HEC MONTRÉAL

The Influence of

CEOs' International Working Experience on

Cross-border Merger and Acquisition Choices

by

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Abstract

This thesis obtained data from Orbis, Bloomberg; country-level data from CEPII; and cross-border merger & acquisition (M&A) data from Zephyr.

Our hypotheses are: 1) CEOs with international working experience have a positive influence on the probability of M&A activities. 2) CEOs with international working experience have a positive influence on the diversification of M&A activities. 3a) CEO tenure will positively moderate the results of hypothesis one. 3b) CEO tenure will positively moderate the results of hypothesis two. 4) CEOs with working experiencing in one foreign country are more likely to have cross-border M&A to the country.

With our sample of 144 American firms and 33 different foreign countries, our results provide evident that CEO international managing experience will increase CEO incentives to M&A in other foreign countries. Through international experience, CEO become more openness and more likely to take M&A opportunities in foreign countries. Compared to other foreign countries, CEOs more likely to invest M&A in foreign countries where they worked in the past.

Introduction

In the world of business after globalization, Merger and Acquisitions (M&A) is an advanced move to further grow a business and hope to introduce additional benefits.

Globalization and the rapid advancements in technology have changed the way to do business. Companies able to find profitable ways to operate in multiple locations across the globe is just one of its proven successes. It has allowed for profitable international expansions for firms worldwide. In this day and age, firms should pay more attention to the opportunities cross-border Merger and Acquisition (M&A). More and more value are involved in cross-border M&A in these recent years. The US and the rest of the world's economies have experienced a large number of M&A, includes local and cross-border M&A. The total volume and value of US target firm's deals are in the top rank of global M&A market. The value of Western Europe M&A increases these years and achieves 1199 billion in 2016, which is a quarter of global value (4,734 million US dollar)(Zephyr).

The number of cross-border M&A rapidly increases to 693 billion US dollars (UNCTAD, 2018). According to the data in UNCTAD, the total value of cross-border M&A purchases from US companies is 115 billion US dollar in 2017, which is double the total value of cross-border M&A in 2013 (60 billion US dollar) (UNCTAD, 2018).

The task for completing M&A is a very challenging one. It needs to overcome many obstacles such as firm valuation, local laws, and business practices. Many other factors are deterring a company from the path to internalization.

The upside to completing a cross-border M&A is one that usually comes with many benefits and losses. M&A is made with multiple intentions of gains. Firms choosing this option will usually be gaining a complementary technology to their existing products, to further advance and strengthen their position in the market. Also, a great M&A movement in an industry can increase industry technological level. For instance, from 1899 to 1909, the M&A movement in American Manufacture industry brought a huge technology change, which is considered as an important factor of the leader position of American firms in global technological level (Smythe, 2001).

A poor understanding of such factors can be most costly when choosing cross-border M&A. A failure generally means an unwanted result as well as wasting the many hours that went into planning the venture. This important decision falls on the CEOs of the company, along with his management teams and other stakeholders. It has the potential to secure the company's place in the open competitive market along with many other benefits such as additional resources and connections. Therefore it is very important that this decision is in the hands of a capable CEO with immense knowledge and experience.

In the post M&A period, tricky situations leading to a substantial failure rate of cross-border M&A may cause an array of problems. A CEO's incorrect decision will bring huge losses for the firm. As we will discuss, an overconfidence attitude of CEOs, or the hubris, increases CEO's probability to take riskier action and be more positive in taking on cross-border activities. To give an example of the hubris, Volvo's attempt to merge with Renault in 1993, which suffered a 1.1 billion USD loss in shareholder value (Bruner, 1999). Some scholars suggested that CEOs with international experience should listen more to the team because international working experience makes them less prone to make mistakes in international business activities (Hambrick & Fukutomi, 1991).

The large wave of M&A not only brings benefit to the firm but also may cause losses in the firm. Firms need to avoid those threats within cross-border M&A. Although most of M&A cases have both positive effects on acquirer and target firms (Balmaceda, 2006), some M&A still may change company structure, influence organizational culture and affect the individual career in a negative way (Hassan, Ghauri & Mayrhofer, 2018).

CEO's personal image will affect a firm's corporate social image, which is important to stakeholders (Park, & Berger, 2004; Oh, Chang & Jung, 2018). Although the relation between CEO image and corporate image cannot be defined, CEOs have an impact to change the personality of entire organization (Park, & Berger, 2004). CEO behavior is an important field, which is worthy to be studied. By studying CEO behavior, companies can have more control over operational risk and managing risk; and can avoid those problems cause by CEO hubris.

In this thesis, we will explore the background of CEOs of big-sized American firms in relation to the decisions (or indecisions) to internationalize their companies with cross-border M&A. Our study focused on CEO's international working experience influence, which includes effects on the probability of cross-border M&A activities, on the diversity of cross-country M&A, on host country location choices.

2 Literature Review

2.1 The influence of Internationalization on firms

Internationalization is the third most researched topic in the international business field (Werner, 2002). Internationalization of firms is "a process of the firms gradually increase their international involvement" (Johanson & Vahlne, p23, 1977). The study of Vermeulen & Barkema (2002) indicate the effects of firms' internationalized pace, internationalized technical scope and internationalized geographical scope on firms performance. Fast pace, high technical scope and geographic scope require a strong demand of internal firm resources and strategic managers capabilities (Arregle, Duran, Hitt & van Essen, 2017). The results are:

1. The fast pace of internationalization negatively moderates the control of parent firm on the behaviors of its subsidiaries. Strategic leaders do not have enough time to consider both external and internal factors to make a rational decision.

2. The high industrial scope of internationalization negatively moderates the control of parent firm on the behaviors of its subsidiaries. Diversified to a

new business scope need new knowledge and business practice. Parent firms may do not have related knowledge involved in new industries.

3. The high geographical scope of internationalization also negatively moderates the control of parent firm on the behaviors of its subsidiaries. Parent firms do not have enough resources and capabilities to deal with all local political systems and structures.

However, more studies indicated that the fast pace and increase scale of internationalization have positive effects on firms. The high speed of internationalization helps a firm to develop its relationships with suppliers, distributors, and customers (Chetty & Campbell-Hunt, 2003). Internationalization process theory also acknowledges firms' ability to transfer general knowledge from country to country (Johanson & Vahlne, 1977). The large scale of international operation can improve the firm's competitive advantage. The increased scale of internationalization can increase the efficiency of managing the international business and, at the same time, increase the efficiency of using the firm's internal resources in a global market (Freeman, Edwards & Schroder, 2006).

2.2 Types of entry modes

Entry modes, defined as operation methods in the internationalization process, are the second most researched topics in the international business field according to the collected information from Werner (2002). Entry modes have a significant impact on the successful internationalized process (Hill, Hwang & Kim, 1990). According to the study of Kumar & Subramaniam (1997), we aware that entry modes can be classified by risk, return, control and integration (Figure 1).

Figure 1： Characteristics of Various Modes of Entries

	Modes of Entry				
Characteristics	**Exporting**	**Contractual Agreement**	**Joint Venture**	**Acquisition**	**Greenfield Investment**
Risk	Low	Low	Moderate	High	High
Return	Low	Low	Moderate	High	High
Control	Moderate	Low	Moderate	High	High
Integration	Negligible	Negligible	Low	Moderate	High

2.2.1 High Control Entry Modes

As we can see from Figure 1, high control entry modes include Greenfield and M&A. The difference between the two entry modes is Greenfield with high integration while M&A with moderate integration. The high integration characteristic presents that Greenfield makes subsidiaries have a strong connect with parent firms.

In a more specified definition, high control entry mode includes Greenfield and M&A with more than 95% of the total share (Mutinelli & Piscitello, 1998). Cross-border M&A is defined as companies purchasing shares from existing foreign firms; Greenfield FDI is defined as companies building their own properties in the host country.

According to transaction cost theory, high control entry mode may bring low-efficiency management and operation, because high control entry mode needs complex procedures to collect information from subsidiaries, long period to report to top managers and error-prone to transfer top managers command to subsidiaries (Forlani & Parthasarathy, 2008). High control entry modes also need a bundled amount of financial investment and resource investment, which means high control entry modes bring more investment risk (Forlani & Parthasarathy, 2008). Firms would avoid high control entry modes when only apply transaction cost theory in entry modes decisions making.

However, by combining the transaction cost theory with Kumar & Subramaniam (1997) study, high control entry modes also have its advantages. Although high control entry modes bring high risk due to increased transaction cost, in the meantime, Greenfield and M&A also bring a high return to the host country's firm. Firms who pursue high return from investments and have confidence in their internal resources and capabilities would choose high control entry modes.

From the choices between M&A and Greenfield, firms with a technology-intensive strategy tend to choose greenfield instead of M&A when host country have a high R&D leakage; while those firms tend to choose M&A rather than greenfield when the host country is relatively low R&D leakages (Yokota & Chen, 2012). Because technology-intensive firms are normally with high productivity and the synergies firms can get from M&A are limited, those technology-intensive firms are more likely to go with Greenfield to protect their technology and keep high productivity.

2.2.2 Moderate Control Entry Modes

Moderate control entry modes include exporting and joint venture (JV). One of the reasons of exporting and JV is that both entry modes are lower cost methods to enter a new market compared to full control entry modes. The other reason for choosing JV is that the home country firms and host country firms can obtain synergy through JV based from their own original competencies (Kabiraj & Sengupta, 2018; Gomes-Casseres, 1989). In other words, the core competencies of two firms can combine and create new competencies.

However, the combined two firms' competencies also bring instability to their JV activities. First, from transaction cost theory, the learning process between two firms will increase transaction costs. Second, during the combined learning of other firms' core competencies, some firms will gain more knowledge and capabilities than others, the asymmetric learning will cause a change in bargaining power between firms. The changing of bargaining power may cause two firms to terminate their cooperation (Kabiraj & Sengupta, 2018).

In regards to exporting, it always comes with relatively low risk and low return. A study indicates that the main reason why firms choose to export is usually because their competencies are hard to transfer (Rygh & Benito, 2018). For instance, some knowledge involved in production can be tacit knowledge, which means the knowledge/experience is hard to be transferred (Nonaka & Krogh, 2009). In this situation, the transaction cost of transferring the tacit knowledge or related expatriates is too high. Firms choose to export because they have ownership advantages on their competencies, but do not have this advantage in transferring their competencies in host countries.

2.2.3 Low Control Entry Mode

A contractual agreement is defined as cooperation agreements between firms to obtain product market positioning of at least one firm, includes licensing, franchising, R&D contract, etc（Narula & Hagedoorn, 1999). The contractual agreement is a low risk and low-cost method to extend international business activities. When firms want to have a low R&D cost, those firms will decrease R&D cost by contracting R&D to firms in a low-cost host country.

2.3 What is M&A

2.3.1 Theories explain why M&A

Scholars have three categories of explanations to explain why the merger and acquisition happens. First, according to economic theory, M&A is a strategy used to achieve market efficiency, create market power, and build market disciplines (Andrade, Mitchell & Stafford, 2001). Firms treat M&A as their primary strategic tool to expand their economies of scale, achieve synergies, increase market power (Andrade, Mitchell & Stafford, 2001). At the same time, companies can acquire new resources and capabilities by choosing M&A for their strategic development (Gregoriou & Neuhauser, 2007). Firms usually increase investment in research and development(R&D) to keep their production efficiency.

Researchers found that M&A can be used to acquire companies to complement their in-house technologies. Some firms failed to increase R&D would choose to obtain internal resource and capabilities through M&A (Cebenoyan, Papaioannou & Travlos, 1992; Vasconcellos & Kish, 1996). As a result, companies' research and development (R&D) increases efficiency (Bertrand, 2009).

Except for what we mentioned, the main reason for choosing cross-border M&A is driven by reducing trade costs and increasing trade benefits （Andrade, Mitchell & Stafford, 2001；Stennek, 2006). In some levels, the higher the trade barriers, the higher the incentives for firms to invest in those countries（Stennek, 2006). Also, cross-border M&A is an option that a company can take to reduce operation uncertainties and to integrate complementary knowledge (Gregoriou & Neuhauser, 2007).

Second, from the perspective of behavioral theories, M&As comes from the market undervaluation or overvaluation of firms (Balmaceda, 2009). It is under the assumption of an inefficient financial market. In other words, some firms may be undervalued or overvalued. One implication of the inefficient market assumption is information asymmetry. If companies lacked some essential information, it could cause them to slow down or stop their M&A (Vasconcellos & Kish, 1996). However, if an acquisition team can somehow obtain critical non-public information about target firms, they would be more inclined to their M&A plans (Stoughton, 1988). By merging with other undervalued firms, rational acquisitions can be used to obtain benefits and take advantage of the inefficient market (Balmaceda, 2009). As a result, a CEO has increased inventive to merge and acquire a target firm especially if the market undervalues a firm.

Third, according to the hubris hypothesis, which is with the assumption of overconfident CEOs, CEOs are inefficient and irrational (Hiller & Hambrick, 2005; Yang, 2015). In other word, CEOs interpret information in their willingness and believe based on their personalities and experience (Hayward, Shepherd & Griffin, 2006). CEOs can be overconfident in making decisions. What is more, scholars have noted evidence that a CEO's decisions will affect a company's decisions on M&A (Buckley & Ghauri, 2004, Hassan, Ghauri & Mayrhofer, 2018). As a result, if a CEO of a firm is overconfident and always hold positive views on M&A, the probability of choosing M&A will increase in the firm.

Other study indicated more specified on why cross-border M&A happen (Morresi, Pezzi & Palgrave, 2014). Reasons include strategic motives, external shock and personal reasons. For example, creating synergies is one of the main strategic motives behind M&A. Synergies can reduce cost or increase revenue, which are the end goal. External shock comes from external environment change, such as deregulation, globalization in industry. Personal reasons refer to the relations between stakeholders and manager, managers' personal ambitions.

2.3.2 The Wave of M&A

M&A wave means a significant amount of M&A happens in a specified period. During the wave of M&A in industry, information asymmetric problem relatively dissipates, because more media news and public attention on the wave of M&A

bring the industry and related companies information in public (Mamun & Mishra, 2012).

The wave of M&A also brings shocks to industries and regions. Positive shocks bring opportunities; bring technology improvement; increase efficiency, change regulation in the market (Andrade, Mitchell & Stafford, 2001; Akdoğu, 2011; Yaghoubi, Locke & Gibb, 2012).

Through cross-border M&A, acquirers can take advantage of other firm's capabilities to gain resource and new technology. As a result, the whole industry will react to those changes by a need for restructuring (Akdoğu, 2011). Additionally, the rapid technology and regulation change in one industry brings negative shocks on other industries, such as increased supply cost from a large wave of M&A in the industry (Yaghoubi, Locke & Gibb, 2012). As a consequence, International business activities like cross-border M&A not only affect a firm's development but also influence countries and industrial structures (Buckley & Ghauri, 2004).

One explanation on why M&A wave happens is CEO Hubris (Doukas & Zhang, 2016). Acquiring managers are overconfident in their merger decision and overvalued the synergy from M&A. The other explanation on why M&A wave happens is economic expansion and deregulation in the financial market. The expansionary monetary policy brings financial market more money, which is used to increase trade. In financial field expansion, economic expansion and financial market deregulation bring the new structure of industry (Takechi, 2011). The loosening of monetary policy brings money to the financial market. Like what happened during inflation, either economic expansion or market deregulation bring more assets to the market and will increase investments in the period.

2.3.3 M&A Location Choice

Cultural distance is an essential factor when choosing an entry mode. The highlight is when business activities involve foreign firms (Barkema, John & Pennings, 1996). For example, the cultural differences between the host country's target firms and home country' firm bring potential long distance problems in cross-border M&A.

Geographical distance is also an essential factor in M&A location choice. High geographical distance increases the cost of coordination with host country's firms. However, high geographical cost also decreases the incentive of exporting to the host country (Bertrand, Mucchielli & Zitouna, 2007, Morresi, Pezzi & Palgrave, 2014).

Additionally, the host country's economic development is also a factor affecting a firm's choices on foreign investment (Musa & Hassan, 2016). Those economic factors include the country's GDP, openness and other factors. The studies of Bertrand, Mucchielli & Zitouna (2007) also indicated that financial openness play a important role in M&A location choices.

M&A is not only a way to internationalization, but also a method to restructure industry and market. The previous studies showed that market size in host countries also matters in M&A location choice, which decides target customers size (Bertrand, Mucchielli & Zitouna, 2007).

2.4 Characteristics of Strategic Managers

We found out a few theories and opinions in some studies to explain strategic manager behaviours: First, Hubris theory explains why strategic managers are irrational and overconfident in business decisions. Hubris theory refers to "personal overconfident" in the psychological field. In the strategic management field, Hubris theory, which first used by Roll (1986), explained why strategic managers overpay for acquisitions. Hubris theory in business field is based on the assumption that a financial market is efficient. Under the efficient market situation, strategic managers know that they are overpaying for targets. However, because of strategic managers overconfident on future returns and management capabilities, strategic managers still decide to acquire target firms with the price higher than the market price. As a result, the value of acquiring firm will increase; the value of bidder firm will decrease; and the total value of the two firms will slightly decrease (Roll, 1986). In order to solve the problem of strategic manager overconfident, Hitt, Ireland & Hoskisson (2013) suggested that delegation can be used to avoid managerial hubris, which means individuals behaviors will be limited in this situation.

Additional opinion about strategic managers behavior describes those strategic managers who avoid taking risks. Those strategic managers weight negative outcomes more heavily than positive outcomes (MacCrimmon & Wehrung, 1990). Those strategic managers have passive views on risk and define risk with negative opinions. Under this situation, those strategic managers may be too careful to take any risk and miss opportunities in the market.

A more recent study indicated that strategic managers risk tolerance depend on their firms' capabilities (Forlani & Parthasarathy, 2008). Strategic managers in high-capabilities firms will have higher risk tolerance than those managers in low-capabilities firms. Those strategic managers are more likely to choose high control entry modes.

Strategic managers, like CEOs, whose experience and personalities matter in firm performance (Wang, Holmes, Oh & Zhu, 2016)

2.4.1 CEOs International Working Experience

Strategic managers, like CEOs, whose experience and personalities matter in firm performance (Wang, Holmes, Oh & Zhu, 2016). International working experience provides chances for CEOs to have an opportunity to contact with other external environments. Different external environments include political, economic, social and technological help CEOs to create effective business strategies (Carruthers, 2009; Magnusson & Boggs, 2006). CEOs obtain knowledge in the external environment (Chen, Dai, Kong & Tan, 2017). In a social perspective, CEOs international experience helps them to learn about the local culture and customers need. In an economic perspective, international experience can provide CEOs with abilities to deal with different kinds of financial systems. In a political perspective, CEO international experience can be used to offset institutional barrier (Chen, Dai, Kong & Tan, 2017), In a technological perspective, CEOs with international experience can increase their abilities to recognize the advanced technology in the world, which can apply in their firms (Luo, Lovely & Popp, 2017).

CEOs with international working experience can have better performance in firms. The international working experience of a firm's CEO is an internal capability for the firm. From the firm internal resource-based view, firms can get a competitive advantage by distributing internal resources and capabilities (Hitt, Ireland & Hoskisson, 2013). With more efficient resource and capabilities providing by CEOs, firms have a higher chance to achieve competitive advantage:

First, CEO's international experience brings CEOs with visionary leadership, which is improved by experience with different external environments. A study by Hitt, Ireland & Hoskisson (2013) indicated that CEOs with better visionary leadership could bring extra performance to their employees.

Second, CEOs with international working experience are good at working in a multicultural working environment. Those CEOs are more comfortable to work closely with other strategic leaders with different culture background (Magnusson & Boggs, 2006). Strategic leaders from the different background can exchange information and their views on business opportunities and threats. The effective communication can make strategic leaders have a cognitive knowledge about their external business environments. At the same time, the active communication can obtain consistent goal inside a firm. From the study of Hitt, Ireland & Hoskisson (2013), firms can earn a maximum profit by sharing a consistent goal between CEOs and stakeholders.

Third, the impact of CEOs international experience be moderately by the period of International working experience (Hitt, Ireland & Hoskisson, 2013) In other words, the benefit of international experience can positively be moderated by the duration of CEOs international Working experience.

2.5 The Influence of International Working Experience

International working experience is defined as people participating in some work-related activities or jobs need either physically or psychologically cross national borders (Shaffer, Kraimer, Chen & Bolino, 2012). International working experience benefits most parts of a company.

For the perspectives of firms, an international working experience can strength a firm's competitive advantage, because a firm meets different external challenges whenever it has international business activities (Aguilera-Caracuel, Hurtado-Torres & Aragón-Correa, 2012). Moreover, international experience is positively moderated by the number of years of international business activities. The longer the international experience a firm has, the quicker the firm can react to external environment change with a proactive environmental strategy (Aguilera-Caracuel, Hurtado-Torres & Aragón-Correa, 2012).

From the perspectives of skilled workers, technology-skilled workers and professionals with international working experience contribute to the technology research and development in firms (de la Tour, Glachant & Ménière, 2011; Chen, Dai, Kong & Tan (2017). The study by Chen, Dai, Kong & Tan (2017) emphasizes the influence of auditors, who with international working experience have a better performance in their future auditing work. Chen, Dai, Kong & Tan (2017) explained that auditors with international working experience have better abilities in gathering knowledge together; more understand political barriers than auditors without international working experience.

From the perspectives of strategic executive leaders, international working experience providing managers with a leader strategic view on the current global business environment. International working experience improve strategic leaders' abilities on strategic thinking; make them more clear about the company's core competencies; make them have a more effective global activities management (Schmid, & Altfeld, 2018)

2.5.1 Effect of CEO Working Experience on Internationalization

CEOs characteristics affect their companies' decision making and change the probability of firms' internalization (Hambrick & Mason, 1984; Daily, Certo & Dalton, 2000). Numerous researches about CEO international background and experience has determined that CEOs with international experience positively correlate to the degree of firm internationalization（Athanassiou & Nigh, 2000；Herrmann & Datta, 2006：Nielsen& Nielsen，2011).

The authors (Athanassiou & Nigh, 2000) first examined the effects of international business experience of top management teams with respect to a firm's likelihood of internalization, by using first hand data of 38 companies and 258 top management team members. He then separately examined the effect of both CEOs and other top management team members with international business experience on the extent of internalization.

Other authors (Herrmann & Datta, 2006) argued that CEOs with international working experiences will have greater insights and confidence when operating in an international business. They are also equipped with the "global mindset" which they will use to succeed in a foreign environment and to handle the global competition as a result. With their confidence they are much more likely to choose higher control entry modes such as merger or acquisition.

Nielsen& Nielsen (2011) suggested that top decision makers with international experiences will be more aware of related international opportunities and will therefore look into that direction. They are also more likely to be culturally aware and are therefore able to better react to challenges abroad. With previous experiences, they are more optimistic than their counterparts without international working experiences and are better able to cope with the uncertainty that comes with international expansion.

The reasons are, first, CEO international experience is valuable to be able to overcome problems met in internationalization (Kirca, Hult, Deligonul, Perryy & Cavusgi, 2012). International business activities will bring new threats and problems to companies, such as unpredictable challenges, culture shocks, and a long physical distance. Cross-border M&A need to comply with a larger set of local requirements, such as product quality requirements, local labor laws (Gregoriou & Neuhauser, 2007). The cultural difference between countries is the first problem of cross-border M&A. CEO’s international experience is an influential factor that overcomes “geographic distance” issue in international business (Herrmann & Datta, 2002；Nielsen, & Nielsen, 2011).

Second, resources and capabilities are essential in all internationalization process as we mentioned before. Cross-border M&A need to overcome human resource problems, such as local employee hiring and international expert transfer (Gregoriou & Neuhauser, 2007). CEO’s international experience brings CEO’s global network, which is a valuable internal capability that can combine with external opportunities to be competitive in an international business market (Kirca, Hult, Deligonul, Perryy & Cavusgi, 2012).

2.5.2 CEOs International Working Experience on High Control Entry Modes

High control entry modes include Greenfield and M&A with 95% share, which is defined by Charles, Hwang & Kim in 1990.

The two studies by Herrmann & Datta (2002) and Nielsen & Nielsen (2011) on the relation of CEO international experience and entry mode choices concluded CEO international experience increase the probability of high control entry modes. International managing experience brings a “global mindset” to CEOs. “Global mindset” makes CEOs not only more willing to take risks, but also more effective in handling full control entry mode (Nielsen & Nielsen, 2011). Other studies investigated and arrived at the same results with the assumption that CEOs will take calculated risks over time, which is an uncertain question based on our previous discussion (Herrmann & Datta, 2002).

Most importantly, one study showed that CEOs tend to choose FDI rather than cross-border M&A when they have local networks in the host country (Nagano, 2013). Under the condition of CEOs with international working experience, firms prefer FDI rather than M&A.

From previous studies (Herrmann & Datta ,2002 ;Nielsen & Nielsen, 2011), CEOs having a local network and expertise is an essential factor leading to high control investment. The previous studies about high control entry modes cannot be applied to the situation that CEOs with international working experience are more likely to choose M&A, because the higher probability of choosing FDI will positively increase the effect of CEOs international working experience on M&A choices.

As a consequence, the effect of international working experience on cross-border M&A may be overvalued. Our thesis focused on this problem and re-evaluated the CEOs' international working experience effect on M&A decisions.

2.5.3 Co-effect of CEO International Working Experience and Tenure

According to Balmacada (2009) opinion, CEOs can decrease their managing risk by diversifying their business. A similar conclusion made by Andrade, Mitchell & Stafford (2001) is that CEOs can benefit from managing a more diversified firm. Additionally, under the situation of agency theory, which refers to lack of alignment between CEOs and stakeholders in goals, CEOs usually have less risk tolerance level than stakeholders (Nyberg, Fulmer, Gerhart & Carpenter, 2010; Wang, Chung & Lim, 2015). Because CEOs are not acting on the best interests of stakeholders; CEOs may try to avoid risk in investment to decrease managing risk. As a result, CEOs may not like to tolerate the uncertainty risk from M&A (Wang, Chung & Lim, 2015).

However, other scholars viewed that CEOs are only risk-aversion during the early stage of their CEO tenure. After a period, they would have more willingness to increase their resource and change their business strategies, because they feel safer to take risky action than before (Kirca, Hult, Deligonul, Perry & Cavusgil, 2012). As a consequence, CEOs will increase their chance of internationalization when they have a long tenure.

Researches with opposite opinions indicated that CEOs with a higher level of international experience likely have a shorter tenure; and those CEOs with longer tenure may have less international experience (Daily, Certo & Dalton, 2000). The reason is, shorter tenure CEOs bring new executive ideas to firm and more willing to take risks. However, over time, they will rely on their experience and be less risky (Reger, 1997).

2.5.4 CEOs International Working Experience on M&A Location Choice

Studies indicated that location advantage would be a big motivator for CEOs with the host country culture and relation (Dunning, 2000). Firms have location advantages to JV, M&A, or Greenfield in a host country when they have comparative advantages to locate business in the host country (Dunning, 2000).

Although study about CEOs international experience and M&A location choice is lacked, we can speculate that CEOs international experience can moderate the negative effect of distance issue between countries on location choice.

3 Hypotheses

3.1 Hypothesis 1: CEO international working experience on the probability of cross-border M&A

At the economic level, international working experience helps to reduce the uncertainty in international expansion. International investment is a management strategy used to diversify the firm.

Highly diversified firms can decrease a CEO's managing risk when CEOs can accurately predict uncertainty market problems in those diversify-related business investments; in other words, if most of the risk from a diversified investment strategy can be controlled, CEOs would increase their incentives to take a diversified international strategy to decrease their managing risk.

Behavior theory can further explain why CEOs with international managing experience have more incentives to choose cross-border M&A than other entry modes. Under behavioral level analysis, which assumes that the market is inefficient and imperfect (Balmaceda, 2009). Firms with M&A intentions to take opportunities in purchasing those undervalued firms in a market (Balmaceda, 2009). In the situation of behavior theory, information is asymmetric in the market. CEOs' international working experience can avoid part information asymmetric problem. First, CEOs' international experience can provide them with the understanding of local culture and regulations to identify undervalued firms. In other words, CEO international experience can increase the awareness of international opportunities (Tihanyi, Ellstrand, Daily & Dalton, 2000). Second, CEOs may have their international network to acquire additional information, which is not available to the open public market. In this case, CEOs will increase the probability of cross-border M&A to take advantage of purchasing undervalued foreign firms. As a result, in behavior level condition, CEOs with international experience tend to have more cross-border M&A activities.

With hubris irrational managers assumption, CEOs make decisions with biased and with personal ambition (Yang, 2015). Through international experience, CEO's personal values may change; he/she can be more open and motivated (Slater, Dixon-Fowler, 2009). CEOs' global mind, which obtains from international working experience, increases their tolerance to get risk. The personal value may bias CEO decisions on international managing strategy. CEOs who understand foreign culture and practices are expected to be more overconfident business management (Herrmann & Datta, 2002). The overconfidence of international managing skills brings CEOs with a more positive view of the future global management and the synergies from M&A. As a result, CEOs increase their probabilities of choosing high control entry mode in foreign investment when they have international working experience (Herrmann & Datta, 2006). As we discussed above, both M&A and Greenfield FDI is classified as high control entry mode according to the method of Herrmann and Datta (2006).

Hypothesis 1: *Acquiring CEOs with international working experience have a positive effect on the probability of cross-border M&A decisions.*

3.2 Hypothesis 2: CEO international working experience on the diversification of cross-border M&A

CEOs in highly diversified firms are with less managing risk than CEOs in relatively low diversified firms; the massive scale of internationalization can improve firms' competitive advantage. With these two incentives above, CEOs have reasons for managing firms in a more diversified method.

When CEOs measure the activities to increase the firm's scope come with acceptable risk, CEOs will make decisions on expanding the firm's scope. The measurement of risk on CEOs depends on CEOs' experience and CEOs' confidence. First, CEOs with international working experience have relatively high-risk tolerance than others, so they are more likely to choose to diversify their firms. Second, overconfident CEOs see positively on their M&A decisions and synergies from M&A; overconfident CEOs are more likely to select expansion to increase scope. The confidence of CEOs depends on their personal value, which comes from experience. In our previous discussion, we mentioned that successful international managing experience increases the confidence of CEOs. Except for those two incentives, CEOs with international working experience are comfortable and good at working in a multicultural environment, which makes CEOs, have a positive view on a large scope of internationalization.

Hypothesis 2: *Acquiring CEOs with international working experience have a positive effect on the diversification of cross-border M&A decisions.*

3.3 Hypothesis 3：CEO's tenure duration as a moderator

Some scholars supported that risk-aversion only happened in the early period of CEO tenure; CEOs will be riskier after tenure (Kirca, Hult, Deligonul, Perryy & Cavusgil, 2012). CEOs obtain knowledge and managing resource from long tenure, which makes them become more confident than CEOs with short tenure. Cross-border M&A always come with uncertainty. Although managing risks would decrease after a successful cross-border M&A due to diversification, managing risk increases during the cross-border M&A process. As a result, CEOs need to be determined enough to take a risk to start and operate a cross-border M&A.

Additionally, taking action on cross-border M&A not only requires a CEO to take some managing risk but also needs support from the management team and stakeholders. As we discussed, CEO with long tenure comes with high performance and holds sufficient knowledge about the firm. CEO's long tenure will allow managing team and stakeholders to have confidence in the CEO's decision. Besides, CEO with international working experiences and knowledge of a firm will be deemed adequate to make international business decisions for the firm. It will be easier for the CEO to convince other decision-makers about the incentive to take cross-border M&A.

From the supply chain’s point of view, a high-performance CEO with long tenure would be trustworthy for both partners and customers to make important decisions (McCarthy, Oliver & Song, 2017). Partners may lose faith or be more hesitant to trust a CEO who always takes a high-risk approach. The situation is different when the firm has a high performance, long tenure CEO. Partners would be more trusting on the firm’s CEO decisions. Regarding customers, CEOs with a more positive public image could increase the probability of completing the plan of cross-border M&A. Long-term successful managing experience can increase CEO’s personal image in customers, especially for those CEOs who have relationships with foreign customers. The culture distance between countries will increase the value of the local network as we discussed. As a result, with the support of other managers, stakeholder, partners, and customers, CEOs with long tenure and international working experience are more powerful to make cross-border M&A decisions and have better results.

Hypothesis 3a: *CEOs’ tenure duration positively moderates the effect of CEOs with international working experience on the probability of cross-border M&A decisions.*

Hypothesis 3b: *CEOs’ tenure duration positively moderates the effect of CEOs with international working experience on the diversify of cross-border M&A decisions.*

3.4 Hypothesis 4: Location choice of M&A

We generally discussed in the previous hypotheses, the CEO's international working experience influence on the probability of choosing cross-border M&A. In order to make our analysis more convincing, we look at more specific on whether a CEO's international experience in a target country will influence their decisions of M&A in this specific country. In other words, whether CEO's international working experience in one country will influence their location choice of M&A. It would also meet the conclusions that other scholars made about incentives of cross-border activities, which include not only internal factors but also external factors. As CEOs would also consider whether external factors (e.g., countries' cultural distance) meet internal factors (e.g., CEO experience in the host country) before making a decision (Barney, 1991; Duschek, 2004).

During a firm's process of internationalization, management teams consider CAGE as an essential method to make a strategic business decision. CAGE stands for the cultural distance, administrative distance, geographic distance and economics distance between countries (Butler, 2002). As we discussed above, companies make decisions to internationalization through internal strengths and external opportunities.

3.4.1 Cultural Distance

From the point of cultural distance, the cultural difference between countries is always a threat in international business. The trade barrier between countries may be underestimated if management teams neglect the culture distance between countries and regions. However, CEOs with experience in a specified host country can turn the cultural distance problem from a threat to an opportunity. A CEO who is more familiar with the local business culture, consumption habit and business social network holds a significant advantage in M&A.

3.4.2 Administrative Distance

From the point of administrative distance, cross-border M&A face additional rules formulated by law and policies than other entry modes. Acquiring firms faced to political barriers such as antitrust law, marker competition policy (Anwar, 2005). For instance, in 2001, the European Commission had rejected the merger between General Electric (GE) and Honeywell. The difference between European Commission policies and the United States antitrust law is one of the reasons of merger failure (Anwar, 2005). Experienced CEOs understand more about local government policy and institution weakness. Additionally, experienced CEOs may have local relations in the host country to simplify the complicated law procedures. Also, if firms are more familiar of dealing business in some regions or countries and understand the local issue, such as corruption, it would increase the chance of locating to that country's region and reduce unnecessary risks during M&A (Uhlenbruck, Rodriguez, Doh & Eden, 2006).

3.4.3 Geographic Distance

From the point of geographic distance, companies and strategic managers are more like to have international business activities in near regions, considering the factors of transportation, time zone. CEOs are more likely to have international experience in nearby countries. In other word, CEOs have higher probability and frequency of internationalization to the same nearby country. Geographic distance also refers to transportation conditions like waterways access and roads conditions (Miloloža, 2015). When local transportation conditions in a host country are ideal, CEOs with or without working experience may both have a positive view on internationalization to the host country. However this is not always the case, local logistics can often be a source of troubles and errors. Regardless of these local transportation difficulties, CEOs with managerial experiences in the host country will be more ready to handle the challenges as opposed to one without local experiences.

3.4.4 Economics Distance

Regarding economics distance, the economics distance between two countries only changes slowly in a short-term period. There are two possible reasons that CEOs have international activities again in the same country. When the economic conditions between home country and host country are similar between two short time periods, CEOs working experience in a host country can be integrated and applied over a period to meet the conditions of the local market (Miloloža, 2015).

In the literature review, we mentioned that CEOs international experience is a core competency of a firm. Moreover, we have reasons to believe that personal international experience is durable, which has a long-lasting influence on CEO;

hard to copy; valuable and irreplaceable. According to these four situations, we can conclude that CEO's international experience in a host country can bring firms with a competitive advantage when there is an opportunity in the M&A country (Barney, 1991). Combined with the discussions in above, CEO's international experience provides a location advantage on a firm's internationalization process. In this situation, the firm will increase the probability of entering the market with location advantage and choose a high control entry mode (Barney, 1991; Dunning, 2000；Herrmann & Datta, 2006).

3.4.5 Personal Factors

Personal factors may also influence a CEO's cross-border M&A location choice. Working experience in the host country increases the attractiveness of a selection of firms between similar options, which includes many benefits. First, CEOs will feel more confident and comfortable to do business in a familiar environment. Second, CEOs may have retained some of their local relations in the countries where they worked and managed, especially for those CEOs who have successful managing experience in the host country.

Many studies also support our assumptions above, they investigated and found that top managers who favor a host country are more likely to make investments; and in most cases, they will choose a high control entry mode (Kulchina, 2016). The studies' outcome indicated that firms are more likely to have cross-border M&A or greenfield FDI in the situation of having a positive expectation in host countries. As we discussed the difference between cross-border M&A and greenfield FDI above, resource-seeking firms will be more likely to choose cross-border M&A. CEOs with host country working experience can get a clear view on host country resources. Local working experience gives them clear ideas about the valuable resources in the host country and how much they need to spend to obtain the resources. The CEOs can provide a suitable bidding price to maximize the success rate of cross-border M&A; at the same time, maximize their benefits from the cross-border M&A.

Hypothesis 4: *An acquiring firm's CEO with international working experience in a country will be more likely to conduct an M&A in the country.*

4. Method

4.1 Samples

4.1.1 Firms Information Selection Procedure

The initial sample size of 694 firms includes information, which was drawn from Obris; and the initial sample size of 694 CEOs information was drawn from Obris and Bloomberg. Only firms satisfied the following criteria are included in the sample.

Orbis (Bureau van Dijk, 2018) is a massive open online database, which contains information for about 300 million companies around the world. It captures its information from over 160 different sources, as well as their own. It is a widely trusted and used source by governments, private companies, and scholars alike.

This data will help with company valuation and other analysis necessary for the process behind M&A. Obris is owned by Bureau van Dijk, an analytics company that is founded in 1991 and is one of the world's leading publishers of business information as well as details surrounding data of big private enterprises (Bureau van Dijk, 2018).

Bloomberg (Bloomberg, 2008) delivered quality business analytics and news before the Internet and have continued to do so today online, offering quality services based around financial, enterprise, industry, and media. They have over 1500 sources, as well as proprietary and otherwise strong independent research to deliver the most reliable information fast. They also provide accurate macroeconomic forecasts (Bloomberg, 2008).

First of all, the sample includes only US firms in manufacture industry (NACE Rev.2 codes: 20-32). In this case, industry influence from M&A wave can be better controlled. M&A wave bring large amount of M&A in an industry in a short period, which may bias our results. What is more, we can use technology levels to classify manufacture industries. We choose US firms to decrease the influence of home country economic and policies influence on cross-border M&A decision-making.

Second of all, firms were required to have more than 500 employees. Some scholars suggested that small-sized firms should be used as samples to find out CEOs' effect on firm performance (Miller & Droge, 1986; Hsu, Chen & Cheng, 2013). Small firms' CEO has more power to make decisions according to their career incentive and goals. For example, when scholars examined CEO attributes on a firm's performance, they used SMEs from Taiwan as a sample (Hsu, Chen & Cheng, 2013). Most prior studies investigated CEO international experience as an important incentive and primary source for SMEs to internationalization. On another research about CEO experience, scholars chose manufacture firm with more than $250 million sales as samples（Herrmann & Datta, 2002). At the time of the studies period, international business and cross-border activities are not as common as it is today. Neither CEO international experience nor firm's international strategies are as common as today. Scholars obtained big size companies' data to keep sample size large enough.

In our study, even today we are met with a similar situation. According to the data we got from Zephyr, the small-sized firms have less probability of M&A than big-sized firms. We need to keep our sample size big enough to avoid random incorrect conclusions. As a result, the first research sample choosing method cannot apply.

Zephyr (Bureau van Dijk, 2018) is a huge database that specializes in the information about M&A news and data. It holds a variety of information on business news, transactions, rumors and more surrounding private equity and venture capital deals. It also provides detailed sources and links involved for the information. The database is continuous and ongoing, with over 1,300,000 deal coverage. Zephyr is also owned by Bureau van Dijk (Bureau van Dijk, 2018).

Large-sized company can provide more cases on cross-border M&A. Some academic research shows that M&A participants are mostly large-sized, which are measured by total assets, sales, number of employees and research and development (R&D) expenditure (Liu & Qiu, 2013). In our sample, 90 out of 144 firms have M&A activities to other countries since 2014. Also, our sample is limited to big size companies, which is more convenient for us to gather public and reliable data regarding firms and CEOs.

4.1.2 M&A Information Selection Procedure

Our sample includes completed cross-border M&A records from Jan 2014 to Jan 2018. By choosing a relatively short term, the variability of policies, economics and countries' relationships can be limited, which can induce the influence of external environment of target countries and the host country. Also, a four-year period is long enough to collect a sufficient number of cases in cross-border M&A. The information of cross-border M&A achieved from Zephyr.

4.1.3 CEO Information Selection Procedure

We only collect the information of CEOs who have completed information record in both databases (Obris and Bloomberg). Any firm without one-piece information about CEO characteristics and firms was not included in our sample. Some firms have two CEOs from 2014 to 2018; we deleted these firms for accuracy's sake of our study. Additionally, we collected the information of CEOs who are in their position of the same firm from 2013 to 2018. The starting point is one year before the starting point of cross-border M&A. By doing this, we can assume that CEOs participated in those cross-border M&A decision making because it takes time to plan and complete a cross-border M&A. Similarly, we noted CEO's international working experience before 2013.

According to all of the criteria above, in our sample, we have a total size of 144 US manufacturing firms with reliable information in the acquiring CEO individual level, company level, and host country level.

4.2 Measures

4.2.1 Dependent variable

First, in order to find evidence that CEOs with international experience will increase the probability of a firm choose to acquire other foreign countries (Hypothesis 1), we used **M&A** as a binary dependent variable that captures whether a home firm has M&A to host countries (Flores & Aguilera, 2007). We use Code "1" to present company has once or more times foreign M&A as an acquirer since Jan 2014 to Jan 2018, and use Code "0" to represent company has no M&A activities to any host countries since Jan 2014 to Jan 2018.

Second, to investigate that a CEO's international experience will increase the diversification of M&A (Hypothesis 2), we created **M&A_Numbers**, which is a continuous variable that shows the number of host countries that home country firm merge. These data are also from Zephyr, which includes all merger and acquisition records for major firms.

Third, we look at whether a CEO's international experience in a host country will influence location choice of M&A in the country (Hypothesis 4). The third dependent variable, **Host Country**, is a binary variable that captures whether the firm has merger/acquisition in the specified host country where the CEO had previous working experience (Flores & Aguilera, 2007). A value of 1 represents that the firm has at least once completed M&A in this host country from 2014 to 2018. A value of 0 represents that the firm does not have completed M&A in the host country from 2014 to 2018. For each firm's group, there are 33 host countries included. In total, binary variable - Host Country includes 4758 cases.

Noted that three dependent variables are used in different models. We designed three probit regression models by using **M&A**; another three probit regressions models by using **M&A_Numbers**; and two fixed effect models by **Host Country**.

4.2.2 Independent variable

International Working Experience: A CEO's foreign work experience was measured by whether the CEO had international working experience as a manager or director before 2013 (Carpenter, Pollock & Leary, 2003). Some prior studies investigated whether cultural identities have a continuous effect on CEOs (Nielsen & Nielsen, 2011). We used CEO's past international managing experience before 2013 in our dataset. In our data, a value of 1 presents that a CEO has international work experience as a manager or director and a "Code 0" to no international experience.

Host Working Experience: We measured whether CEO has related the working experience of the host countries before. We use “manager/director/CEO” titles to count as related working experience. Our data about CEO’s description come from Obris and Bloomberg (2018). Inside these databases, most descriptions about CEOs work experiences are recorded by continents/areas instead of countries. When we sorted out the data, we read the information and transfer it to a binary variable to measure whether the CEO’s working experience matches the M&A host country (Shenkar, 2001). For example, if a CEO has international working experience as a regional director in the Europe area, and if the firm acquired a German firm, we coded Host working experience as Code “1”.

CEO Tenure: Concerning the measurement of CEO Tenure, the method of measuring is from their first year as CEO of the company until 2014. CEO position tenure was measured by the number of years the CEO has been employed in his or her current position in previous studies (Boling, Pieper, Covin, 2016; Simsek, 2007). CEO duration needs to be controlled to observe foreign work experience influence. The longer CEOs held this position, the more their characters would affect their decision makings (Hambrick and Fukutomi, 1991). At the same time, the power of CEOs increases in their tenure and they are more likely to take a risk (Hambrick and Fukutomi, 1991; Boling, Pieper, Covin, 2016). What is more, CEO with long tenure are more likely to choose a high control entry mode during international business activities（Herrmann, & Datta, 2002).

4.2.3 Control Variable

To test hypotheses 1-3, we controlled the factors that we have already known to have an effect on Merger & Acquisition activities.

4.2.3.1 CEO level control

CEO Education Background: From the studies of Herrmann & Datta (2002), CEO's functional background influence the way they make decisions and their risk tolerance. Herrmann & Datta (2002) used education fields to measure CEO's functional background effect, whose method is to being used in our study. **Business Education**, which is a dummy variable, is equal to 1 if CEO with an undergraduate or graduate degree in business (includes accounting, finance, management, MBA) or economics; **Science Education**, which is a dummy variable, is equal to 1 if CEO with an undergraduate or graduate degree in engineer, mathematics, chemistry, physics or other science-related degrees.

We also collected information regarding CEO's MBA degree, Study Country, and Gender. We would give more detailed information later in our thesis.

4.2.3.2 Firm Level Control:

Revenue: From the research of Autio, Sapienza & Almeida (2000), larger size firm is more likely to be internationalized. However, recent research shows that the very large size firms will suffer a negative effect from the announcement of M&A as acquiring firms (Gorton, Kahl, Rosen, 2009). The smaller-size firms tend to enjoy a positive effect when the merger or acquisition is announced (Gorton, Kahl, Rosen, 2009). In this case, relatively small size firms are more likely to undergo M&A activities. According to these studies, we know that firms' revenue has either a positive or negative effect on choosing M&A activities, which means revenue need to be controlled. As annual company revenue reaches a large amount, we measure revenue as the logarithm of firms' original revenues in 2017.

4.2.3.3 Industry Level Control:

Technology intensity of industries: In R&D level, we classified those manufacture firms by technological intensity. Merger and acquisition fulfill those high technology firms' need for innovation speed and technology resource extension （Makri, Hitt, Lane, 2010). High-technology firms are more likely to have M&A activities to increase their technology-related resources and capabilities（Makri, Hitt, Lane, 2010). In other words, high-technology firms pursue complementary needs from other firms to keep or increase their competitive advantage (Yang, Wei, Chiang, 2014).

We use NACE Rev.2 at the 2-digit level to aggregate manufacture industry in technological intensity level (Eurostat, 2018). According to the information given by Eurostat, we classified technology in four categories (detailed information can find in Figure 2. We classified technological intensity level related to high technology, medium-high technology, medium-low technology, and low technology. For every category, we evenly distributed our data. **High Technology, Medium-high Technology, Medium-low Technology, Low**

Technology are all binary variables, and a value of "1" presents the firm is in that category

Figure 2: Eurostat Technology Level Classify in Manufacture Industry

Manufacturing Industries	**NACE Rev. 2 codes – 2-digit level**	
High Technology	21	Manufacture of basic pharmaceutical products and pharmaceutical preparations
	26	Manufacture of computer, electronic and optical products
Medium-high Technology	20	Manufacture of chemicals and chemical products
	27	Manufacture of electrical equipment
	28	Manufacture of machinery and equipment
	29	Manufacture of motor vehicles, trailers and semi-trailers; Manufacture of other transport equipment
	30	Manufacture of motor vehicles, trailers and semi-trailers; Manufacture of other transport equipment
Medium-low Technology	19	Manufacture of coke and refined petroleum products
	22	Manufacture of rubber and plastic products
	23	Manufacture of other non-metallic mineral products
	24	Manufacture of basic metals
	25	Manufacture of fabricated metals products, excepts machinery and equipment
	33	Repair and installation of machinery and equipment
Low Technology	10 to 18	Manufacture of food products, beverages, tobacco products, textile, wearing apparel, leather and related products, wood and of products of wood, paper and paper products, printing and reproduction of recorded media
	31	Manufacture of furniture
	32	Other manufacturing

4.2.3.4 Country Level Control Variables

All the following control variable information are from database CEPII except for Language (CEPII, 2018). We used the fixed effect model to examine hypothesis 4, so the information of each US firm is under a fixed effect; in other words, CEO's information (except for CEO host country working experience) is also fixed effect in this model. The reason why we chose the fixed effect regression model is we use each company as a group variable. So we only need to consider country-level factors in control variables. We used the following control variables to explain and evident hypothesis 4.

CEPII is a France based research entity database on international economics founded in 1978. It analyses in depth on matters most important to shape the world's economy such as policies, macroeconomics, trade, finance, and more. They are trusted and used by the highest level of French government and its data help refine policies and law. It also provides an environment for intellectual discussions amongst scholars on key matters pertinent to the global economy.

Language: In the country and regional level, we use binary variable **Language** to represent whether English, which is the official language of the United States, is the official language or one of the official language in M&A target country (Shenkar, 2001). We obtained the official language data from the Central Intelligence Agency (CIA, 2018).

Population: Population determined target country's customer base and the labor market at some level, which is essential for manufacture industry we chose.

GDPcapital: GDP is a measure of economic size, which can use as one method to measure economic distance (Nachum, Zaheer & Gross, 2008). As we mentioned, the host country's GDP is an important economic factor, which influence firms internationalize location choices. In order to avoid collinearity, we use GDP per capita to instead of GDP, because we also take into account population as a control variable in our sample. Similarly, we collected country physical area as a control variable.

Openness: The degree of openness is measured by the host country's import value, export value and GDP. The explain method is given by CEPII, which shows in Figure 3.

Distance: We also measured cultural distance via geographical distance as a control variable by following the previous researches (Balabanis, 2000; Flores & Aguilera, 2007). The geographic distance is measured by the physical distance between the capital of the United States (home country) and the capital of the host country)(Balabanis, 2000; Flores & Aguilera, 2007). We obtained all country-level data in CEPII. To make our models more accurate, we used another control variable to measure cultural distance– Country Openness. Some scholars hold the idea that openness is a positively growing-influence culture factor on trade (Coulibaly, Gnimassoun & Mignon, 2018).

Area: We chose a country's area with a similar reason as Population as a control variable.

Figure 3: Measurements and Sources of Variables

Variables	Measurements	Sources
International Working Experience	Whether the CEO had foreign working experience as a manager or a director before 2013	Obris, Bloomberg
Host Working Experience	Whether the CEO had foreign working experience as a manager or a director in the host country before 2013	Obris, Bloomberg
M&A	Whether the home firm has M&A to host countries since Jan, 2014 to Jan, 2018	Zephyr
M&A Number	The number of host countries that home country firm merger to	Zephyr
Host Country	Whether home country firm has M&A in the specified host country	Obris, Bloomberg,Zephyr
CEO Tenure	The number of CEO work experience in the home country firm before 2014	Obris
Business Education	Whether the CEO has undergraduate or graduate degree in business (includes accounting, finance, management, MBA)	Obris, Bloomberg
Science Education	Whether the CEO has undergraduate or graduate degree in sciences (includes engineer, mathematics, chemistry, physics)	Obris, Bloomberg
Revenue	The logarithm of firms' original revenues in 2017	Obris
Language	Whether English is the official Language in the host country	CIA
Population	The logarithm of target country population	CEPII
GDPcapital	The logarithm of target country GDP per capita	CEPII
Openness	$O^k_i = 50(X^k_i + M^k_i)/ GDP_i$	CEPII
Distance	The logarithm of physical distance between the capital of the United States and the capital of host country	CEPII
Area	The logarithm of the target country geographic area	CEPII

4.3 Descriptive Analysis

4.3.1 CEO Level

Table 1 and table 2 show sample statistics on all CEO-level variables. We found variables like Gender and Study Country are not evenly distributed. So we did not use these two variables as our control variable. Additionally variables like **International Working Experience, CEO_MBA, Business_Education, Science_Education** are evenly distributed.

Table 1: Sample Statistics on CEO-level Variables

/	Gender	International Working Exp	Study Country	CEOMBA	Business Education	Science Education
0	5	75	117	76	46	76
1	139	69	27	67	98	68
Total	144	144	144	144	144	144

Table 2: Sample Statistics on CEO Tenure

N	Freq.	Percent
0	14	9.72
1	24	16.67
2	12	8.33
3	20	13.89
4	13	9.03
5	10	6.94
6	10	6.94
7	9	6.25
8	6	4.17
9	3	2.08
10	5	3.47
11	5	3.47
12	3	2.08
13	1	0.69
14	2	1.39
15	2	1.39
18	1	0.69
19	1	0.69
23	1	0.69
24	1	0.69
28	1	0.69
Total	144	100

In table 3, we observed that CEOs duration are distributed from 0 (0 month to 12 month) to 28 years. In our sample taken from Jan, 2014 to Jan, 2018, most of the CEOs duration are from 0 year to 10 years. For those CEOs with one year duration, 15 out of 23 their firms have cross-border M&A. For those CEOs with five years duration, 8 out of 10 their firms have cross-border M&A in the four-year period; for those CEOs with eight-year duration, 4 out of 6 their firms have cross-border M&A.

From table 4，we can see that 69 out of 144 CEOs have international working experience. Within those CEOs' companies, 77 percent of those companies have had cross-border M&A from 2014 to 2018. For firms that the CEOs did not have international working experience, only 49 percent of those companies have cross-border M&A.

Table 5 indicates the relations between CEOs with business degrees and science degrees regarding cross-border M&A. In the period from 2014 to 2018, 64 percent of firms whose CEOs have business degree background take cross-border M&A, whereas 60 percent of firms whose CEOs have science degree background took cross-border M&A in the same period.

Table 3: Relations between CEO Duration and Cross-border M&A

	CEOs Duration (in years)																				
MA	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	18	19	23	24	28
0	6	8	5	9	5	2	6	4	2	2	1	0	2	0	0	0	1	1	0	0	0
1	9	15	7	11	8	8	4	5	4	1	4	5	1	1	2	2	0	0	1	1	1

Table 4: Relations between CEOs International Working Experience and Cross-border M&A

	CEOs International Working Experience			
MA	1	Percent	1	Percent
0	38	0.51	16	0.23
1	37	0.49	53	0.77
Total	75		69	

Table 5: Relations between CEOs Education Background and Cross-border M&A

	Business Degree		**Science Degree**	
MA	1	Percent	1	Percent
0	35	0.36	27	0.40
1	63	0.64	41	0.60
Total	98		68	

In order to decide which variables to use in our model, we created the correlations among all CEO level variables as shown in table 6. We found **CEO-MBA** and **Business Education** are highly correlated (0.6061, p <= 0.01). In order to avoid collinearity, we decided not to include CEO-MBA in our model.

The CEO international working experience sample is attested in the following way: 69 out of 144 CEO have international work experience (Table 1). Those CEOs either directly worked as managers or directors in countries other than the US. They all played an influential role in their previous positions, such as country directors and EU managers. The other 75 CEOs only have US local work experience.

Table 6: Correlations among CEO Level Variables

	1	2	3	4	5	6
1.CEOGender	1					
2.International Working Experience	0.0301	1				
	0.7206					
3.CEO Tenure	0.095	-0.089	1			
	0.2573	0.2886				
4.Study Country	-0.0061	0.3940*	-0.0834	1		
	0.9424	0	0.3201			
5.CEOMBA	-0.1264	0.103	-0.2065*	0.0841	1	
	0.1324	0.2211	0.0133	0.3178		
6.Business Education	-0.0486	0.0907	-0.0636	-0.0143	0.6061*	1
	0.5631	0.2797	0.4489	0.8648	0	
7.Science Education	0.1034	0.0116	-0.0215	0.0802	0.0039	-0.3066*
	0.2174	0.8902	0.798	0.3394	0.9629	0.0002

*p<=0.1

4.3.2 Industry Level

Our sample includes 42 companies in high technology manufacturing industries; 46 companies in Medium-high technology manufacturing industries; 23 companies in Medium-low technology manufacturing industries; 29 companies in Low technology manufacturing industries (Table 7).

Table 7 Simple Statistics on Technological Level

	Freq.	
	0	**1**
High Technology	102	42
Medium-high Technology	98	46
Medium-low Technology	123	23
Low Technology	115	29

Table 8 shows the relation between manufacturing industry's technological level and cross-border M&A. We can see that firms are evenly distributed in four different categories of technological level. Inside 42 firms with high technological level, 28 out of 42 have cross-border M&A from 2014 to 2018. Within 46 firms with medium high technological level, 32 out of 46 have cross-border M&A from 2014 to 2018. From this data, we see that the rate of M&A is relatively lower in the medium low technological level and low technological level, which are respectively 10 out of 23 and 18 out of 29.

Table 8: Relations between Technological Levels and Cross-border M&A

MA	High Technology	Medium High Technology	Medium Low Technology	Low Technology
0	14	14	13	11
1	28	32	10	18
Total	42	46	23	29

4.3.3 M&A Level

The cross-border M&A sample is presented in the following method: 90 out of 144 home country firms have cross-border M&A from Jan 2014 to Jan 2018 (Table 9). Inside those firms who have M&A, 38 out of 90 have M&A to one country; 8 out of 90 have M&A to at least five countries.

Table 9: Simple Statistics on the Number of Host Countries

M&A Country	Freq.	Percent
0	54	37.5
1	38	26.39
2	24	16.67
3	13	9.03
4	6	4.17
5	4	2.78
6	2	1.39
8	1	0.69
10	2	1.39
Total	144	100.00

4.3.4 Host Country Level

The original of the host countries in our sample is 46 at first. The original sample was collected from 144 US manufacturing firms. After we collected host country-level data from CEPII, we obtained complete information for 33 out of 46 host countries. As a result, the final sample size is 4752 (33 x 144). Table 10 lists more details about the lacked samples.

Table 10: Sample Statistics on Country Level

	N
Host Working Experience	5472
Language	5472
Population	4752
GDPcapital	4752
Openness	4752
Distance	5328
Area	5328

As we can observe from table 11, in the 5472 samples, 184 out of 5472 have foreign cross-border M&A from the US firms. Insides these 184 samples, 35 CEOs have international working experience. Regarding the relations between host and target country's official language and M&A location choices (table 12), there are 184 target countries' samples have the same official language with acquiring firms' countries, which means 184 target samples use English as the official language or one of the official languages. In the 184 samples, 63 out of 184 samples have M&A in the four-year period.

Table 11: Relations between M&A Location Choices and CEOs Local Working Experience

	CEOs location Working Experience		
M&A Country	0	1	Total
0	4762	526	5288
1	149	35	184
Total			5472

Table 12: Relations between M&A location Choice and Official Language

M&A Country	0	1	Total
0	3911	1377	5288
1	121	63	184

5 Results

5.1 Correlation Bewteen Variable

In table 13, the correlation between M&A and International Working Experience are highly significant (0.28, P<=0.01), which means there is a relation between CEO's international working experience and the probability of choosing M&A.

In table 13, the correlation between M&A Country and International Working Experience are also highly significant (0.24, P<=0.05), which presents there exists a relation between CEO's international working experience and the diversify of choosing M&A host country.

Table 13: Correlations Between Variables (1)

	Variables	1	2	3	4	5	6	7	8	9	10
1	M&A										
2	M&A Numbers	0.62***									
3	International Work Experience	0.28***	0.24**								
4	CEO Tenure	0.09	0.03	-0.09							
5	Business Education	0.05	0.02	0.09	-0.06						
6	Science Education	-0.04	0.00	0.01	-0.02	-0.31***					
7	Revenue	0.26**	0.42***	0.18*	0.18**	-0.01	0.00				
8	High Technology	0.06	0.17*	0.00	0	-0.25***	0,28***	0.12			
9	Medium-high Technology	0.1	-0.02	0.14*	0.15*	0.05	0.07	-0.02	-0.44***		
10	Medium-low Technology	-0.17	-0.17*	-0.07	-0.07	0.05	-0.11	-0.04	-0.28***	0.29***	
11	Low Technology	0.00	0.00	-0.03	-0.03	0.20**	-0.27***	-0.03	-0.32***	-0.34***	-0.22***

*p<=0.1

*p<=0.05

*p<=0.01

5.2 CEO's International Working Experience on the Probability of Cross-Border M&A (H1&H3a)

In table 14, model 1 includes all control variables as stated above. In model 1, attains the R2 value of 0.11, which means the regression model with all control variables can explain 11% of the variance of the dependent variable.

Revenue has a very significant positive effect on increasing the probability of taking cross-border M&A and the frequency of taking cross-border M&A (0.93, P<=0.01). Firms with higher revenue are more likely to choose M&A than firms with lower revenue.

CEO Tenure also has a positive influence on the dependent variable (0.05, P<=0.1). CEOs with longer duration in the home firm are more likely to choose M&A than CEOs with shorter duration.

Additionally, CEO with a background of business education seems more likely to take cross-border M&A. However, the results are not significant in our model, so we cannot conclude this correlation. We encountered similar correlation findings for higher technology firms. From the discussion above, we are satisfied with the method of choosing our control variables.

In model 2, the regression between International working experience and M&A are positive and significant (0.07, P<=0.05). CEO's international working experience is positively associated with the probability of choosing cross-border M&A. In home country firms, CEOs with international working experience have a high chance of choosing M&A than CEOs without international working experience. So hypothesis 1 is highly supported by model 1 and model 2.

In model 3, the coefficient of CEO Tenure *International Working Experience (an interaction term of International Working Experience and CEO Tenure) and M&A is not significant (-0.01， P >0.1). We cannot make the conclusion that CEO’s duration can enhance the positive effect of CEOs working experience on M&A choice. In other words, we cannot prove hypothesis 3a.

Table 14: Probit Regression Results (Dependent Variable is **M&A**)

Hypothesis	Variables	Model 1	Std. Err.	Model 2	Std. Err.	Model 3	Std. Err.
1	International Working Experience	-		0.70**	0.24	0.74**	0.34
3b	Tenure*International Working Experience	-		-		-0.01	0.05
	CEO Tenure	0.05*	0.02	0.06*	0.03	0.06**	0.03
	Business Education	0.22	0.26	0.16	0.27	0.16	0.27
	Science Education	-0.15	0.25	-0.16	0.26	-0.16	0.26
	Revenue	0.93***	0.26	0.88***	0.27	0.83***	0.27
	High Technology	0.17	0.34	0.11	0.35	0.11	0.35
	Medium-high Technology	0.30	0.31	0.19	0.33	0.2	0.33
	Medium-low Technology	-0.48	0.36	-0.48	0.36	-0.49	0.36
	Intercept	-6.3	1.85	-6.22	1.92	-6.22	1.92
	N	144		144		144	
	R2	0.11		0.15		0.16	

*p<=0.1

**p<=0.05

***p<=0.01

5.3 CEO's International Working Experience on the Diversity of Cross-Border M&A (H2&H3b)

In table 15, model 4 (r^2=0,11), model 5(r^2=0.16), model 6 (r^2=0.13) have acceptable R-value. In model 6, with R^2 value of 0.13, which means 13% variance of dependent variables are explained by control variables and independent variables. Model 4 includes all control variables

In model 5, the coefficient of International Working Experience and M&A country is positive and significant (0.74， P<=0.05). CEOs with international experience are more willing to have diversified choices on M&A choice. As a result, hypothesis 2 is supported by model 4 and model 5.

In model 6, the coefficient of International Working Experience* CEO Duration (an interaction term of International Working Experience and CEO Tenure) and M&A country is not significant (-0.02, P>0.05). We cannot conclude that there is a positive effect of CEO's international working experience on the diversification of cross-border M&A will be moderated by the growth of CEO duration.

Table 15: Probit Regression Results (Dependent Variable is **M&A Country**)

Hypothesis	Variables	Model4	Std. Err.	Model 5	Std. Err.	Model 6	Std. Err.
2	International Work Experience			0.74**	0.24	0.86**	0.34
3b	Tenure*International Work Experience					-0.02	0.05
	CEO Tenure	0.05	0.02	0.05*	0.03	0.06**	0.03
	Business Education	0.15	0.26	0.08	0.27	0.08	0.27
	Science Education	-0.13	0.25	-0.14	0.26	-0.14	0.26
	Revenue	0.93***	0.26	0.89***	0.27	0.88***	0.28
	High Technology	0.13	0.34	0.06	0.35	0.07	0.35
	Medium-high Technology	0.35	0.32	0.25	0.33	0.26	0.33
	Medium-low Technology	-0.48	0.36	-0.49	0.36	-0.50	0.36
	Intercept	-6.31	1.85	-6.22	1.93	-6.23	1.93
	N	144		144		144	
	R2	0.11		0.16		0.16	

*p<=0.1

**p<=0.05

***p<=0.01

5.4 Location Choice of M&A

The correlation matrix (Table 16) shows that the correlations between variables are significant. To make sure collinearity does not bias our result in our sample. We have a further Variance Inflation Harmful (VIF) test of the collinearity problem. The result shows in table 17, the values of VIF are all around 1, which is quite acceptable. As a result, we concluded that those correlated variables would not bring collinearity and harm the interpretation of our model results.

Table 17: Variance Inflation Harmful (VIF)

Variables	**VIF**	**1/VIF**
GDPcapital	1.54	0.69
Population	1.41	0.71
Area	1.39	0.72
Openness	1.35	0.74
Language	1.33	0.75
Distance	1.07	0.94
Host Working Experience	1.01	0.98
Mean VIF	1.3	

Table 16: Correlations Between Variables (2)

	Variable	1	2	3	4	5	6	7	8
1	**Host Country**	1							
2	Host Working Experience	0.0539*	1						
3	Language	0.0336*	0.0005	1					
4	Population	0.0139	-0.0413*	-0.1194*	1				
5	GDPcapital	0.1246*	0.0715*	0.2770*	-0.6209*	1			
6	Openness	-0.0067	0.0870*	-0.2242*	-0.4068*	0.0988*	1		
7	Distance	-0.0302*	-0.0236*	-0.2114*	0.0073	-0.1554*	0.0641*	1	
8	Area	-0.0047	-0.0879*	-0.1602*	0.6846*	-0.4258*	-0.6265*	0.0135	1

*p<=0.1

Table 18: Fixed Effect Regressions (dependent variable is **Host Country**)

Hypothesis	Variables	Model 7	Std. Err.	Model 8	Std. Err.
4	Host Working Experience			0.0336822**	0.01138
	Language	0.00918	0.00709	0.00961	0.00708
	Population	0.0252574***	0.00285	0.0246154***	0.00285
	GDPcapital	0.0364285***	0.00345	0.0355852***	0.00346
	Openness	0.00406	0.00549	0.00317	0.00550
	Distance	-0.00957	0.00506	(0.0091363)**	0.00506
	Area	(0.0061712)***	0.00227	(-0.0057899)*	0.00227
	Intercept	-0.43075	0.09414	-0.42548	0.09407
	Model Statistics (F Value)	27.61***		24.95***	
	Number of obs=4752 Number of groups= 144				

Based on hypothesis 4, we expected to find a positive relationship between Host Working Experience and Host Country, which a CEO's previous managing experience in one country increases the probability of taking M&A in the host country. From the fixed effect regression results in Table 18, Model 7 presented the results of only country-level control variables as a predictor. Model 8 presented the fixed effect regression results for our hypothesis 4. Both Model 7 and Model 8 are with significantly P-value (27.61*,* 24.95). Moreover, all variables have acceptable results in VIF test. Both models generate consistent results for the coefficient estimates. All the control variables are in the same direction with the effect of CEO experience in target countries. The coefficient of CEO target country working experience is highly significant (0.0295, $P<=0.01$), which support hypothesis 4. CEOs with international working experience in a host country have a higher probability of choosing cross-border M&A in the host country than CEOs without international working experience in the country.

6 Limitation and Future Studies

The complicated reasons for M&A cause the limitations of our studies. First, in order to get enough samples in our studies, we used samples from big sized firms in the USA to obtain cross-border M&A information. Big sized firms always have one specific reason for cross-border M&A, which is by achieving monopoly/oligopoly and decreasing the competition in the industry (George, 1985; Morgan & McGuire, 2004). Once big sized firms decide to cooperate, small and middle-sized firms have a much harder time to compete with them. Incentives of decreasing competition are difficult to be measured because firms will hide their incentives in order to get approval from the foreign government. Our sample, which based on big sized firms, may be biased. Although we control firms' sizes in our method, our investigation may not apply to small and middle-sized firms. Future studies can study on the small and middle-sized firm when researchers have access to obtain data on those firms.

The second limitation is our study's sample comes from the manufacturing industry. The importance of economies of scale can be the reasons of firms choose a more diversified cross-border M&A. In this situation, the effect of CEO's international working experience on more diversified location choices may exaggerate. The future study can find a method to measure firm incentive to increase economies of scale and add it as a control variable in cross-border M&A related studies.

The third limitation is our study uses a sample from US firms. The results may bias by personal social characteristics. Personal risk tolerance affected by societies background. Future studies can compare two group of CEOs from different social backgrounds and investigate whether the social background influences CEO's performance.

7 Main Contributions and Practices

Our research closely looks into the relations between cross-border M&A internalization and the roles CEOs play. The previous study focus on a broader scope, which is the effect of CEOs international working experience on high control entry modes choices including FDI and M&A. In order to focus on the influence on M&A choice, our study dived into the background of the CEOs and tried to determine how their international working experience levels may influence their decisions on M&A from a collection sample of 144 big US firms and CEOs information.

Our study also covered that CEOs international working experience affect M&A location choices, which has not been covered by other researchers. On one hand, CEOs international working experience in an area is one of the personal factors that cause cross-border M&A in the same area. On the other hand, CEOs international working experience is a valuable resource and capability for firms. Firms can have a higher expected performance in the area where CEOs have working experience.

Our study results can also be interpreted and used in international business and for human resource management. Our results can decrease the irrational high-risk decision made by an overconfident CEO. Understanding why cross-border M&A happens can improve firm performance in international trade. CEOs with international experience should be more careful with the decisions to avoid CEO Hubris. Careful decision-making can also avoid negative shocks from the wave of cross-border M&A, which causes unpredictable negative changes in industry.

The results are valued in the target firm. Target firms' managing team can base on the CEO experience in acquirer firm to estimate the probability of completed M&A. It is because of; CEOs with international working experience have a higher probability of choosing cross-border M&A than CEOs without international working experience. During the negotiation, the bargaining power of the target firm may increase if CEOs with international working experience in acquirer firm. Target firms have a higher probability to be overvalued and overpaid by acquirer firms with CEOs have international working experience

Our results are also valued in acquirer firms. Under the condition of CEOs with international working experience, strategic management teams should have more supervised on CEO's internationalization decisions, because those CEOs maybe overconfident on internationalization activities.

The management team and stakeholders can also use CEO's international working experience as a consideration factor in choosing future CEOs. From their international experience, stakeholders can estimate on a CEO's future behavior. They can choose the CEO who has similar matching ambitions. In this way, the agency problem can also decrease.

8 Conclusion

Firms look for other firms with resources and capabilities in a suitable external business environment that complement their internal capabilities when making M&A decisions. M&A comes with a series of crucial decisions. When the move of M&A is well prepared and executed, it will bring benefit to both home countries' and host countries' firms. However, M&A is still a high risk as a high control entry mode.

This research indicated that there is a positive relationship between the international working experiences of CEOs and the willingness to do cross-border M&A. In addition, CEOs with international experience are willing to increase the geographic scope of internationalization. However, we cannot prove that CEO duration have a moderate effect of CEOs international working experience on the frequency and diversification of M&A in firms.

The distance between countries is a challenge to overcome in M&A, which is one of the main reasons that deter companies from choosing cross-border M&A. However, an experienced CEO can help to overcome such barriers. Our study showed that the past working experiences in a host country would favor CEOs to M&A into the host country over other countries. The experiences the CEOs have had in a host country, and the local network, along with an understanding of local culture will increase their incentives to go M&A in the host country.

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