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How cross-cultural experience shapes emerging-market multinationals' domestic performance after a cross-border acquisition

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ABSTRACT

Although many cross-border acquisitions (CBAs) by emerging-market multinationals (EMMs) are aimed at improving domestic operating performance, the conditions under which such CBAs are the most effective have been underexplored. Drawing on global strategy research on resource recombination and organizational learning, we propose that the effectiveness of domestic-improvement oriented CBAs crucially depends on EMMs' cross-cultural experience, as EMMs apply different forms of resource recombination to such CBAs as a function of that experience, with varying degrees of success. Specifically, we hypothesize a U-shaped relationship between an EMM's cross-cultural experience and the domestic productivity growth it realizes from a domestic-improvement oriented CBA, and that this relationship is steeper for acquisitions involving more intensive integration or relatively larger targets but flatter for acquirers from countries with larger institutional voids. Measuring both the depth and breadth of firms' cross-cultural experience, we obtain support for our hypotheses in a sample of 423 domestic-improvement oriented CBAs by manufacturing firms from 13 emerging economies, thereby shedding light on what determines the effectiveness of such CBAs.

1. Introduction

As cross-border acquisitions (CBAs) by emerging-market multinationals (EMMs) have become increasingly common (Luo and Bu, 2018; Lebedev et al., 2015; Gubbi, 2015), the performance effects of such acquisitions have started to receive more scholarly attention. Extant studies of these effects have focused on explaining either the performance of the acquired foreign firm (e.g., Pereira et al., 2021; Buckley et al., 2014) or the expected future financial performance of the acquirer, as measured by the cumulative abnormal return on an EMM's stock around the time it announces a CBA (e.g., Aybar and Ficici, 2009; Li et al., 2016a; Ning et al., 2014). At the same time, the role of CBAs in shaping EMMs' operating performance in their home country has remained unaddressed, even though improving domestic operating performance is a key goal of many CBAs that EMMs make (Deng, 2009; Peng, 2012; Rudy et al., 2016).

By making domestic-improvement oriented CBAs, EMMs aim to obtain novel technological resources for use in their domestic

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operations, most notably to 'catch up' with developed-economy rivals (Cui et al., 2014; Kumaraswamy et al., 2012) and thereby prevent these rivals from overtaking them at home (Gammeltoft and Cuervo-Cazurra, 2021; Ghemawat and Hout, 2008), where EMMs often conduct most of their business (Li and Oh, 2016).

Although the effectiveness of domestic-improvement oriented CBAs is thus of crucial concern for EMMs long-term competitive position, the determinants of that effectiveness are yet to be identified. In this paper we aim to start uncovering these determinants, in particular by exploring the role of EMMs' cross-cultural experience, as this form of experience has been shown to crucially influence the outcome of a variety of cross-border business phenomena (e.g., Barkema et al., 1996; Perkins, 2014; Piaskowska et al., 2022). Our main research question thus is: How does an EMM's cross-cultural experience at the time it makes a domestic-improvement oriented CBA influence the success of that CBA?

Combining insights from the streams of global strategy research on resource recombination and organizational learning (Schweizer et al., 2022; Verbeke and Kano, 2016; Riviere et al., 2021), we propose that EMMs tend to apply different forms of resource recombination to domestic-improvement oriented CBAs as a function of their cross-cultural experience, with varying degrees of success. More specifically, we argue that, once emerging-market firms have gained some cross-cultural experience, their desire to catch up with developed-country rivals causes them to apply 'integrative' forms of resource recombination to domestic-improvement oriented CBAs, even though at that stage their intercultural capabilities are not yet advanced enough for these integrative forms. EMMs' use of such forms at low to medium levels of cross-cultural experience therefore tends to result in cultural conflicts with the acquired unit's workforce, weakening the domestic productivity gains from the CBA. As EMMs gain further cross-cultural experience, their intercultural capabilities gradually become more advanced, leading them to become more effective at the integrative recombination forms. Consequently, the initially weakening effect of the use of these forms on the success of a domestic-improvement oriented CBA is likely to gradually diminish as a function of an EMM's cross-cultural experience and eventually turn into an amplifying effect. We therefore hypothesize a U-shaped relationship between an EMM's cross-cultural experience and the domestic productivity growth that it realizes from a domestic-improvement oriented CBA.

Furthermore, we propose that this relationship is not equally pronounced for all such CBAs and all EMMs. Specifically, we hypothesize that the U-shaped curve is steeper for acquisitions involving more intensive integration or relatively larger targets but flatter for acquirers from countries with larger institutional voids. Measuring both the depth and breadth of firms' cross-cultural experience in terms of both depth and breadth, we find robust support for our hypotheses in a sample of 423 domestic-improvement oriented CBAs made by manufacturing firms from 13 emerging economies over the period 2006–2013.

Our study makes three noteworthy contributions to global strategy research. First, whereas extant research suggests that domestic-improvement oriented CBAs are particularly beneficial to EMMs with little cross-cultural experience as these firms usually have the strongest need for superior complementary resources (e.g., Guillen and Garcia-Canal, 2009; Madhok and Keyhani, 2012), we show that the productivity gains from such CBAs only show an upward trend when EMMs have gained substantial cross-cultural experience and thus have become capable of effectively applying integrative forms of cross-border resource recombination. More generally, our study thus sheds light on the role of organizational learning in cross-border resource recombination – a role that has hitherto been under-explored (Grogaard et al., 2022; Schweizer et al., 2022).

Second, whereas prior studies of cross-border resource recombination primarily focused on such recombination for the purpose of achieving success in foreign countries (Putzhammer et al., 2020; Verbeke and Kano, 2016), we focus on cross-border resource recombination for the purpose of improving a firm's domestic operations. Recombination for the latter purpose is particularly relevant for EMMs, given their generally strong desire to prevent developed-country rivals from overtaking them at home. Finally, our findings offer valuable insights for research on the domestic development effects of foreign direct investment (FDI) by EMMs (Li et al., 2016b; Zhao et al., 2010), as they make clear that such research needs to start accounting for heterogeneity across EMMs.

2. Theory and hypotheses

2.1. Theoretical background

In recent years, EMMs have increasingly made acquisitions in developed countries to obtain novel resources – such as product designs, process technologies, specialized equipment, marketing skills, or general management knowhow – to be used in their domestic operations, so as to improve the productivity of these operations (Elia and Santangelo, 2017; Zheng et al., 2016). By making such domestic-improvement oriented CBAs, EMMs aim to realize higher production or sales from a given volume of capital or labor input and thereby catch up with their developed-economy rivals (Cui et al., 2014; Awate et al., 2012), which are often more productive and therefore pose a threat to them, especially in their home country, where EMMs tend to conduct most of their business. To illustrate the latter point, in 2019 the 100 largest non-financial EMMs on average realized 61.6% of their total sales domestically (UNCTAD, 2022; Li and Oh, 2016). EMMs may therefore be expected to be keen to fend off domestic competition from developed-economy entrants by making a success of domestic-improvement oriented CBAs.

For such success to materialize, the novel resources of the foreign-acquired unit need to be incorporated in the domestic asset base of the acquiring EMM through a process of resource recombination. Such recombination plays a central role in both new internalization theory (Rugman and Verbeke, 2003; Verbeke and Kano, 2016) and resource-based perspectives on acquisitions (Sears and Hoetker, 2014; Galunic and Rodan, 1998) and in general terms refers to the act of bundling a firm's extant resources with newly-obtained ones to achieve a competitive advantage and thereby superior performance (Narula et al., 2019; Rugman and Verbeke, 2001).

New internalization theorists have proposed that in international settings resource recombination can take four forms, namely fast

bundling, principles-driven bundling, adaptive bundling, and entrepreneurial resource orchestration (Verbeke and Kano, 2016). Fast bundling pertains to the use of simple, one-off agreements to make specific stand-alone resources held by one entity available to another, whereas principles-driven bundling refers to the use of formalized principles in the form of roadmaps, timelines, and incentives to transfer a broader set of resources. In the case of adaptive bundling the recombination process is partly formalized and partly unstructured, with the resource owners jointly engaging in trial-and-error efforts to create an effective bundle of resources. Entrepreneurial resource orchestration, finally, mainly consists of "non-programmable bricolage" (Verbeke and Kano, 2016: 87), whereby the resource owners creatively mix and match resources by making extensive use of informal tactics such as negotiation, diplomacy, and arbitration.

An important difference among these four forms of cross-border resource recombination is that fast bundling usually involves the transfer of a single, stand-alone resource, whereas the other three forms generally involve the melding of various resources that are more complex and more deeply embedded in the organizations concerned. Hence fast bundling is a transactional form of recombination that requires limited cooperation between the resource owners, while the other three forms involve close inter-unit cooperation and can therefore be considered 'integrative' ones (Verbeke and Kano, 2016). In the case of principles-driven bundling this cooperation is formalized in the form of elaborate bundling procedures, whereas in the case of entrepreneurial resource orchestration it takes the form of joint experimentation and innovation, with adaptive bundling having elements of both. In the context of domestic-improvement oriented CBAs, fast bundling can thus be achieved by keeping an acquired unit at arm's length, whereas the three integrative recombination forms require post-acquisition integration – that is, "the making of changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole" (Pablo, 1994: 806).

Since the three integrative forms of resource recombination generally concern a broader range of resources than fast bundling, their application to a domestic-improvement oriented CBA generally has greater value-creating potential than the application of fast bundling. However, because they involve close cross-border cooperation and thus require post-acquisition integration, they are prone to cultural conflict between the workforces of the acquirer and the acquired unit, whereas such conflict is unlikely to arise in the case of fast bundling, owing to its arm's length nature (Slangen, 2006; Colombo et al., 2007). Unlike fast bundling, the integrative recombination forms therefore require advanced intercultural capabilities from multinational firms in order to be executed effectively. Such capabilities, which have been defined as "a form of organizational intelligence or firm-level ability in functioning effectively in culturally diverse situations" (Ang and Inkpen, 2008: 338), enable firms to draw from and leverage their extant cultural know-how to identify and respond to differences in ways of working across national cultures (Riviere et al., 2021; Grogaard et al., 2022; Perkins, 2014). Without the necessary intercultural capabilities, firms will be unable to smoothly integrate foreign-acquired units (Barkema et al., 1996; Barmeyer and Mayrhofer, 2008) and successfully apply the integrative forms of cross-border resource recombination to such units.

Global strategy studies of organizational learning have shown that a firm's intercultural capabilities are largely a function of its cross-cultural operating experience (Hutzschenreuter et al., 2011; Hotho et al., 2015). Specifically, the greater the share of its business that a firm conducts abroad rather than at home (i.e., the deeper its cross-cultural experience) and the more internationally dispersed its foreign activities (i.e., the broader its cross-cultural experience), the more skilled it will likely be at avoiding and addressing cultural challenges and, hence, the stronger its intercultural capabilities will be (Casillas and Moreno-Menendez, 2014; Riviere and Bass, 2019). Below we propose that the magnitude of these experience-based capabilities crucially affects an EMM's decision of whether to apply fast bundling or either of the three integrative forms of resource recombination to a domestic-improvement oriented CBA and, consequently, the domestic productivity gains that an EMM realizes from such a CBA.

2.2. How cross-cultural experience shapes domestic-improvement oriented CBAs

Whereas developed-country firms usually only engage in CBAs when they have gained substantial foreign experience, firms from emerging markets have been found to also frequently make CBAs in the early stages of their internationalization trajectory, sometimes even without having any cross-cultural operating experience (Hernandez and Guillen, 2018; Pereira et al., 2021). When an emerging-market firm lacks such experience, its top management is likely to conclude that their firm lacks the intercultural capabilities to effectively apply the three integrative forms of resource recombination to a domestic-improvement oriented CBA and will therefore likely resort to fast bundling after making such a CBA, introducing the acquired unit's novel stand-alone resources such as its designs, patents, or brands in the acquirer's domestic operations through simple exchange agreements (Torres de Oliveira et al., 2020; Gubbi and Elango, 2016). Since emerging-market firms without foreign operations often have a strong need for such resources to complement their existing strengths in efficient production, this form of resource recombination is likely to boost their domestic productivity substantially (Narula, 2012; Luo and Tung, 2018).

When EMMs have gained some cross-cultural operating experience and thus some intercultural capabilities prior to making a domestic-improvement oriented CBA however, their desire to catch up with developed-country rivals (e.g., Kumaraswamy et al., 2012) will likely cause them to increasingly apply the three integrative forms of resource recombination to such a CBA, owing to the larger potential for domestic productivity gains associated with these forms. Yet at that point their intercultural capabilities will likely still be too weak to effectively apply these integrative forms, since such capabilities tend to develop slowly as a function of cross-cultural experience (Riviere et al., 2021; Grogaard et al., 2022; Perkins, 2014) – and in fact more slowly than managers generally presume (Piaskowska et al., 2022). As Piaskowska et al. put it, "low but increasing levels of experience may cause a 'beginner's bubble'" (2022: 1777) whereby a firm's managers overestimate its intercultural capabilities. As a result, EMMs using the integrative recombination forms at low to moderate levels of cross-cultural experience will likely apply post-acquisition integration practices that insufficiently

account for cultural differences between their home country and the country of the acquired unit, resulting in cultural conflicts with the acquired unit's workforce (Cuervo-Cazurra and Rui, 2017; Meyer and Xin, 2018), which in turn will likely weaken the domestic productivity gains from the CBA. As they often originate from countries with a high power distance (Liou et al., 2021), EMMs applying principles-driven bundling may for instance impose bundling procedures on acquired units without consulting local management. Likewise, their typically collectivist cultural origin may cause them to unintentionally treat local employees as an 'out-group' (Muethel and Bond, 2013) in the joint experimentation processes associated with entrepreneurial resource orchestration.

Chinese machinery manufacturer SANY, for example, experienced difficulties in benefiting from its acquisition of PM, the German leader in the concrete machinery industry (Fan et al., 2016). SANY had built up moderate amounts of international experience through exporting and greenfield investments, but a culturally-inspired rigid application of existing processes prevented a satisfactory integration of the different ways of operating that characterized the two companies. That is, SANY approached the post-acquisition phase with plans to continue both with their on-the-job training program and with procedures aimed at efficiency and cost-cutting by simply applying these practices to technologies obtained from PM. However, this proved incompatible with PM's technology development process, which was heavily shaped by a culture that emphasized accountability and independent thinking from workers, and thus required high levels of intelligence and transparency. As such, SANY's post-acquisition plans led its technicians and managers to overlook the quality potential embedded in PM's technology, which not only caused friction among staff of both companies, but ultimately also harmed the extent to which SANY benefitted domestically from its acquisition of PM (Fan et al., 2016).

As EMMs gain further cross-cultural experience, their intercultural capabilities gradually become more advanced, leading them to become increasingly effective at accounting for cultural differences during post-acquisition integration and, thus, at applying the integrative recombination forms to domestic-improvement oriented CBAs (Rui et al., 2016). They will for instance learn about inter-country differences in communication styles, decision-making practices, incentive systems, and approaches to innovation (Adler, 1986; Newman and Nollen, 1996; Schneider and De Meyer, 1991; Shane, 1993), enabling them to account for such differences in their post-acquisition integration approach and thereby avoid cultural conflicts while engaging in the integrative recombination forms. They may thereby draw on a range of tools gained and developed through cross-cultural experience, such as the utilization of knowledge brokers, and on instruments aimed at stimulating intra-organizational information exchanges such as internal mobility, socialization, incentive structures, and the hybridization of organizational cultures (Grogaard et al., 2022; Riviere et al., 2018; Bausch et al., 2022).

Although some studies have argued that firms' capability to account for cultural differences in a CBA primarily depends on their experience with CBAs in particular (e.g., Laamanen and Keil, 2008; Hayward, 2002), this capability will likely also be determined by firms' experience with other foreign operating modes, owing to so-called experience spillovers (Graebner et al., 2017; Meschi and Metais, 2006). By gaining cross-cultural experience through operating modes such as exporting, joint ventures, and wholly-owned greenfield subsidiaries, firms are also exposed to cultural differences and will therefore likely become increasingly skilled at accounting for them, which will likely be beneficial to the execution of CBAs as well. Indeed, prior studies have shown that general cross-cultural experience improves CBA performance (Avetisyan et al., 2020; Galavotti et al., 2017; Barkema et al., 1996). In fact, some work on experiential learning "emphasizes (…) that diversity of previous experience, rather than similarity to current situations, is what matters—heterogenous experience provides a broader pallet of solutions from which to draw in future challenges" (Langosch and Tumlinson, 2022: 418; Zollo, 2009). This suggests that cross-cultural experience in different shapes and forms is likely to substantially contribute to a firm's intercultural capabilities in the realm of CBAs and, hence, to its ability to apply the integrative forms of resource recombination to domestic-improvement oriented CBAs in particular.

An example of a cross-culturally experienced EMM that applied an integrative recombination form very effectively to a CBA is Foxconn. When this Taiwanese firm acquired Sharp from Japan, it already had operating experience in other Asian countries, as well as in Europe and Latin America, enabling it to successfully engage in entrepreneurial resource orchestration to improve its domestic operations through the acquisition. Specifically, it used its management's cross-cultural experience to smoothly and creatively enrich its domestic assembly system and enhance its productivity with Sharp's parts procurement power, LCD panel designs, and manufacturing know-how (Kittilaksanawong and Erikate, 2019).

Because EMMs' ability to execute the integrative recombination forms increases with their cross-cultural experience, the initially weakening effect of the use of these forms on the success of a domestic-improvement oriented CBA is likely to gradually diminish as a function of such experience and eventually turn into an amplifying effect. We thus propose that the initially negative relationship between an EMM's cross-cultural experience and the domestic productivity growth that it realizes from a domestic-improvement oriented CBA gradually turns into a positive one. In other words:

Hypothesis 1. An EMM's cross-cultural experience has a U-shaped effect on the domestic productivity growth that it realizes from a domestic-improvement oriented CBA.

2.3. The moderating effects of post-acquisition integration intensity, relative acquisition size, and domestic institutional voids

Although we expect EMMs' cross-cultural experience to have a U-shaped effect on the effectiveness of their domestic-improvement oriented CBAs, we also expect this effect not to be equally pronounced for all such CBAs. More specifically, we propose that the strength of the U-shaped effect depends on (1) the intensity of the post-acquisition integration pursued by an acquiring EMM, (2) the size of the CBA target relative to the acquiring EMM, and (3) the magnitude of the institutional voids in the EMM's home country. As shown below, we focus on these three moderating factors because they critically affect the strength of the earlier-described theoretical mechanisms that we argue drive the U-shaped relationship.

Post-acquisition integration intensity. Although the application of the three integrative recombination forms to domestic-improvement oriented CBAs involves post-acquisition integration, the extent of such integration is likely to exhibit variation (Slangen, 2006; Zhu et al., 2019; Khan et al., 2021), both within and between the integrative forms. For example, some domestic-improvement oriented CBAs may involve more extensive principles-driven bundling than others and thus more intensive procedural integration. Likewise, whereas some domestic-improvement oriented CBAs may mainly involve principles-driven bundling and thus procedural integration, others may mainly involve entrepreneurial resource orchestration and thus require integration at the deeper social level (Angwin and Meadows, 2015; Torres de Oliveira et al., 2020).

At low to medium levels of cross-cultural experience, when EMMs' intercultural capabilities are too weak to effectively execute the integrative recombination forms, domestic-improvement oriented CBAs that are integrated more intensively will likely generate even stronger decreases in EMMs' domestic productivity growth. This is because more intensive post-acquisition integration implies more interaction between the workforces of the acquiring EMM and the acquired unit (Graebner et al., 2017; Slangen, 2006), causing the EMM's shortage of intercultural capabilities to generate even fiercer cultural conflicts between these workforces.

By contrast, when they have medium to high levels of cross-cultural experience, EMMs that integrate domestic-improvement oriented CBAs more intensively will likely realize even greater domestic productivity gains from such CBAs. The reason is that more intensive post-acquisition integration implies the use of those integrative recombination forms that have the highest value-creating potential, most notably entrepreneurial resource orchestration. As EMMs' cross-cultural experience increases from medium to high levels, their intercultural capabilities become increasingly suited for these most value-adding recombination forms, enabling them to execute those forms increasingly effectively and thereby increasingly boost their domestic productivity. Overall, we thus expect that:

Hypothesis 2a. The intensity of integration of a domestic-improvement oriented CBA steepens the U-shaped effect of an EMM's cross-cultural experience on the domestic productivity growth that it realizes from such a CBA.

Relative acquisition size. A similar argument applies to the size of a domestic-improvement oriented CBA relative to the acquiring EMM. At low to medium levels of cross-cultural experience, when EMMs' intercultural capabilities are too weak to effectively execute the integrative recombination forms, domestic-improvement oriented CBAs that are relatively larger will likely generate even stronger decreases in EMMs' domestic productivity growth. This is because in such cases EMMs' shortage of intercultural capabilities will likely result in fiercer cultural conflicts with the acquired unit's workforce, as relatively larger workforces are more powerful and therefore more likely to oppose the use of integrative recombination forms that insufficiently account for cultural differences (Buono and Bowditch, 1989; Colombo et al., 2007).

At medium to high levels of cross-cultural experience, on the other hand, domestic-improvement oriented CBAs that are relatively larger will likely generate even stronger increases in EMMs' domestic productivity growth. The reason is that, all else equal, such acquisitions generally have a relatively larger resource base (Aybar and Ficici, 2009; Ellis et al., 2011), enabling EMMs to create even more domestic value from that base when they have medium to high levels of cross-cultural experience and thus sufficiently advanced intercultural capabilities to execute the integrative recombination forms. Overall, we therefore expect that:

Hypothesis 2b. The relative size of a domestic-improvement oriented CBA steepens the U-shaped effect of an EMM's cross-cultural experience on the domestic productivity growth that it realizes from such a CBA.

Domestic institutional voids. Besides CBA characteristics, characteristics of an EMM's domestic institutional environment will likely also influence how steeply the domestic productivity gains from a domestic-improvement oriented CBA decline at low to medium levels of cross-cultural experience and how steeply these gains increase at higher experience levels. Unlike their developed economy counterparts, EMMs often originate from countries with less-developed institutions, also dubbed institutional voids (Cuervo-Cazurra and Genc, 2008; Khanna and Palepu, 2006). Such voids are reflected in "an imperfect contracting environment, less-developed market mechanisms, an inefficient judiciary, unpredictable and burdensome regulations, heavy bureaucracy, political instability or discontinuity in government policies", and thus pose various challenges to EMMs (Cuervo-Cazurra and Genc, 2008: 960). Although institutional voids exist in all emerging economies, their magnitude varies significantly across countries (Doh et al., 2017). For example, the average number of days needed to secure a building permit equals 95 in India, whereas it equals 434 in Brazil (World Bank, 2019).

Because EMMs usually conduct most of their business in their home country (Li and Oh, 2016), they generally will have found ways to address the challenges that domestic institutional voids pose to them (Stucchi et al., 2015). For instance, EMMs have been found to forge and exploit connections with officials to obtain permits and circumvent regulations, collect market information internally when information intermediaries are lacking, and take over the role of transaction-facilitating institutions where needed (Gao et al., 2017; Khanna and Palepu, 2000). The larger the institutional voids in an EMM's home country, the greater the challenges it will likely have encountered as a result of such voids and, hence, the better it will likely be capable of dealing with them (Cuervo-Cazurra and Genc, 2008).

We contend that an EMM's capability to deal with institutional voids serves as a partial substitute for its intercultural capabilities, as both types of capabilities concern an ability to deal with characteristics of countries' business environments and are thus likely to contain elements that can be leveraged to compensate for shortfalls in the other capability. Prime examples of these elements include an outward-oriented managerial mindset, a willingness to be flexible, and the skills to establish and maintain relationships with other actors. Consequently, at low to medium levels of cross-cultural experience, when EMMs' intercultural capabilities are too weak to effectively execute the integrative recombination forms, EMMs from countries with larger institutional voids will likely experience smaller decreases in domestic productivity growth from applying these forms to domestic-improvement oriented CBAs.

Conversely, at medium to high cross-cultural experience levels, such EMMs will realize smaller domestic productivity gains from their domestic-improvement oriented CBAs. This is because their stronger capability to deal with institutional voids causes the further development of their intercultural capabilities at higher cross-cultural experience levels to generate a lower amount of novel know-how, given that the two types of capabilities are partial substitutes. That is, at medium to high levels of cross-cultural experience, EMMs from countries with larger institutional voids benefit less from their increasingly strong capability to apply the integrative recombination forms to domestic-improvement oriented CBAs. Overall, we therefore propose:

Hypothesis 2c. Domestic institutional voids flatten the U-shaped effect of an EMM's cross-cultural experience on the domestic productivity growth that it realizes from a domestic-improvement oriented CBA.

3. Methodology

3.1. Data collection and sample

We test our hypotheses on a sample of domestic-improvement oriented CBAs by emerging-market firms primarily operating in manufacturing industries. To compile the sample, we inspected the "Emerging Market Global Players" reports published by the Columbia Center on Sustainable Investment (CCSI) since 2007. Based on a single methodology, these reports identify all significant CBAs initiated in a given year by the largest manufacturing firms from each of 17 emerging economies. Our inspection of the reports resulted in an initial list of 1262 CBAs by 640 firms.

We then narrowed down the list to those CBAs that were primarily aimed at obtaining new technologies to improve domestic operating performance. We did so in three steps. First, we used the OECD's classification of manufacturing sectors by R&D intensity to exclude those CBAs that were made by firms primarily operating in 'low-technology industries' (Hagedoorn and Narula, 1996), given that technologies and technological improvement usually play a limited role in such industries. The data on an EMM's main industry were obtained from CCSI's reports. Second, we limited the list to CBAs made in what the IMF calls 'advanced economies', given that such economies are most likely to host superior technologies. Third, we further limited the list to CBAs about which the EMMs stated in their acquisition announcements or annual reports that they engaged in these acquisitions to obtain technologies for use in their domestic operations, given that foreign-acquired technologies are not always used for that purpose.

After having narrowed down the list of CBAs to domestic-improvement oriented ones, we extracted the available data on these CBAs and their acquirers from CCSI's reports, and collected complementary data on the acquirers from their annual reports. We also collected data on the characteristics of their home countries and on those of the target countries of the CBAs from various databases indicated below. This procedure resulted in complete data on all variables for a final sample of 423 domestic-improvement oriented CBAs in 26 advanced economies announced by 259 manufacturing firms from 13 emerging economies over the period 2006–2016.[1]

3.2. Dependent variable

To measure the domestic productivity growth that an EMM realized from a domestic-improvement oriented CBA, we calculated the firm's domestic labor productivity three years after the CBA was initiated as a percentage of its domestic labor productivity in the year of the CBA (Wales et al., 2013; Croce et al., 2013). A firm's annual domestic labor productivity was measured by the ratio of its annual domestic sales in US dollars to its annual number of domestic employees. The annual sales and employment data were retrieved from CCSI's reports. We focus on labor productivity because it is a "critical indicator of operating efficiency" in emerging markets (Park et al., 2006: 139) that is sensitive to the use of technologies such as the foreign-acquired ones on which we focus. Changes in the acquirer's domestic productivity thereby reflect "the direct operational consequences of acquisitions on the firm's domestic activities" (Bertrand and Capron, 2015: 642). Our use of a three-year time period for measuring a firm's domestic productivity growth from a CBA is based on the idea that post-acquisition performance gains may take considerable time to materialize (Van Oorschot et al., 2022), and is consistent with many prior studies of the impact of acquisitions on firm performance (for a review, see King et al., 2004) and work on inter-firm transfers of technology and knowledge (Kotabe et al., 2003; Galbraith, 1990; Wen et al., 2021). Firms that made multiple CBAs during a given three-year period were excluded from the sample, as we aim to unambiguously establish the domestic productivity effects of individual CBAs. As described in more detail below, we also ran our regression models for one-year, two-year and four-year growth rates of a firm's domestic productivity to assess the robustness of our findings.

3.3. Main independent variables

Since a firm's cross-cultural experience is a multidimensional construct (Riviere and Bass, 2019), we measure it along two dimensions, namely its depth and its breadth (Casillas and Moreno-Menendez, 2014; Kafouros et al., 2012). These two experience dimensions function as complementary sources of learning and intercultural capability development within multinational firms, with headquarters learning mostly stemming from the breadth of a firm's cross-cultural experience and subsidiary learning mainly from the

[1] The 13 emerging economies are Argentina, Brazil, Chile, China, Hungary, India, Israel, Mexico, Poland, Russia, Slovenia, South Korea, and Turkey. We obtained qualitatively similar results when we excluded Hungary, Slovenia, and South Korea, which are not classified as emerging markets by some institutes such as the IMF.

depth of such experience (Riviere et al., 2021).

We measure the depth dimension of a firm's cross-cultural experience through the ratio of the firm's foreign sales to total sales at the time of the focal CBA (Ruigrok et al., 2007; Tallman and Li, 1996). The data on both annual sales figures in US dollars were obtained from CCSI's reports. To measure the breadth of a firm's cross-cultural experience, we use a Blau index capturing the international dispersion of the firm's total sales at the time of the focal CBA. This index is defined as $1 - \sum \rho_i^2$, where ρ_i is the proportion of total annual sales that a firm generates in each of nine supranational regions listed in CCSI's reports.[2] To be able to test the U-shaped effect of a firm's cross-cultural experience predicted by hypothesis 1, we also generated the squared values of our depth and breadth measures. Since we relate the index and its squared term to the *growth* of an EMM's domestic productivity rather than to the *level* of that productivity, reverse causality is unlikely to be a concern.

3.4. Moderating variables

To measure the intensity of post-acquisition integration, we content-analyzed the acquiring firms' announcements of the focal CBAs, given that these announcements are more likely to make mention of integration when its planned intensity is higher (Rouzies et al., 2019). Specifically, we created a binary variable coded 1 for those announcements that contained the words "integrate", "integration", or the related terms "incorporate" or "combine", and 0 otherwise. With this variable, we aim to distinguish between the three integrative forms of resource recombination that EMMs can apply to a domestic-improvement oriented CBA (coded 1) and fast bundling (coded 0).

An example of a CBA announcement that we coded 1 is Mexichem's 2012 announcement of its acquisition of Netherlands-based Wavin, in which Mexichem's CEO states that "Mexichem believes that the integration can be successfully executed with minimal disruptions, taking into account both companies' strengths and cultures". Another example is Chile-based Concha y Toro's announcement of its acquisition of US-based Fetzer, which mentions that "we further intend to incorporate the culture of excellence and commitment of the great team at Fetzer". We collected the acquisition announcements from firms' annual reports and press releases on corporate websites.

To measure the relative size of a CBA, we calculated the ratio of the US dollar transaction value of the acquisition and the US dollar book value of the acquirer's total assets around the time of the CBA (for similar measurements, see Datta, 1991; Lee and Caves, 1998). The data on both these values were obtained from CCSI's reports.

In line with previous studies, we operationalize the magnitude of domestic institutional voids through a formative measure that combines three indicators of the quality of the financial, legal, and labor-market institutions in a firm's home country in the year of the focal CBA (Carney et al., 2011). We measure the quality of a home country's financial institutions by the stock market capitalization of all domestically listed companies as a percentage of the country's GDP (Carney et al., 2011). We obtained this percentage from the World Bank's *World Development Indicators* database. We measure the quality of a home country's legal institutions by its rule-of-law score listed in the World Bank's *World Governance Indicators* database (Liu et al., 2011). We measure the quality of a country's labor market institutions by its score on labor market efficiency as reported in the World Economic Forum's annual *Global Competitiveness Reports* (Jamali et al., 2017; Carney et al., 2011). Cronbach's alpha for the three indicators was 0.71, which is above the recommended 0.60 limit, while an exploratory factor analysis produced a solutions with only a single factor with an eigenvalue higher than one, indicating sufficient reliability and validity (Arino, 2003). We therefore averaged their standardized scores into a composite measure. We then reverse-coded the measure, so that higher scores indicate larger domestic institutional voids.

3.5. Control variables

To rule out alternative explanations for our findings, we include several firm, CBA, home-country, and host-country characteristics as control variables. First of all, to account for possible differences in the perceived need to catch up across both EMMs and their home-country governments, we control for a firm's domestic labor productivity level in the year of the focal CBA and its home country's GDP per capita in US dollars in that year, respectively. The former measure likely also captures an EMM's absorptive capacity, as more productive firms tend to be more skilled and therefore more capable of incorporating foreign-acquired resources in their domestic asset base (Pereira et al., 2021).

Furthermore, we control for an EMM's acquisition experience in the target country of the focal CBA by entering a binary variable coded 1 when the EMM had made at least one sizeable CBA in that country over the previous five years. Like prior studies (e.g., Basuil and Datta, 2015), we use this restricted timeframe because knowhow gained from earlier target-country CBAs may be lost over time, for instance due to employee turnover (Lamotte et al., 2021). Sizeable CBAs were defined as those with a deal value of at least 10 million US dollars. The data on these acquisitions were obtained from CCSI's reports and firms' annual reports.

We also control for an EMM's size, as larger firms may have more financial capital and may thus be able to obtain larger bundles of novel resources through domestic-improvement oriented CBAs, potentially resulting in greater domestic productivity gains. We measure an EMM's size by the book value of its total assets as reported in CCSI's reports.

To control for whether an EMM was state owned, we enter a dummy variable coded 1 if one or more domestic government agencies owned at least 10% of the firm's shares over the entire three-year period after it made a given CBA, and 0 otherwise. We use an

[2] These regions are 'Developed Asia-Pacific', 'East Asia', 'Eastern Europe & Central Asia', 'Latin America & the Caribbean', 'Middle East & North Africa', 'North America', 'Other Europe', 'South Asia', and 'Sub-Saharan Africa'.

ownership stake minimum of 10% because governments frequently do not need a majority stake in a firm to have considerable influence on the way it is run (Cuervo-Cazurra et al., 2014). We control for state ownership since state-owned firms may receive financial or other support from their government to get the most out of domestic-improvement oriented CBAs (Tihanyi et al., 2019), for instance because such firms operate in sectors that the government considers to be crucial for national security and economic prosperity. The data on state ownership were obtained from CCSI's reports and firms' annual reports.

We control for an EMM's access to new equity capital to fund CBAs by entering a binary variable coded 1 for listed firms and 0 for unlisted ones (Filatotchev and Piesse, 2009). The data on this variable were obtained from CCSI's reports and firms' annual reports. We also enter a binary variable coded 1 for EMMs serving business clients and 0 for those directly serving consumers, using data on the nature of a firm's customers from CCSI's reports.

At the CBA level, we control for the relatedness of the acquired unit's industry to that of its acquirer by entering a dummy variable coded 1 for CBAs made in industries in which the acquirer was already active and 0 otherwise (e.g., Morosini et al., 1998). The data on acquirers' and targets' main industries were obtained from CCSI's reports. We also enter a binary variable coded 1 for partial acquisitions and 0 for full ones (e.g., Slangen, 2006), using data from CCSI's reports. Partial acquisitions were defined as deals where the acquirer obtained an ownership stake of 10%–95% and full ones as deals where the acquirer obtained a stake of 95% or more (e.g., Chung et al., 2015).

We control for the cultural distance between an acquirer's home country and the CBA's target country by entering Kogut and Singh's (1988) index based on Hofstede's (1980) original four cultural dimensions, namely power distance, individualism, masculinity and uncertainty avoidance. We control for this distance because it may be an important source of conflict between parties involved in an acquisition (Slangen, 2006). In addition, to account for the greater difficulty of transferring uncodified knowledge across larger distances (Narula, 2014; Slangen, 2011), we control for the geographic distance between a firm's domestic operations and the operations of the CBA target by entering the number of kilometers between the capitals of the home and target country as reported in *CEPII's* database (Hendriks, 2020).

The effectiveness of domestic-improvement oriented CBAs may also be weakened by host-country opposition to foreign acquirers from countries on which the host country is highly dependent in economic terms. Following Duanmu (2014), we therefore control for a host country's economic dependence on the acquirer's home country through the ratio of the host country's exports to the home country as a percentage of the host country's worldwide exports in the year of the focal CBA. Data on host countries' annual worldwide exports and their exports to each sample home country were retrieved from the IMF's *Direction of Trade Statistics* database. We also control for the level of economic development of the host country by entering its GDP per capita in US dollars in the year of the focal CBA. Resources acquired in more developed host economies may be more advanced and may therefore result in greater domestic productivity gains for foreign acquirers. In a similar vein, we control for the economic size of the home and host country by entering the natural logarithm of their respective GDPs in US dollars in the year of the focal CBA. EMMs with larger home markets may be more strongly motivated to because they have greater opportunities to exploit their upgraded asset base domestically (Enderwick and Buckley, 2021). Likewise, EMMs making CBAs in larger markets may also have a stronger incentive to make a success of domestic-improvement oriented CBAs, since they have greater opportunities to subsequently exploit their upgraded domestic asset base in these markets (Khanna and Palepu, 2006; Luo and Tung, 2018). Since a similar set of arguments applies to home and host-country growth rates, we control for these rates using data on the countries' GDP growth in the year of the focal CBA. The data on countries' GDP, GDP per capita, and GDP growth were obtained from the World Bank's *World Development Indicators* database. Furthermore, we control for the quality of a host country's legal institutions using its rule-of-law score in the year of the focal CBA as reported in the World Bank's *World Governance Indicators* database (Liu et al., 2011). Finally, we enter year fixed-effects to control for time-varying influences on an EMM's domestic productivity growth, such as the global financial crisis that occurred during our sample window.

3.6. Estimation method

To correct for potential sample selection bias stemming from the possibility that EMMs with less cross-cultural experience are less likely to make domestic-improvement oriented CBAs, we test our hypotheses using Heckman's (1979) two-stage procedure (Clougherty et al., 2016; Certo et al., 2016). In the first stage, we estimate a probit model with a dependent variable coded 1 if an EMM made a domestic-improvement oriented CBA in a given year and 0 if it did not make any CBA during the entire sample window. We estimate this model on an extended sample that included a further 493 firm-year observations relating to all those 337 EMMs which were also listed among their country's largest manufacturing firms in CCSI's reports but did not make CBAs according to these reports.

In the second stage, we estimate a set of OLS regression models with an EMM's domestic labor productivity growth as the dependent variable and the inverse Mills ratio obtained from the probit model as one of the independent variables. To satisfy the exclusion restriction, we enter the number of foreign stock exchanges on which an EMM is listed as a unique independent variable in the probit model. This number is a suitable instrument because it is likely to influence an EMM's propensity to make a domestic-improvement oriented CBA but not the domestic productivity growth it realizes from such a CBA. An EMM's number of foreign listings is likely to positively influence its propensity to make a domestic-improvement oriented CBA for several reasons. First, EMMs with more such listings tend to have broader ties with international investors and will thus likely be pointed more frequently to foreign acquisition targets that possess technologies with domestic exploitation potential. Second, such EMMs will likely find it easier to obtain the generally large lump-sum needed to finance a CBA (Karolyi, 2006; Biddle and Saudagaran, 1991). Third, they will likely have a better international reputation, making them more attractive buyers for CBA targets (Lamotte et al., 2021). At the same time, there is no apparent reason why an EMM's number of foreign listings should affect the domestic productivity gains that it realizes from a

domestic-improvement oriented CBA. We estimate our models in STATA 17, clustering the standard errors by firm. The results of the first-stage probit model are shown in the Appendix.

4. Results

Table 1 shows the descriptive statistics and pairwise correlations of the variables included in our models. The mean of the dependent variable is 138.0, indicating that three years after initiating a domestic-improvement oriented CBA, an acquiring EMM's domestic labor productivity has increased by an average of 38%.[3] The higher standard deviation of 162.8 indicates, among others, that the domestic labor productivity of some EMMs actually decreases after having initiated a CBA three years ago. The mean values of the depth and breadth of a firm's cross-cultural experience are 0.48 and 0.38, with the standard deviations of both variables being about 0.3. On average our sample firms thus have substantial cross-cultural experience but at the same time they exhibit substantial variation in such experience.

Although all pairwise correlations involving the independent variables of interest are below 0.30, some of the correlations between the control variables exceed 0.6, leading us to inspect the variation inflation factors (VIFs) of our variables. We found that the highest VIF was only 3.98, which is well below 10, the commonly-accepted threshold for multicollinearity concerns (Hair et al., 2006).

Table 2 shows the results of our second-stage OLS regression models when we measure a firm's cross-cultural experience in terms of depth. Model 1 only contains the control variables, whereas Models 2 through 6 test our hypotheses, starting with Hypothesis 1, which predicted a U-shaped relationship between an EMM's cross-cultural experience and the domestic productivity growth it realizes from a domestic-improvement oriented CBA. The hypothesis receives support, as the regression coefficient of the depth of a firm's cross-cultural experience is significantly negative in all models (e.g., in Model 6, where $b = -0.52$, $SE = 0.17$, $p = 0.004$, $CI_{95} = -0.85$ -0.19), whereas that of the squared term is consistently positive and significant (e.g., in Model 6, where $b = 0.81$, $SE = 0.17$, $p = 0.000$, $CI_{95} = 0.48$ 1.14).

Hypothesis 2a predicted that the intensity of integration of a domestic-improvement oriented CBA steepens the U-shaped relationship between an EMM's cross-cultural experience and the domestic productivity growth it realizes from such a CBA. To test this hypothesis, we interacted the linear and squared terms of the depth of a firm's cross-cultural experience with the binary variable coded 1 for CBAs involving intensive integration and simultaneously entered both interaction terms in Model 3. Evidence for a steepening effect of intensive post-acquisition integration is obtained when the second interaction term is significantly positive (Haans et al., 2016). Model 3 shows that this is the case and thus lends support to Hypothesis 2a ($b = 0.55$, $SE = 0.16$, $p = 0.001$, $CI_{95} = 0.24$ 0.86).

Model 4 tests Hypothesis 2b, which predicted that a CBA's relative size also steepens the U-shaped relationship between an EMM's cross-cultural experience and the domestic productivity growth it realizes from such a CBA. To test this hypothesis, we interacted a CBA's relative size with the linear and squared terms of the depth of a firm's cross-cultural experience. In line with the hypothesis, the second interaction term is significantly positive ($b = 0.29$, $SE = 0.14$, $p = 0.036$, $CI_{95} = 0.02$ 0.56), lending support to the hypothesis.

Model 5 tests Hypothesis 2c, which stated that domestic institutional voids flatten the U-shaped relationship between an EMM's cross-cultural experience and the domestic productivity growth it realizes from a domestic-improvement oriented CBA. After interacting the linear and squared term of the depth of a firm's cross-cultural experience with our composite measure of domestic institutional voids, we find that the second interaction term is significantly negative ($b = -0.33$, $SE = 0.17$, $p = 0.035$, $CI_{95} = -0.67$ -0.01), indicating that Hypothesis 2c is supported as well.

Model 6, finally, tests the three hypothesized moderating effects simultaneously and provides further support for all of them ($p < 0.05$).

Fig. 1 visualizes the regression results for the depth of a firm's cross-cultural experience, based on Models 2 through 5. Panel A shows that the estimated relationship between that depth and the domestic productivity growth resulting from a domestic-improvement oriented CBA has a clear U shape, lending further support to Hypothesis 1. For EMMs that realize about 15–55 percent of their sales abroad, the bottom of the curve lies below 100, indicating that such EMMs actually tend to suffer losses in domestic productivity from domestic-improvement oriented CBAs.

Consistent with Hypothesis 2a, Panel B shows that the U-shaped relationship between the depth of a firm's cross-cultural experience and the domestic productivity growth that it realizes from a domestic-improvement oriented CBA is much steeper for acquisitions involving intensive integration (coded 1) than for those involving less intensive integration (coded 0). Likewise, and consistent with Hypothesis 2b, Panel C shows that the relationship is also steeper for CBAs with relatively large deal values than for those with relatively small deal values, defined as values one standard deviation above and below the sample mean, respectively. Panel D, finally, shows that whereas the relationship is U-shaped for values of domestic institutional voids one standard deviation below the sample mean, it is almost non-existent for values of such voids one standard deviation above the mean. These findings corroborate Hypothesis 2c. Moreover, they make clear that when EMMs originate from countries with large institutional voids, the depth of their cross-cultural experience does not play any role in shaping the performance outcomes of their domestic-improvement oriented CBAs.

Furthermore, we calculated and plotted the average marginal effects of the three moderating variables for different levels of depth of a firm's cross-cultural experience while assigning the other independent variables their observed values (Grogaard et al., 2019). As

[3] By contrast, the 337 EMMs that did not make CBAs during our sample window experienced an increase in domestic labor productivity of only 7.5%.

[4] Vertical solid lines represent 95% confidence intervals.

Table 1
Descriptive statistics and correlations.

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Firm's domestic labor productivity growth	138.0	162.8																	
2. Depth of firm's cross-cultural experience	0.48	0.30	0.23																
3. Breadth of firm's cross-cultural experience	0.38	0.29	0.06	0.26															
4. Intensive post-acquisition integration	0.15	0.35	−0.03	0.13	0.05														
5. Relative CBA size	0.17	0.48	0.00	0.12	0.13	−0.08													
6. Domestic institutional voids	1.92	0.72	−0.07	−0.18	0.14	0.16	−0.22												
7. Firm is state-owned	0.30	0.46	0.00	−0.09	−0.04	−0.06	−0.14	0.03											
8. Host country's dependence on home country	0.05	0.07	−0.07	−0.24	−0.15	0.01	−0.12	0.20	0.24										
9. Firm's domestic labor productivity	0.38	0.82	−0.02	0.02	−0.01	−0.07	0.01	−0.19	0.06	−0.04									
10. Firm size	10.6	11.1	−0.04	−0.14	−0.09	0.16	−0.18	0.30	0.42	0.35	−0.02								
11. Firm has domestic listing	0.77	0.42	−0.12	0.05	0.20	0.15	0.00	0.04	0.02	−0.16	0.06	−0.08							
12. Firm is B-to-B manufacturer	0.46	0.50	−0.04	−0.10	0.07	0.12	−0.18	0.31	0.37	0.02	0.13	0.40	0.01						
13. Firm's host-country CBA experience	0.11	0.36	−0.02	0.03	−0.02	0.18	−0.04	0.07	−0.06	−0.02	−0.02	0.02	0.05	−0.06					
14. Related acquisition	0.86	0.35	0.04	0.05	−0.07	0.14	0.04	−0.11	−0.02	0.05	0.00	0.06	0.07	−0.07	0.05				
15. Partial acquisition	0.21	0.41	−0.07	−0.02	−0.07	−0.03	−0.10	0.04	−0.06	0.06	0.04	0.00	−0.01	0.03	−0.06	0.05			
16. Cultural distance	2.15	1.13	0.03	−0.06	−0.04	−0.12	0.10	0.05	0.20	0.00	0.11	0.11	−0.18	0.13	−0.12	0.05	0.04		
17. Geographic distance	5445	4030	−0.05	−0.14	0.19	0.13	0.08	0.12	0.03	−0.22	0.07	0.03	−0.10	0.10	0.02	−0.01	−0.06	0.39	
18. Home GDP per capita	8.70	8.23	0.08	0.42	−0.05	−0.03	0.26	−0.58	−0.23	−0.29	0.15	−0.28	0.01	−0.32	0.00	0.11	−0.08	0.07	−0.10
19. Host GDP per capita	10.1	9.41	0.09	0.17	0.15	0.17	0.19	0.02	−0.18	0.01	−0.11	−0.16	0.07	−0.08	0.02	0.09	0.02	0.10	0.16
20. Home-country GDP	27.2	1.13	−0.14	−0.35	0.13	0.21	−0.21	0.65	0.20	0.35	0.00	0.39	0.18	0.34	0.05	0.07	0.04	0.22	0.26
21. Host-country GDP	27.3	2.10	0.06	0.26	0.20	0.16	0.19	−0.10	−0.28	−0.09	−0.01	−0.30	0.14	−0.19	0.03	0.01	−0.04	0.14	0.20
22. Home-country GDP growth	4.29	4.63	−0.03	−0.17	0.10	0.02	−0.03	0.21	0.17	0.22	−0.01	0.21	−0.02	0.16	−0.02	−0.08	−0.01	0.20	0.19
23. Host-country GDP growth	3.91	4.24	−0.02	−0.09	−0.01	−0.16	−0.12	0.03	0.15	0.06	0.02	0.11	−0.01	0.05	−0.06	−0.10	−0.08	0.10	−0.07
24. Host-country rule of law	1.34	1.09	0.06	0.18	0.13	0.14	0.16	−0.01	−0.12	−0.02	−0.08	−0.14	0.11	−0.09	0.01	0.12	0.09	0.14	0.14
25. Inverse Mills ratio	0.70	0.57	−0.02	−0.32	−0.24	−0.14	−0.09	−0.12	0.50	−0.05	0.09	0.51	−0.28	0.22	−0.06	−0.10	−0.13	0.19	0.02
			18	**19**	**20**	**21**	**22**	**23**	**24**										
19. Host GDP per capita			0.14																
20. Home-country GDP			−0.64	0.00															
21. Host-country GDP			0.25	0.70	−0.13														
22. Home-country GDP growth			−0.31	0.02	0.31	−0.13													
23. Host-country GDP growth			−0.12	−0.53	0.06	−0.39	0.32												
24. Host institutional quality			0.11	0.90	0.01	0.62	0.04	−0.51											
25. Inverse Mills ratio			−0.12	−0.09	0.15	−0.52	0.13	0.45	−0.59										

Correlations greater than |0.10|are significant at $p < 0.05$, while those greater than |0.13| are significant at $p < 0.01$.

Table 2
Second-stage OLS estimates for the *depth* of a firm's cross-cultural experience.

Independent variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Depth of cross-cultural experience (CCE) (H1)	–	−0.63 (.16) [.000]	−0.61 (.17) [.001]	−0.58 (.16) [.000]	−0.56 (.16) [.001]	−0.52 (.17) [.004]
Depth of CCE squared (H1)	–	0.89 (.16) [.000]	0.86 (.17) [.000]	0.87 (.16) [.000]	0.82 (.16) [.000]	0.81 (.17) [.000]
Depth of CCE x Intensive post-acquisition integration	–	–	−0.42 (.15) [.006]	–	–	−0.43 (.16) [.007]
Depth of CCE squared x Intensive post-acquisition integration (H2a)	–	–	0.55 (.16) [.001]	–	–	0.54 (.16) [.001]
Depth of CCE x Relative CBA size	–	–	–	−0.33 (.16) [.037]	–	−0.30 (.15) [.040]
Depth of CCE squared x Relative CBA size (H2b)	–	–	–	0.29 (.14) [.036]	–	0.28 (.14) [.038]
Depth of CCE x Domestic institutional voids	–	–	–	–	0.22 (.11) [.032]	0.22 (.11) [.037]
Depth of CCE squared x Domestic institutional voids (H2c)	–	–	–	–	−0.33 (.17) [.035]	−0.31 (.16) [.045]
Intensive post-acquisition integration	0.11 (.05) [.022]	0.16 (.06) [.007]	0.11 (.06) [.062]	0.15 (.07) [.033]	0.14 (.07) [.038]	0.13 (.06) [.050]
Relative CBA size	−0.07 (.04) [.086]	−0.08 (.04) [.033]	−0.04 (.04) [.320]	−0.06 (.06) [.334]	−0.08 (.04) [.030]	−0.06 (.06) [.328]
Domestic institutional voids	−0.00 (.06) [.950]	−0.00 (.05) [.970]	−0.00 (.05) [.985]	−0.03 (.05) [.512]	−0.03 (.05) [.510]	−0.04 (.06) [.505]
Breadth of CCE	0.04 (.04) [.317]	0.07 (.04) [.069]	0.07 (.04) [.070]	0.07 (.04) [.072]	0.05 (.04) [.180]	0.06 (.04) [.163]
Firm is state-owned	0.04 (.05) [.419]	0.03 (.05) [.551]	0.03 (.05) [.546]	0.04 (.05) [.503]	0.02 (.05) [.720]	0.02 (.06) [.764]
Firm's domestic labor productivity	0.01 (.03) [.748]	0.02 (.03) [.579]	0.02 (.03) [.602]	0.02 (.03) [.585]	0.02 (.03) [.590]	0.02 (.03) [.512]
Firm's host-country CBA experience	0.01 (.09) [.917]	0.02 (.08) [.778]	0.01 (.08) [.914]	0.01 (.08) [.926]	0.01 (.08) [.920]	0.01 (.08) [.908]
Firm size	−0.02 (.04) [.559]	−0.02 (.04) [.581]	−0.03 (.05) [.527]	−0.03 (.05) [.540]	−0.03 (.05) [.520]	−0.02 (.05) [.625]
Firm has domestic stock listing	−0.04 (.06) [.498]	−0.02 (.05) [.725]	−0.04 (.05) [.416]	−0.03 (.05) [.551]	−0.03 (.05) [.568]	−0.02 (.05) [.750]
Firm is B-to-B manufacturer	−0.00 (.05) [.928]	−0.03 (.04) [.460]	−0.04 (.04) [.330]	−0.05 (.04) [.180]	−0.04 (.04) [.332]	−0.03 (.04) [.462]
Related acquisition	0.04 (.04) [.286]	0.05 (.03) [.164]	0.05 (.03) [.111]	0.04 (.03) [.308]	0.04 (.03) [.312]	0.05 (.03) [.145]
Partial acquisition	−0.04 (.04) [.301]	−0.03 (.03) [.385]	−0.02 (.03) [.450]	−0.02 (.03) [.580]	−0.03 (.03) [.318]	−0.03 (.03) [.334]
Cultural distance	0.03 (.05) [.501]	0.02 (.05) [.640]	0.02 (.05) [.628]	0.02 (.05) [.635]	0.02 (.05) [.610]	0.03 (.05) [.580]
Geographic distance	0.01 (.03) [.661]	0.01 (.04) [.650]	0.01 (.04) [.643]	0.01 (.03) [.650]	0.01 (.03) [.664]	0.01 (.04) [.689]
Host country's dependence on home country	−0.04 (.04) [.330]	−0.02 (.04) [.532]	−0.02 (.04) [.539]	−0.01 (.04) [.705]	−0.02 (.05) [.718]	−0.01 (.05) [.912]
Home-country GDP per capita	−0.14 (.07) [.048]	−0.15 (.06) [.021]	−0.14 (.07) [.051]	−0.15 (.07) [.049]	−0.14 (.07) [.048]	−0.14 (.07) [.041]
Host-country GDP per capita	0.16 (.08) [.052]	0.16 (.08) [.041]	0.15 (.08) [.040]	0.14 (.08) [.085]	0.12 (.08) [.137]	0.12 (.08) [.141]
Home-country GDP	−0.10 (.07) [.149]	−0.07 (.07) [.333]	−0.07 (.07) [.335]	−0.10 (.07) [.152]	−0.10 (.07) [.149]	−0.10 (.07) [.175]
Host-country GDP	0.01 (.05) [.870]	0.02 (.04) [.600]	0.00 (.04) [.953]	0.02 (.05) [.682]	0.02 (.04) [.652]	0.02 (.05) [.690]
Home-country GDP growth	−0.10 (.05) [.045]	−0.08 (.05) [.112]	−0.09 (.05) [.080]	−0.10 (.05) [.046]	−0.09 (.05) [.083]	−0.09 (.05) [.099]
Host-country GDP growth	0.08 (.04) [.061]	0.08 (.04) [.044]	0.08 (.04) [.038]	0.08 (.04) [.051]	0.07 (.04) [.122]	0.08 (.04) [.046]
Host-country rule of law	−0.06 (.08) [.456]	−0.09 (.07) [.209]	−0.07 (.07) [.327]	−0.09 (.09) [.302]	−0.07 (.08) [.403]	−0.07 (.07) [.329]
Inverse Mills ratio	−0.13 (.07) [.070]	−0.19 (.09) [.038]	−0.21 (.10) [.031]	−0.20 (.10) [.040]	−0.21 (.10) [.028]	−0.20 (.10) [.038]
F-statistic	1.97 [.005]	4.70 [.000]	5.40 [.000]	4.80 [.000]	4.89 [.000]	5.15 [0.000]
Adjusted R^2	0.07	0.24	0.29	0.25	0.26	0.30

Intercept and year dummies are included but not shown; robust standard errors in parentheses; p-values in brackets; N = 423.

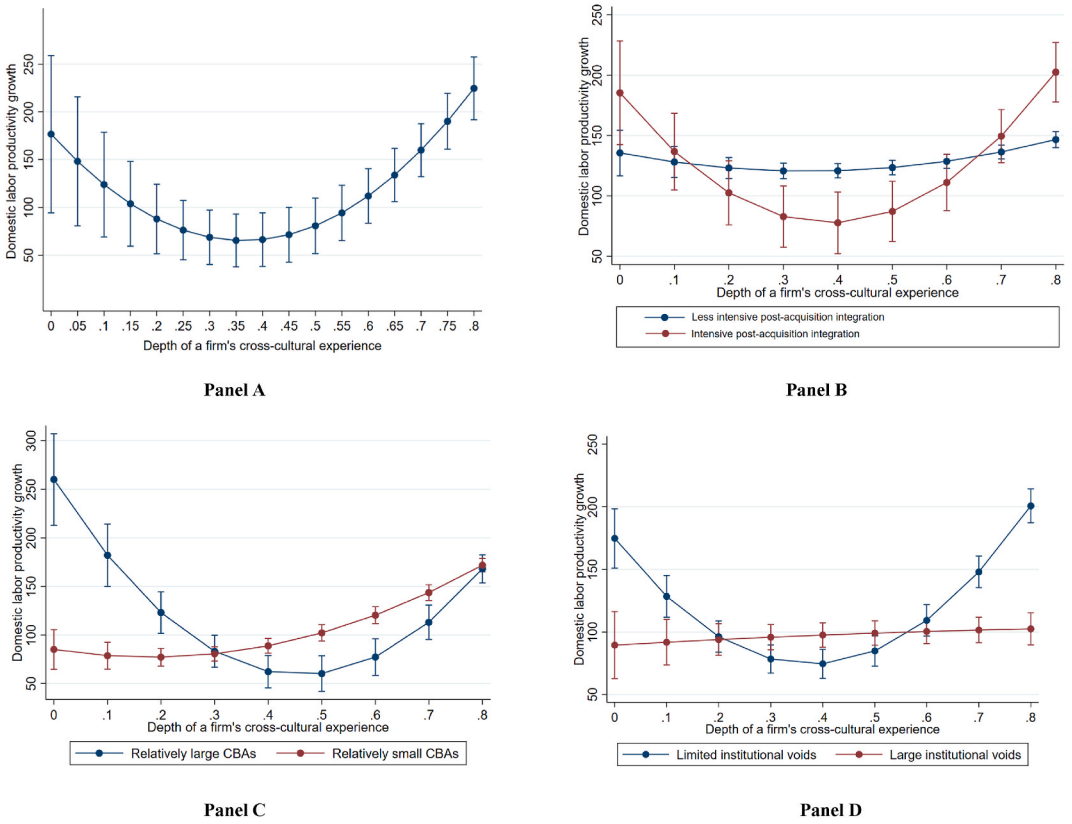


Fig. 1. Visualization of regression results for the depth of a firm's cross-cultural experience.[4].

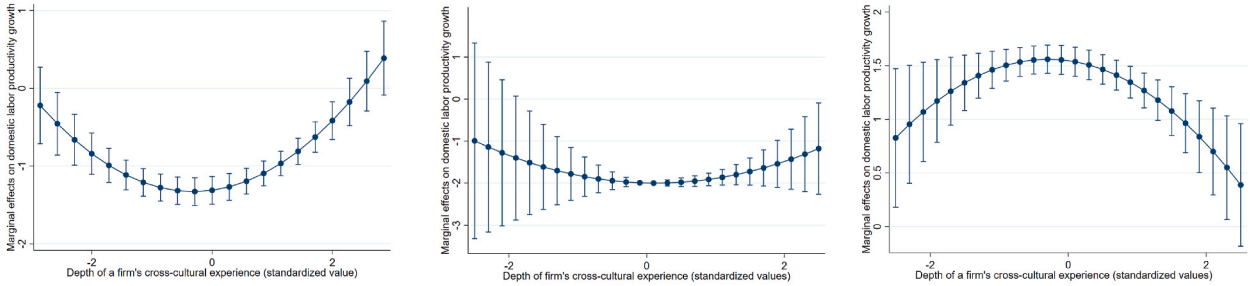
shown in Fig. 2, all three marginal effects are the strongest when the depth of firms' cross-cultural experience is around medium levels, again corroborating Hypotheses 2a, 2b, and 2c. Moreover, the figure shows that only at very low and very high depth levels, the 95% confidence intervals of the marginal effects occasionally contain zero, indicating that these effects are significant across almost the entire range of observed depth levels.

Table 3 shows the results we obtained for the breadth of a firm's cross-cultural experience. These results also provide support for our hypotheses. Models 2 through 6 indicate support for Hypothesis 1, as in all these models the coefficient of the linear term of the breadth of a firm's cross-cultural experience is significantly negative whereas that of its squared term is significantly positive (e.g., in Model 6, where b = −0.17, SE = 0.08, p = 0.033, CI_{95} = −0.33 -0.01, and b = 0.22, SE = 0.08, p = 0.009, CI_{95} = 0.06 0.38, respectively). Furthermore, Models 3 through 6 lend support to the hypothesized moderating effects of post-acquisition integration intensity, relative CBA size, and domestic institutional voids, since the respective interactions with the squared term of a firm's breadth of cross-cultural experience all have their predicted effects and are significant ($p < 0.05$).

Fig. 3 visualizes these regression results and provides further support for all hypotheses. Consistent with Hypothesis 1, Panel A shows a distinct U-shaped relationship between the breadth of firms' cross-cultural experience and the domestic productivity growth they achieve from domestic-improvement oriented CBAs. The panel also makes clear that EMMs whose breadth of cross-cultural experience ranges from about 0.15 to about 0.55 actually suffer domestic productivity losses from such CBAs. Panels B, C, and D provide further support for the hypothesized moderating effects, showing that the relationship is U-shaped when firms pursue intensive post-acquisition integration, make relatively large CBAs, or originate from countries with limited institutional voids, but that it is almost linear in the opposite cases.

Fig. 4, finally, shows the average marginal effects of the three moderating variables for different levels of breadth of a firm's cross-cultural experience. In line with Hypotheses 2a, 2b, and 2c, the figure indicates that the three marginal effects are the strongest when the breadth of firms' cross-cultural experience is around medium levels. Moreover, the effects are generally significant, as their 95% confidence intervals only contain zero at either very low or very high breadth levels.

[5] Vertical solid lines represent 95% confidence intervals.
[6] Vertical solid and dashed lines represent 95% confidence intervals.
[7] Vertical solid lines represent 95% confidence intervals.



(a) Intensive post-acquisition integration **(b) Relative CBA size** **(c) Domestic institutional voids**

Fig. 2. Average marginal effects of moderating variables at different depths of a firm's cross-cultural experience.[5].

4.1. Additional analyses

To further establish that the observed effects of our key independent variables are really caused by the fact that our sample firms made a CBA, we performed a counterfactual analysis. Specifically, we ran our models using a different dependent variable, namely an EMM's domestic productivity *level* three years after initiating a CBA. Our use of this alternative dependent variable to exclude counterfactuals is based on the idea that strategic moves such as CBAs should primarily explain *changes* in firm performance and not so much a firm's performance level (King et al., 2004; Bertrand and Capron, 2015). As we would expect, this additional analysis yielded largely insignificant effects of our key independent variables, providing further evidence that their effects in our original analyses are indeed caused by the occurrence of the CBAs.

As explained earlier, our interest in domestic-improvement oriented CBAs led us to limit our sample to CBAs that were stated to have been initiated to obtain technologies for use in firms' domestic operations. Therefore, our key independent variables should primarily explain the growth of an acquirer's *domestic* productivity and not so much the growth of its *worldwide* productivity. To test whether this is the case, we also ran our models using the growth of a firm's worldwide productivity three years after initiating a CBA as the dependent variable. We found no significant effects of our key independent variables, indicating that their effects in our main models are indeed specific to our focus on firms' domestic productivity growth.

We also performed several other additional analyses, so as to assess the robustness of our main regression results to alternative specifications of our key variables. First, we used as the dependent variable a firm's domestic labor productivity growth one, two, and four years after initiating a CBA, as well as over the three-year period starting one year before and ending one year after the CBA was initiated. Second, we used as dependent variables the one-year, two-year, three-year, and four-year growth rates of the productivity of a firm's domestic *assets*. The data on the annual book value of a firm's domestic assets in US dollars were obtained from CCSI's reports. Third, instead of measuring the depth and breadth of a firm's cross-cultural experience in the year of the focal CBA, we measured them by their average values over the three-year period following the initiation of the CBA. Fourth, in analyses performed on a reduced sample of 362 CBAs, we measured the depth of a firm's cross-cultural experience by its number of foreign affiliates, and the breadth of a firm's cross-cultural experience by the number of countries across which these affiliates were spread. These data were obtained from CCSI's reports, but were unavailable for 61 CBAs from our original sample. Fifth, we estimated our models for each of the three indicators of domestic institutional voids separately. Sixth, rather than using the previously-described home-country characteristics as control variables, we included dummy variables for each of the thirteen countries from which our sample firms originate. Seventh, since Chinese EMMs have been argued to differ from other EMMs (Peng, 2012), we also ran our regression models without such firms. All these additional analyses generated results that were qualitatively similar to our original ones.[8]

5. Discussion

5.1. Contributions and implications

Through our study we have aimed to make three contributions to global strategy research. First, we have combined insights from the literatures on cross-border resource recombination and experiential learning by multinationals to develop a novel framework that makes clear how EMMs' cross-cultural experience shapes the effectiveness of their domestic-improvement oriented CBAs. Although firms' cross-cultural experience has been shown to affect their general operating performance (for reviews, see Abdi and Aulakh, 2018; Kirca et al., 2012), the way in which such experience shapes the domestic performance consequences of individual foreign expansion projects such as CBAs has previously remained unaddressed. Extant theory suggests that domestic-improvement oriented CBAs are particularly beneficial to EMMs with little cross-cultural experience as these firms usually have the strongest need for superior complementary resources (e.g., Hernandez and Guillen, 2018; Luo and Tung, 2007; Bonaglia et al., 2007). Our study shows, however, that the productivity gains from such CBAs only show an upward trend when EMMs have substantial cross-cultural experience, with

[8] These results are available from the authors upon request.

Table 3
Second-stage OLS estimates for the *breadth* of a firm's cross-cultural experience.

Independent variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Breadth of cross-cultural experience (CCE) (H1)	–	−0.16 (.08) [.039]	−0.18 (.08) [.029]	−0.17 (.08) [.032]	−0.17 (.08) [.031]	−0.17 (.08) [.033]
Breadth of CCE squared (H1)	–	0.23 (.07) [.002]	0.23 (.07) [.005]	0.22 (.08) [.009]	0.22 (.07) [.004]	0.22 (.08) [.009]
Breadth of CCE x Intensive post-acquisition integration	–	–	−0.10 (.04) [.008]	–	–	−0.10 (.04) [.007]
Breadth of CCE squared x Intensive post-acquisition integration (H2a)	–	–	0.16 (.07) [.030]	–	–	0.16 (.08) [.038]
Breadth of CCE x Relative CBA size	–	–	–	−0.21 (.10) [.038]	–	−0.21 (.10) [.039]
Breadth of CCE squared x Relative CBA size (H2b)	–	–	–	0.22 (.08) [.007]	–	0.22 (.08) [.007]
Breadth of CCE x Domestic institutional voids	–	–	–	–	0.21 (.07) [.002]	0.20 (.07) [.003]
Breadth of CCE squared x Domestic institutional voids (H2c)	–	–	–	–	−0.19 (.07) [.007]	−0.19 (.07) [.008]
Intensive post-acquisition integration	0.10 (.06) [.091]	0.10 (.06) [.090]	0.09 (.06) [.105]	0.10 (.06) [.098]	0.10 (.07) [.120]	0.10 (.06) [.099]
Relative CBA size	−0.04 (.03) [.223]	−0.05 (.03) [.146]	−0.04 (.03) [.208]	−0.04 (.04) [.312]	−0.05 (.04) [.163]	−0.05 (.04) [.224]
Domestic institutional voids	−0.08 (.05) [.146]	−0.07 (.06) [.289]	−0.08 (.06) [.174]	−0.07 (.06) [.242]	−0.12 (.07) [.067]	−0.10 (.06) [.124]
Depth of CCE	0.24 (.05) [.000]	0.25 (.05) [.000]	0.26 (.05) [.000]	0.25 (.05) [.000]	0.26 (.05) [.000]	0.26 (.05) [.000]
Firm is state-owned	0.06 (.05) [.210]	0.06 (.05) [.205]	0.06 (.05) [.210]	0.06 (.05) [.198]	0.06 (.05) [.200]	0.06 (.05) [.197]
Firm's domestic labor productivity	−0.02 (.03) [.561]	−0.02 (.03) [.637]	−0.01 (.03) [.739]	−0.01 (.03) [.730]	−0.02 (.03) [.621]	−0.02 (.03) [.589]
Firm's host-country CBA experience	0.01 (.09) [.901]	0.01 (.09) [.898]	0.01 (.09) [.904]	0.01 (.09) [.899]	0.01 (.09) [.915]	0.02 (.09) [.870]
Firm size	−0.03 (.04) [.335]	−0.02 (.04) [.520]	−0.02 (.04) [.555]	−0.02 (.04) [.525]	−0.03 (.04) [.339]	−0.03 (.04) [.330]
Firm has domestic stock listing	−0.02 (.05) [.691]	−0.02 (.05) [.645]	−0.01 (.06) [.874]	−0.02 (.05) [.680]	−0.01 (.06) [.870]	−0.01 (.06) [.875]
Firm is B-to-B manufacturer	−0.00 (.05) [.967]	−0.00 (.05) [.983]	−0.00 (.05) [.982]	−0.01 (.05) [.890]	−0.00 (.05) [.923]	−0.01 (.05) [.873]
Related acquisition	0.05 (.04) [.153]	0.05 (.04) [.173]	0.05 (.04) [.180]	0.05 (.04) [.185]	0.05 (.04) [.159]	0.05 (.04) [.163]
Partial acquisition	−0.05 (.03) [.180]	−0.05 (.04) [.207]	−0.05 (.04) [.210]	−0.05 (.03) [.158]	−0.05 (.03) [.162]	−0.05 (.04) [.205]
Cultural distance	0.02 (.04) [.552]	0.02 (.04) [.515]	0.02 (.04) [.575]	0.02 (.04) [.547]	0.02 (.04) [.509]	0.02 (.04) [.528]
Geographic distance	0.03 (.04) [.505]	0.03 (.04) [.496]	0.03 (.04) [.498]	0.03 (.04) [.487]	0.03 (.04) [.454]	0.03 (.04) [.487]
Host country's dependence on home country	−0.01 (.04) [.786]	−0.00 (.04) [.950]	−0.01 (.04) [.790]	−0.01 (.04) [.790]	0.00 (.04) [.931]	−0.00 (.04) [.951]
Home-country GDP per capita	−0.17 (.06) [.009]	−0.16 (.07) [.017]	−0.16 (.07) [.014]	−0.16 (.07) [.013]	−0.16 (.07) [.018]	−0.16 (.07) [.014]
Host-country GDP per capita	0.20 (.08) [.016]	0.20 (.08) [.010]	0.20 (.08) [.013]	0.21 (.08) [.010]	0.19 (.08) [.022]	0.19 (.08) [.023]
Home-country GDP	−0.09 (.07) [.219]	−0.10 (.07) [.176]	−0.09 (.07) [.214]	−0.10 (.07) [.180]	−0.10 (.07) [.168]	−0.10 (.07) [.163]
Host-country GDP	0.02 (.05) [.778]	0.02 (.05) [.709]	0.01 (.05) [.850]	0.02 (.05) [.712]	0.01 (.05) [.831]	0.01 (.05) [.883]
Home-country GDP growth	−0.06 (.05) [.238]	−0.07 (.05) [.198]	−0.07 (.05) [.136]	−0.07 (.05) [.157]	−0.06 (.05) [.261]	−0.06 (.05) [.273]
Host-country GDP growth	0.06 (.04) [.184]	0.06 (.04) [.106]	0.06 (.04) [.139]	0.06 (.04) [.145]	0.06 (.04) [.150]	0.06 (.04) [.155]
Host-country rule of law	−0.13 (.08) [.095]	−0.13 (.08) [.093]	−0.13 (.08) [.101]	−0.13 (.08) [.100]	−0.12 (.08) [.131]	−0.13 (.08) [.109]
Inverse Mills ratio	−0.21 (.09) [.024]	−0.22 (.10) [.022]	−0.22 (.10) [.021]	−0.23 (.10) [.019]	−0.24 (.10) [.013]	−0.24 (.10) [.012]
F-statistic	3.31 [.000]	3.79 [.000]	3.95 [.000]	4.00 [.000]	4.15 [.000]	4.35 [.000]
Adjusted R^2	0.13	0.15	0.17	0.18	0.18	0.20

Intercept and year dummies are included but not shown; robust standard errors in parentheses; p-values in brackets; N = 423.

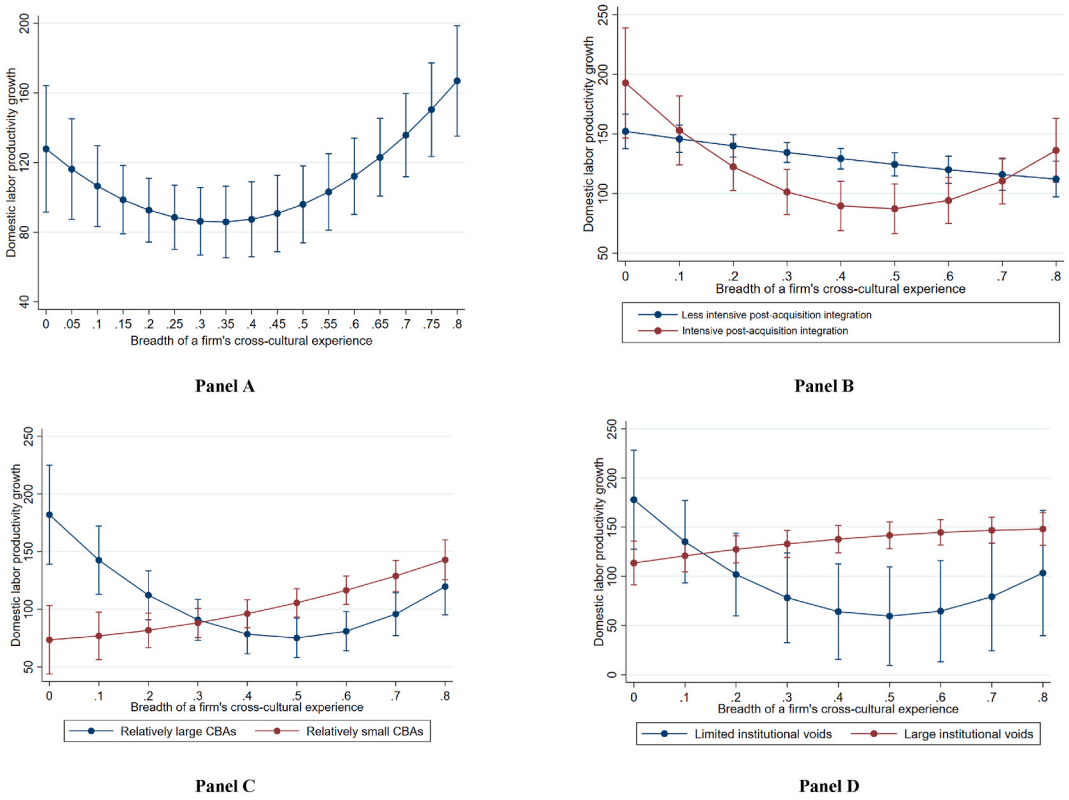


Fig. 3. Visualization of regression results for the breadth of a firm's cross-cultural experience.[6].

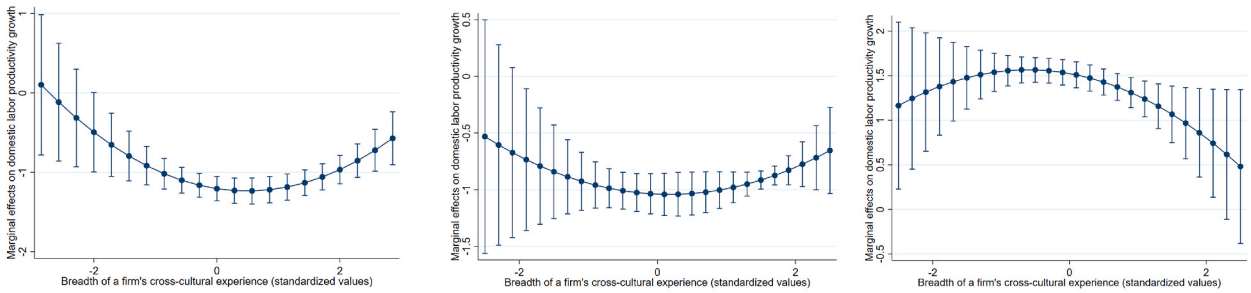


Fig. 4. Average marginal effects of moderating variables for different breadths of a firm's cross-cultural experience.[7].

these gains first decreasing as a function of the depth and breadth of such experience before they bottom out and eventually start to increase at medium-to-high levels of these two experience dimensions. Unless they apply the transactional resource recombination form of fast bundling to domestic-improvement oriented CBAs, EMMs thus seem to require relatively high levels of cross-cultural experience before being able to substantially benefit from such CBAs. The reason, we have proposed, is that only at such high levels of experience EMMs become capable of unlocking the large value-creating potential of the integrative forms of cross-border resource recombination. Overall, these findings suggest that many EMMs are not yet in a good position to effectively execute domestic-improvement oriented CBAs, given that the bulk of such firms are still in the relatively early stages of their internationalization trajectory and therefore unlikely to have developed the intercultural capabilities needed to properly apply the integrative recombination forms to such CBAs (Narula, 2012; Ramamurti, 2012).

In addition, our results suggest that EMMs that do have developed such capabilities benefit even more strongly from their domestic-improvement oriented CBAs when they integrate such CBAs more intensively, make relatively large such CBAs, or originate from countries with limited institutional voids. As such, the significant moderating effects of post-acquisition integration intensity, relative acquisition size, and domestic institutional voids indicate that not all EMMs with substantial cross-cultural experience benefit from

domestic-improvement oriented CBAs to the same degree. At the same time, these moderating factors cause EMMs with low-to-medium degrees of cross-cultural experience to struggle even more strongly to reap domestic productivity gains from domestic-improvement oriented CBAs. More generally, our findings thus indicate that the same set of factors that constitutes an advantage for cross-border acquirers with medium-to-high degrees of cross-cultural experience poses a liability to those with low-to-medium degrees of such experience, and vice versa.

Second, in substantiating our findings, we have aimed to expand on recent studies in the global strategy literature that have put resource recombination processes at the center of inquiry (Verbeke and Kano, 2016; Narula et al., 2019; Lee et al., 2021). More specifically, whereas these studies primarily focused on resource recombination for the purpose of achieving success in foreign countries (Narula et al., 2019; Putzhammer et al., 2020; Verbeke and Kano, 2016), we focus on recombination for the purpose of upgrading a firm's domestic operations. By doing so, we follow recent studies that have aimed to address a bias and restore balance in global strategy research (Hendriks et al., 2018; Cuervo-Cazurra et al., 2018) because such research has overwhelmingly focused on firms' foreign activities without paying due attention to their domestic ones, even though the latter generate most of the revenues of most multinational firms, including EMMs (Hendriks et al., 2018; Li and Oh, 2016).

Third, our findings offer valuable insights for the emerging stream of research on the domestic development effects of FDI by EMMs. Despite the rise of EMMs, these effects have been studies sparsely, as most work on the economic consequences of FDI has focused on those for host countries and developed home countries (Buckley et al., 2017; Hendriks, 2017). The little work that exists has so far been conducted at the level of entire home countries or their subnational regions and indicates that, on average, FDI by EMMs results in productivity spillovers to other home-country firms (Li et al., 2016b; Zhao et al., 2010). By showing that the domestic productivity growth that EMMs realize from domestic-improvement oriented CBAs is a U-shaped function of their cross-cultural experience, our study makes clear that the scope for domestic productivity spillovers from such CBAs actually varies across EMMs. Moreover, our findings suggest that this scope may actually be quite limited for the subset of domestic-improvement oriented CBAs made by EMMs with medium levels of cross-cultural experience, as these EMMs generally struggle to realize domestic productivity gains from such CBAs. If these firms themselves do not manage to benefit from domestic-improvement oriented CBAs, spillovers to other home-country firms are unlikely to occur in the first place. In general, our findings thus point to a need to account for firm-level heterogeneity in research on the domestic development effects of FDI by EMMs.

6. Practical implications

The main practical implication that emerges from our study is that senior managers of EMMs should be conservative in applying integrative forms of resource recombination to domestic-improvement oriented CBAs when their firm has relatively shallow or narrow cross-cultural experience. Moreover, they should be even more conservative in this respect when making relatively large acquisitions or when their firm originates from a country with limited institutional voids and thus lacks capabilities that may compensate for a shortage of cross-cultural experience. Under such conditions, their firm is likely to be better off with the use of fast bundling, complemented with the selective and modest use of the integrative recombination forms where deemed crucial. By taking such a conservative approach towards integrating domestic-improvement oriented CBAs when their firm has low to medium levels of cross-cultural experience, managers may be able to prevent such CBAs from harming rather than increasing their firm's domestic productivity at these levels of experience.

By deepening and broadening their foreign activities over time, firms can gain further cross-cultural experience and thereby stronger intercultural capabilities, enabling them to execute the integrative forms of resource recombination more effectively. Consequently, they can gradually increase their reliance on these forms when making domestic-improvement oriented CBAs in order to reap greater domestic benefits from such CBAs through more intensive cooperation with the acquired unit while accounting for cultural differences to avoid conflict. This experience-dependent approach towards domestic-improvement oriented CBAs is likely to generate the highest domestic productivity gains for an acquiring EMM and thus also the highest welfare gains for its home economy.

7. Limitations and suggestions

Perhaps the main limitation of our study is that we were unable to control for the novelty of the technologies possessed by the CBA targets, since these targets were spread over 26 countries with varying data reporting requirements and often were unlisted firms for which limited data were available. As a second-best solution, we restricted our sample to CBAs in developed countries stated to have been made to obtain technologies for domestic exploitation. Future studies could attempt to compile a sufficiently large sample of listed CBA targets from a single country (e.g., the US) and control for their technological skills rather than follow our approach of constructing a sample based on the likely presence of such skills.

Data limitations also prevented us from analyzing the domestic productivity effects of the sample CBAs more than four years after they were initiated and from going beyond our relatively crude binary measure of a CBA's integration intensity. Future studies could therefore attempt to replicate our analyses using longer-term performance measures or finer-grained measures of post-acquisition integration levels, including survey-based measures (e.g., Slangen, 2006; Datta, 1991).

Although we focused on the role of cross-national cultural experience, firms' cultural experience at other levels, such as the industry level or the domestic subnational level, may also contribute to the development of intercultural capabilities. Future studies could therefore explore whether and how EMMs' cross-cultural experience at one or more of these other levels influences the performance of their domestic-improvement oriented CBAs.

Although CCSI's "Emerging Market Global Players" reports are based on a single methodology applied consistently across emerging

economies, each report – and thus our sample – is limited to the largest manufacturing firms from a given country in a given year. Future studies could therefore explore whether our results are generalizable to smaller EMMs, which usually have less cross-cultural experience and whose generally stronger entrepreneurial mindset may lead them to make different decisions on which forms of resource recombination to use as a function of such experience (Zhang et al., 2014; Sun et al., 2021).

Although we have uncovered U-shaped relationship between EMMs' cross-cultural experience and the domestic productivity gains they realize from domestic-improvement oriented CBAs, our cross-sectional research design prevented us from exploring whether this relationship holds for individual firms as they gain more cross-cultural experience over time. Future studies could attempt to explore this issue by means of a within-firm longitudinal research design.

Since we aimed to assess how individual CBAs shape firms' domestic productivity growth, we excluded firms that made one or more other CBAs during the time windows we used for measuring that growth. However, firms may sometimes make multiple CBAs in a relatively short period to upgrade their domestic operations. Future studies could attempt to shed light on the determinants of the domestic productivity gains realized by serial cross-border acquirers, for instance by considering the complementarity of the resources of different foreign-acquired units.

Finally, more research is needed to establish whether our theoretical framework not only applies to EMMs but also to firms from developed countries. Although the latter firms tend to have stronger technologies than most EMMs and may therefore be less prone to make domestic-improvement oriented CBAs, the domestic productivity gains they realize from such CBAs may also vary systematically with their cross-cultural experience and to a degree that is contingent on the intensity of post-acquisition integration, a CBA's relative size, and domestic institutional conditions. Future studies could therefore compile and analyze samples of cross-border acquirers from developed countries to shed light on the generalizability of our results to such acquirers.

CRediT author statement

Guus Hendriks: Conceptualization, Methodology, Investigation, Software, Validation, Data Curation, Formal analysis, Writing - Original Draft, Writing - Review & Editing, Visualization **Arjen Slangen:** Conceptualization, Methodology, Writing - Original Draft, Writing - Review & Editing **Pursey Heugens:** Conceptualization, Methodology, Writing - Original Draft.

Declaration of competing interest

None.

Data availability

The authors do not have permission to share data.

APPENDIX

First-stage probit regression of the likelihood that a firm makes a domestic-improvement oriented CBA.

Independent variables	Coefficients
Depth of a firm's cross-cultural experience	0.35 (0.16) [.029]
Depth of a firm's cross-cultural experience squared	−0.32 (0.16) [.040]
Breadth of a firm's cross-cultural experience	0.14 (0.07) [.057]
Breadth of a firm's cross-cultural experience squared	−0.09 (0.06) [.089]
Domestic institutional voids	0.15 (0.08) [.045]
Firm's domestic labor productivity	−0.01 (0.07) [.886]
Firm is state-owned	−0.17 (0.07) [.022]
Firm size	0.53 (0.13) [.000]
Firm has domestic stock listing	0.27 (0.07) [.000]
Firm is B-to-B manufacturer	0.18 (0.07) [.004]
Home-country GDP per capita	0.22 (0.09) [.014]
Home-country GDP	0.21 (0.10) [.034]
Home-country GDP growth	0.12 (0.08) [.135]
Firm's number of foreign listings	0.25 (0.07) [.001]
Log likelihood	−267.0
χ^2	225.0 [.000]
Pseudo R^2	0.30

$N = 916$; the dependent variable is coded 1 for CBAs; intercept is included but not shown; robust standard errors in parentheses; p-values in brackets.

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