligence process, you will pay for it further down the line. You must have experts who really know the market and the companies you're working with, or you get caught out. (…) companies and investors say they would benefit from additional support throughout the deal lifecycle. The top areas they say they need help with are due diligence, support to form an overall M&A strategy, deal assessment and evaluation, and post-deal integration" - Case 1 "Engaging independent experts outside the core due diligence team to assess legal, tax, technological, or industry-specific liabilities and implementing tailored mechanisms to address these risks can offer both parties greater comfort and confidence during negotiations. For instance, in Argentina "industry-specific advisors are essential to understanding complex risks such as the alignment (or misalignment) of national and international standards in Sectors like technology agriculture, and manufacturing" – Case 5 <u>Video quotes</u> "Working with strong local teams and leveraging deep local intelligence, while conducting thorough analysis beyond basic due diligence, is essential. Combining local expertise with an international mindset focused on de-risking and value creation forms a formula for success. In today's markets, this approach significantly increases the likelihood of success and value creation" – Video 1 "Beyond traditional M&A, both operators and financial investors increasingly prioritize having a local partner, even in a minority role, to better understand the region. Partnering with local expertise is essential for successful market entry. In many cases, firms begin with commercial partnerships and retain M&A options to convert these into full acquisitions over time, a trend that is becoming increasingly common (...) Investors need to be realistic when entering new markets. Expanding without a proper understanding of the local environment is risky. Local partners who understand cultural norms are critical to business success, as entering unfamiliar markets without sufficient knowledge can lead to failure" - Video 3
3.a.2. Leveraging local expertise to navigate regulatory complexity and cultural differences for effective deal implementation	<u>Excerpt from report</u> "Investors' and companies' top regret is underestimating people and culture challenges involved in the deal. (…) The opportunities for M&A in Latin America are plentiful, but successful execution relies heavily on having deep expertise within the region: local cultures, customers, and regulations can take investors by surprise (…) It's essential that advisors have experience within the same regions and industries the target is operating in. E.g. in Brazil we have a complex tax regime and the rules are complicated for foreign investors. So they need local experts with local expertise and global connections to work through these issues" - Case 1 "A robust regional strategy gets you to the M&A table in Latin America, but it's the granular, on-the-ground understanding that truly seals the deal. Each market has its own distinct business culture, regulatory framework and tax intricacies that a generic playbook simply misses. Success, then, comes down to connecting that big-picture vision with those local realities

	to unlock and protect lasting value. (…) Financial, legal and regulatory due diligence also require a local lens. That's where you need deeply local advisory firms, which know the market well," (...) Because each market has its own peculiarities. And you can be wrong-footed if you don't have somebody who understands those peculiarities" - Case 4
3.a.3. Building personal relationships and trust to progress deals in relationship-oriented business environments	<u>Excerpt from report</u> "Europe, in general, has differences between regions such as Scandinavia, Italy, Spain, and Germany, but is more purely business oriented. Latin America is more relationship oriented. If you want to do effective business in Latin America, you need to build relationships, taking time to get to know people not only professionally but also personally, through dinners, socializing, and meeting families. This is the main difference between Europe and Latin America. For Latin Americans, building trust is very important; they need to feel comfortable with the person they are doing business with, so relationship-building is essential" - Video 4
(3.b) Reducing information asymmetry to ensure deal evaluation	
3.b.1. Misunderstanding company operations and their standards, leading to assessment problems throughout the deal	<u>Excerpt from report</u> "Latin America's corporate culture is shaped by a shareholder-oriented corporate governance model (…) Although more and more information is being disclosed by many companies across the main markets in the region, the level of comparability and the quality of data remain uncertain, and there is an absence of uniform international reporting standards. (...) Companies and investors indicate that obtaining reliable financial information such as details behind historical revenues and financial projections is very difficult. (…) Performing business due diligence (such as understanding the target's position in the market) and assessing the adequacy of a target's accounting policies and internal controls are also very difficult" – Case 1 <u>Video quotes</u> "The biggest difference between buying companies in the U.S. and Latin America is that, in Latin America, you are typically dealing with mid-size, family-based companies. When large corporations from Europe or the U.S. enter the region, they usually target these types of companies. While there are also large, publicly listed companies with proper accounting standards and governance similar to the U.S., most transactions focus on family-owned, mid-sized businesses. In these cases, you encounter several differences compared to the U.S., starting with more complex regulatory environments. Some countries are more complex than others, with Brazil being a notable example of a highly complicated regulatory system (…) They need to conduct proper due diligence to understand the company and access the necessary information" – Video 2 "I would prefer to first speak with the company, sit down, and review what we have, what they want, and what resources and marketing materials are available. It may not be the best idea to translate everything and prepare all materials in Spanish beforehand, as this can be costly. Instead, it is better to conduct an initial assessment to determine what is actually needed. In some cases, a simple leaflet may be sufficient, rather than

	translating the entire catalog or preparing separate marketing materials. This can be developed over time, so the focus should be on identifying the minimum necessary to start activities" – Video 4
3.b.2. Manipulated and untruthful reporting structures and statements impact the business and deal valuation	Excerpt from report "In many markets in this region, non-arm's length transactions are prevalent, including underpaid CEO salaries, real estate leases between shareholders and the company at non-market rates, and intercompany transactions for tax optimisation or personal gain. Addressing these issues requires extensive due diligence to map group structures, evaluate related-party transactions, and assess these relationships. (…) Preparing a non-binding offer based on unadjusted accounting figures can be challenging, as many mid-sized companies' financial statements do not reflect the true state of operations. Common issues include reporting employee compensation as dividends, not reporting all revenues and expenses to avoid taxation, and using company funds for personal expenses. These practices can distort profitability and lead to inaccurate valuations. Making an initial offer based on unadjusted figures can create friction if the price is later reduced after due diligence, while low initial offers may exclude buyers from negotiations. It is therefore essential to adjust the target's financials before indicating a price."– Case 5
(3.c) Adapting culture and business practice for integration success	
3.c. 1. Leveraging workforce capabilities, cultural diversity, and relational practices to support investment execution	Excerpt from report "Losing good talent is one of the primary reasons acquisitions fail to achieve their financial objectives. Providing incentives to keep the most talented managers from leaving will help maintain effective channels of communication with the rank-and-file employees and retain critical relationships. (...) One major oversight is failing to identify employees who have strong ties to regulators and other government agencies" – Case 2 "Skills development and training are key channels through which ODA enhances sectoral transformation, employability, and investment attractiveness" - Case 3 Video quotes "When approaching Latin America from the outside, particularly from the U.S., there is sometimes a lack of understanding that, although it is grouped as one region, practices differ significantly between countries. For example, Mexico tends to be more formal, while Argentina is more informal, and there are many variations in between. Brazil, for instance, is highly regulated, with everything documented. To navigate this, it is essential to understand local regulations, which requires local expertise. You need local professionals who understand taxes, labor, legal, and environmental issues, as these are critical areas. Working closely with them is essential." – Video 2
3.c.2. Adjusting to cultural aspects to bridge potential operational differences	Excerpt from report "Another weak spot in the M&A lifecycle is the post-merger phase. Post-deal integration is one of the areas where organizations require the most external support. Achieving value in these downstream phases is often complicated by inadequate pre-closure stress testing, and for many,

	integration remains an afterthought. Executives report that organizational and cultural alignment is the most challenging aspect of post-merger integration in their largest Latin American deals over the past five years, followed by the harmonization of tax and legal structures. Local expertise is critical to avoiding these pitfalls." – Case 4
3.c. 3. Understanding the workflow and systems in the company to enable a smooth transition	Excerpt from report "A corollary to retaining the best talent is prioritizing strong relationships with managers and employees at the acquired firm from the first day of ownership. This is an important aspect of post-merger integration in any geography, but especially critical in Latin America. A key first step is holding a meeting with all personnel immediately after closing to explain what they can expect from the new owners and what is expected of them. It is also advisable to establish an on-site integration team to communicate policies and procedures and address employee questions" – Case 2 Video quotes "If a U.S. company enters Brazil and tries to apply its own executives, standards, and ways of working, it will face difficulties, as local employees have established practices and expectations. It is necessary to be flexible and balance both approaches to achieve the best outcome. In the acquisition process: strategy, target selection, due diligence, and negotiation, these are the easier stages. The more complex part is integration, which requires balancing what you bring with what you find." – Video 2
(3.d) Developing experience transfer abilities to improve future deal completion	
3.d. 1. Learning from operating in volatile and diverse country contexts to build confidence and improve future deals	Excerpt from report "Interviews with senior M&A dealmakers show that lessons from transactions in Latin America are increasingly relevant worldwide. The volatility that has long characterized the region is now spreading globally, and experience gained there can be applied to M&A ventures elsewhere. (…) Organizations are seeking external support and value fully integrated solutions, with many executives prioritizing full-cycle advisory models. One executive noted the importance of establishing partnerships with external advisors that ensure alignment throughout the entire process, rather than relying on standalone advice at specific stages" - Case 4

Table 8. More evidence of building institutional capabilities for deal execution and integration

4.5. Overview of theoretical model: A processual framework of institutional distance in CBMAs

This study aims to explore how institutional distance factors in emerging markets, with a focus on Latin America, influence CBMA processes. By combining the results of data analysis with relevant existing literature, we created a model showing the influence of institutional distance factors on different processes of CBMA. Aware of the main criticism in inductive research that the model elaboration is not close enough to the phenomenon (Shepherd & Sutcliffe, 2011, p. 363), we developed our theoretical model to be as close to our data structure and findings as possible. This is illustrated in Figure 6.

To answer the research question, which factors are included in the model and how the relationships between them are portrayed (Whetten, 1989, p. 491), we identified the institutional factors and the relationships associated with different processes of CBMAs. As this is a processual model, we use arrows to clarify the logic of the model and to enhance reader understanding, especially with the loop in knowledge transfer. The following section elaborates on the model, where aggregate dimensions, second-order codes, and earlier subchapters of the discussion are combined to offer a comprehensive understanding of how institutional factors influence the CBMA process.

When engaging in cross-border deals, the acquirer faces the challenge of operating in a different institutional environment in the host country, where both formal and informal institutional factors may differ from those in the home country. Formal institutional factors include regulatory, political, legal, economic, and governance aspects, while informal institutional factors consist of culture, norms, and cognitive elements. The differences between these factors in the home and host countries reflect institutional distance, and the greater or lower distance of each factor can influence CBMAs in different ways.

Scanning the institutional environment is the first stage of the theoretical model. This stage involves investors investigating the target country to understand the institutional context, evaluate investment possibilities, and make decisions on investment location based on this assessment. There are three main analytical activities that acquiring firms need to undertake. First, they analyze legislative and governance frameworks to gauge opportunities and prevent potential issues when entering the deal. In this step, economic and regulatory conditions are evaluated and compared across countries to assess investment feasibility. Second, they observe the macroenvironment to identify potential conflicts. Political and economic instability, as well as political and regulatory uncertainty, are considered unfavorable factors that may pose risks during the deal process. Third, they identify appealing market interventions for investment selection. In the target market, government involvement is an important factor for investors when choosing an investment location. Whether the government is investor-friendly and whether it provides supportive policies or incentives for investment are also crucial considerations.

The second stage is adapting strategy to fit the institutional environment of the selected market. Each target economy has its own advantages and disadvantages; therefore, the investors' responsibility is to manage risk–reward trade-offs strategically. There are three strategic actions that can be implemented to successfully manage these trade-offs. First, leveraging local knowledge of market dynamics to configure business conditions. Through this action, investors become aware of the risks, opportunities, and market conditions, allowing them to utilize their strategic resources to identify and exploit investment opportunities. Second, overseeing financial and regulatory constraints to orchestrate deal design. Valuation gaps, valuation friction, and risks associated with differences in tax and legal systems require investors to carefully manage these constraints. This includes structuring transactions, using flexible payment structures, and enhancing negotiation strategies to deal with such challenges. Lastly, improving institutional cooperation to mitigate investment risk. This emphasizes that acquiring firms need to enhance their cooperation with institutions and governments in the host country to gain support during the deal process and to de-risk the investment.

The final stage of our theoretical model is building institutional capabilities for deal execution and integration. There are four key capabilities that stand out from our research in cross-border deals. The first capability is the ability to enhance local embeddedness to navigate legitimacy challenges. This includes leveraging local expertise to understand and manage regulatory complexity and cultural differences during both the deal process and implementation. It also involves building personal relationships and trust with local stakeholders to facilitate deal progression in different business environments. The second capability is reducing information asymmetry during deal evaluation. In the context of emerging markets, where firms operate differently compared to advanced economies, misunderstandings can lead to problems in business assessment. Furthermore, the lack of rigorous accounting standards and the presence of manipulated or untruthful reporting can intensify valuation challenges. The third capability is adapting to cultural and business practices for integration success. Cultural differences pose challenges during post-deal integration. To execute integration effectively, acquirers need to leverage workforce capabilities, utilize cultural diversity, and rely on relational practices. In addition, they must adjust business operations to local cultural practices to bridge operational gaps. Understanding existing workflows and systems of the target company, and gradually aligning them with preferred practices, is essential to ensure a smooth transition.

The final capability is developing experience transfer ability to improve future deals. Given the volatile and diverse nature of emerging markets, firms need to codify their experience and knowledge gained from conducting M&A in one country and transfer it to future deals. This enhances confidence and improves the firm’s ability to navigate institutional differences across markets.

Institutional distance factors influence the entire CBMA process, from the pre-deal phase, through deal configuration, to the post-deal phase. No single factor influences only one specific stage, and neither formal nor informal factors operate independently. Instead, there is a joint influence of multiple factors within each stage, and individual factors can affect multiple stages of the CBMA process. Therefore, it is important to understand the possible effects that emerge from institutional distance and the strategic actions that investors can take to navigate differences in institutional environments across target economies.

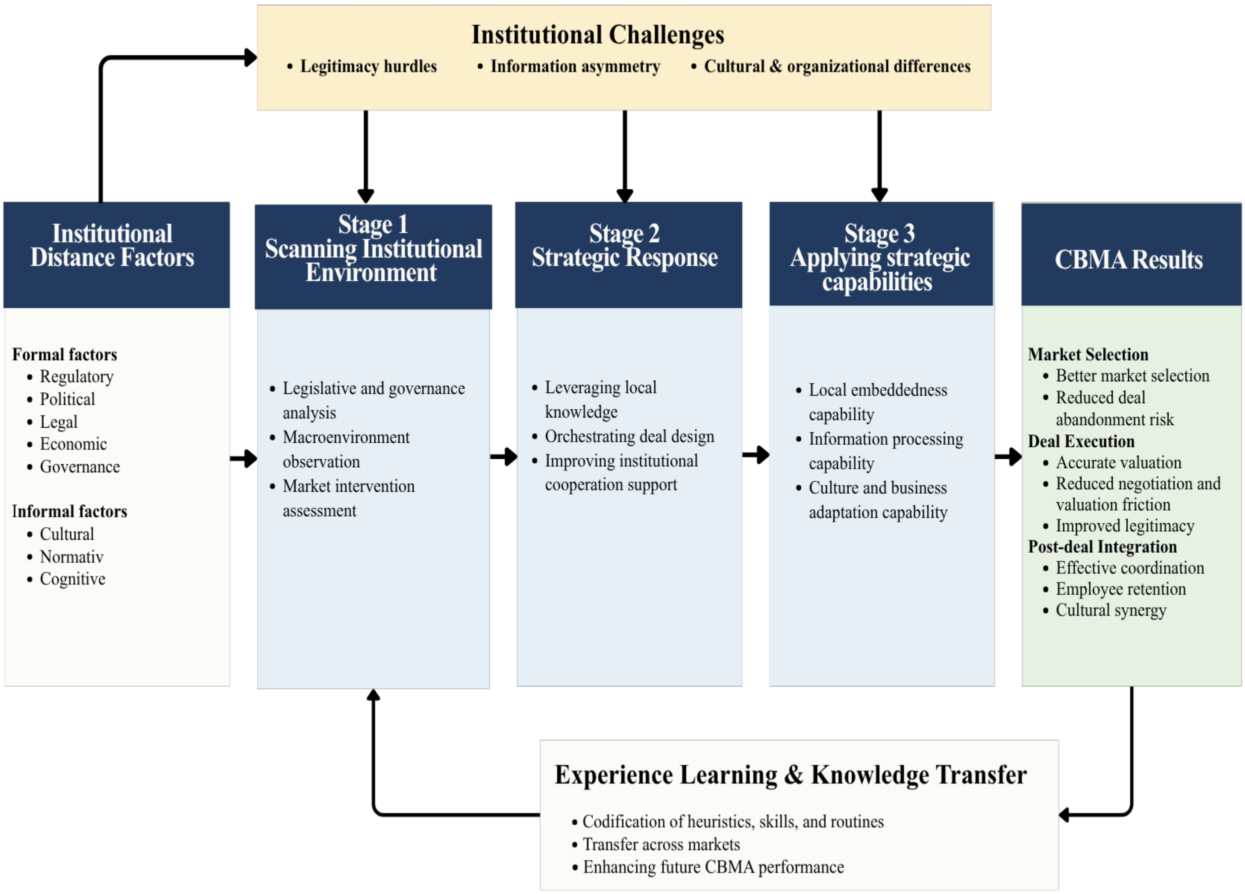

Figure 6. Process model of institutional distance in CBMA

5. Conclusion

The aim of this master thesis was to gain insides on cross-border mergers and acquisitions with Latin American participation. For that we asked ourselves what are the factors that influence the process, how are the different deal-phases different and do the influential factors change, what role does the factor of emerging vs. establish market make? To come closer to the answer to these questions, we consulted academic literature on institutional distance factors and their influence on CBMA and focused on emerging markets results. Additionally, we examined secondary, practitioner data in specific Latin American context and combined the literature with the data and successfully build an understanding in persuasion of the answer to the research question:

How are institutional distance factors in emerging markets, with a focus on Latin America, influencing CBMA processes?

The findings of the thesis show that Latin American institutional distance factors influence the CBMA process in three stages: (1) Scanning Institutional environment, (2) Strategic response, and (3) Applying strategic capabilities, with a fourth aspect that is not an institutional distance factor but rather the way how to handle them is the process of transferring the knowledge learned from previous CBMAs, no matter if from others or yourself, onto new cases and using the knowledge gained in the process sensibly.

Additionally, we found that in Latin America formal institutional distance factors can present hurdles especially during the pre-deal phase and the deal negotiations. The main issues are often related to elongation of the deal because of institutional handling time, such as tax, law or regulation related issues. The informal institutional influences during the deal are often related to dubious reporting structures or various issues related to family company cultural aspects, where problems are solved under the table and the repercussions then come out and have to be handled during the deal. Furthermore, the issue often does not lie in the institution and how it differs, as managers can read about the laws, tax rule and other regulation; but the difficulty rather lies in the unexpectant of factors, such as corruption, false reporting, cultural aspects that are not easy to understand, nor very explicable.

This leads to the explanation of how institutional distance factors influence the post-deal and integration process of CBMA deal. In the integration process, the informal institutional distance factors are more influential, as the formal factors are often dealt with by this point. In mergers and acquisitions across borders, the integration is a complex progress, as the model from the home-country needs to be adapted, to suit the host-country. This includes everything from what needs to be reported and how do taxes work, to what is the work culture like, what needs to be done to gain the trust of people to be able to have a successful integration, where does the company have connection that might be helpful, as it is typical in many Latam countries to use personal connections, rather than the official way. This is also one of the reasons, why it can be difficult for an outsider to gain traction in the Latam region, if you do not have personal connections in the right places time and money can be heavily affected. To counter that, our research data suggested to have local advisors to help understand the lay of the land and provide an in, through local connections.

6. Contributions, Limitations and Future research

In this chapter we present the threefold contributions of the thesis. This entails the ways in which the findings of the thesis have contributed in a theoretical way, a practical or managerial way and a societal way. Followed by the limitations of the thesis and our recommendations for future research.

6.1. Theoretical Contributions

Existentially contributing to academic literature through new findings and further developing published theories and models, takes time and practice. Nevertheless, the combination of academic literature and data analysis applied in this thesis, allowed for findings to result in theoretical contributions.

In this thesis we have focused on a literature stream that has a big interest in the strategic management community in research, and because of that decided to focus on a niche within the literature stream, which is not in the focus of many researchers within the community. This thesis serves as a continuation on CBMA research on emerging market countries and how institutional distance factors influence the process. Wiedemann et.al (2025, p. 2400) and He & Padrón-Hernández (2024, p. 283) called for research within the literature stream that concentrates on the Latam region, which is what this thesis offers.

The first way in which our research contributed theoretically, is the introduction of a new model, which we created with the findings of the data analysation. This model identifies the ways in which institutional distance factors, influence the CBMA process with Latin American participation. The model shows that the influence can be seen in three main categories or phases throughout deals (1) Pre-deal – Scanning institutional environment, (2) Deal negotiation – Strategic response, and (3) Integration and Post-deal – applying strategic capabilities.

Secondly, the analysation of practitioner data, which focuses specifically on the Latam region, introduces a boarder view on Latam America. Wiedemann et al. (2025, p. 2403) talk about the importance of analysing regional data, as a required addition to specific firm-level analysation, which our thesis contributes to. When analysing the firm-level, the focus lies on the behaviour of those firms, while analysation on a regional level, as we have done, can offer a more general understanding of the area and not only specific firms.

Thirdly, this thesis contributes to the contradicting results of different studies that generally speak about IDF influence on CBMA (Ahsan et al., 2024, p. 16, Xie et al., 2017, p 154). Although the research we have conducted is not extensive enough to end the discussion, as this would require more time and resources, it offers a new addition and perspective to the literature stream, which might aid in the continuation of the clearing up of the inconsistencies or find a reason or pattern that explains rules for different effects.

6.2. Practical Contributions

Through this thesis, we offer several contributions to corporate managers and strategists, M&A practitioners, and investors involved in CBMAs in emerging markets, with a specific focus on Latin America.

First, this thesis provides a clear and synthesized context of CBMA data for emerging markets, particularly for LATAM countries. This helps managers engaged in cross-border deals to better understand institutional distance factors in Latin America. As a result, it supports them in evaluating and comparing, which countries are more compatible with their strategic objectives and acquisition goals. This directly reduces uncertainty in the early stages of CBMAs and helps executives make more informed decisions regarding market entry and partner selection.

Second, our study takes a comprehensive view of institutional factors, analysing their potential effects on CBMAs. This helps managers identify and assess hidden risks arising from institutional distance. With a clearer awareness of these risks, the study supports more effective due diligence processes and the development of risk mitigation strategies.

Third, our study emphasizes the importance of local embeddedness, which includes local knowledge, local expertise, and on-the-ground teams in target markets that investors may not be familiar with. Strong local embeddedness enables investors to reduce information asymmetry, gain local legitimacy, and better adapt to local cultural contexts, particularly during negotiation and post-acquisition integration.

Fourth, this study provides a three-stage model that guides managers through the entire CBMA lifecycle. The framework offers an actionable structure for each stage, supporting managers in evaluating and executing deals in Latin America. In the pre-deal stage, the focus is on understanding the target market through local partners, expertise, and thorough due diligence. In the deal configuration stage, the model highlights the importance of appropriate negotiation strategies and flexible deal structures to address institutional challenges. In the post-deal stage, the framework emphasizes the role of local embeddedness in successful integration and long-term performance.

Finally, by combining academic literature with practical data from industry reports, this study bridges the gap between theory and practice. It provides applicable insights for strategic and M&A practitioners, enhancing their decision-making capabilities in real-world CBMA contexts.

6.3. Societal Contributions

Beyond practical contributions, this thesis also generates broader societal contributions for Latin American countries, as well as for international understanding and the economic development of emerging markets.

First, by placing a focused lens on Latin America as a distinct research context, this study emphasizes the heterogeneous nature of the region, where each country operates within its own unique institutional environment. In doing so, the study helps counter the common overgeneralization or oversimplification of LATAM economies in international discourse. By highlighting these differences and the ongoing efforts of countries to improve their institutional conditions, the study demonstrates that several countries in the region are becoming increasingly attractive to global investors, thereby strengthening the region's position on the global M&A landscape.

Second, by focusing on informal institutional factors such as culture, norms, and values, this study promotes greater cross-cultural awareness and understanding in international business interactions. It highlights the diversity of cultural differences across countries within the region and shows how these differences influence the entire CBMA process, including both national and organizational levels. By doing so, the findings encourage more responsible and context-sensitive business practices, which can reduce the risk of conflicts and negative societal impacts in host countries arising from informal institutional distance.

Third, the findings point to the important role of government involvement in increasing a country's attractiveness to foreign investors, which carries clear policy implications. Governments and regulators in Latin America can enhance their appeal to global investors by designing more effective investment promotion policies, reducing unnecessary bureaucratic barriers, and strengthening institutional frameworks to facilitate foreign direct investment. Furthermore, beyond individual country efforts, this thesis also highlights the positive role of regional and cross-regional alliances, emphasizing the importance of international cooperation and relationships at the national level.

Last, in line with the strengthening of institutional environments that attract foreign direct investment, this study also highlights the broader impact of CBMAs on economic and institutional development. CBMAs can contribute to job creation, infrastructure development, workforce capability building, and productivity improvements. These effects support economic development in Latin America and can further enhance the quality of institutional environments, creating a reinforcing cycle that improves the region's ability to attract future foreign investment.

6.4. Limitations and Future research

This study relies entirely on secondary data in English to provide an understanding of how institutional distance factors influence emerging markets in the context of Latin America. Therefore, several limitations must be acknowledged. First, the data sources used in this study consist of industry reports and videos. The absence of primary data means that the study lacks first-hand insights from firms and stakeholders directly involved in current CBMA activities. Furthermore, we have no control over the data quality or collection methods, which may limit the depth and accuracy of insights, as the data was not originally collected for the purpose of this research. In addition, the industry reports from consulting companies and the experts featured in videos and podcasts mainly represent supporting perspectives or third parties, such as consultancies, rather than the firms directly involved in CBMAs. Furthermore, this study relies exclusively on English-language data, while the main languages in the LATAM region are Spanish and Portuguese. This limits access to more extensive and potentially more immediate or firm-level data. Future research could address this limitation by conducting analyses based on primary data or by combining primary and secondary data in Spanish and Portuguese. To ensure richer and more relevant datSSa, future researchers are encouraged to conduct interviews with managers from firms involved in CBMAs, which could provide deeper insights into firm-level decision-making processes.

Second, the interpretivist and qualitative research design, combined with the structured Gioia method, is strong in providing rich and context-specific insights. However, it also carries the risk of subjectivity in the analysis. This has been acknowledged in the ethical considerations section, where it is noted that the authors' backgrounds and potential biases may influence the interpretation of qualitative data. Nevertheless, this remains a limitation, as it can affect the interpretation of the findings. Future research could complement this approach by incorporating quantitative techniques, such as machine learning or natural language processing, to analyse large-scale datasets from reports, news, and other sources, thereby enhancing robustness and reducing subjectivity.

Third, the research context focuses on Latin America (LATAM), which limits the generalizability of the findings to other emerging markets that may have different institutional characteristics. Therefore, the findings may not be applicable to other regions. Even within Latin America, the study faces the risk of overgeneralization due to scope constraints. The collected data mainly focuses on selected focal countries and does not provide an in-depth analysis of all Latin American countries. Given the heterogeneous nature of the region, the study may overlook country-specific institutional differences, particularly for countries not included in the dataset. Future research could expand this perspective by conducting comparative studies across different emerging regions, which would enhance the understanding of how institutional distance varies across contexts.

The final limitation relates to the temporal and contextual constraints inherent in the research topic. The field is continuously evolving, especially regarding formal institutional factors such as interest rates, regulations, and new trade agreements, which can change rapidly. This limits the long-term applicability of the findings. Future research could address this by adopting longitudinal approaches to examine how institutional distance factors and CBMA dynamics evolve over time. Furthermore, as this study introduces the new EU–Mercosur trade agreement between Europe and Latin America, future research could specifically analyse the impact of this agreement on CBMA activities in the region.

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Appendix

1.1 Appendix 1. List of industry reports and videos

Code	Name of report/ video	Company/ Channel	Time	Kind of report/ video	Page numbers/ Time duration	Links
Case 1	In an uncertain world, Latam M&A is on the rise	KPMG	2023	Company survey	28	https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2023/06/m-a-in-latin-america-english-report.pdf
Case 2	A buyers guide to M&A in Latin America	Baker McKenzie	2018	Company survey	36	https://www.lexology.com/library/detail.aspx?g=ca880dd7-c14e-4b96-ab13-07ab02f6accb
Case 3	Assessing the socio-economic impact of FDI in Latin America and the Carribian	OECD	2025	Reprot for EU-LAC GGIA Agenda	237	https://www.oecd.org/en/publications/assessing-the-socio-economic-impact-of-foreign-direct-investment-in-latin-america-and-the-caribbean_fd8fb41c-en/full-report.html
Case 4	Making value pathways - A Roadmap for M&A in Latin American countries	KPMG	2025	Company survey	25	https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2025/making-value-pathways.pdf
Case 5	The LatAm M&A Handbook - Agrentina, Brazil and Mexico	Clairfield International	2024	Handbook	68	The Clairfield LatAm M&A Handbook: A guide to successful acquisitions in Latin America - Clairfield
Video 1	Why Investors Are Bullish on Latin America in 2026 | M&A, Nearshoring & Risk Architecture - The nearshore cafe Podcast	The Nearshore Cafe Podcast	2026	Podcast	00: 30: 44	https://youtu.be/EgKG-t5OgD8?si=blMIKsFUY-25cBds
Video 2	How to do Deals in Latin America | Juan Guillermo Castaneda w/ Kison Patel	M&A Science	2023	Podcast	00: 50: 53	https://youtu.be/v0RAS3X6zn0?si=-6QCV9qZhfGnKaA2
Video 3	M&A Appitite in Latam: How hungry are investors for the new markets? SIGMA Americas Digital	SIGMA World	2020	Panel	00:29:03	https://youtu.be/ykvtXHaKxuY?si=0Ho09JnjSsHh0-ST
Video 4	Kamil Pekacz: Rewards and Challenges of Doing Business in Latin America – The Bridge with Juan Carlos	The Bridge with Juan Carlos	2024	Podcast	00:31: 20	https://youtu.be/2D5PFoqtwpE?si=xB4KL2bw-EVR52Xe