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► **To cite this version:**

Wolfgang Breuer, Bushra Ghufuran, Astrid Juliane Salzmänn. Investors' time preferences and takeover performance. *International Review of Financial Analysis*, 2020, 67, pp.101435. 10.1016/j.irfa.2019.101435 . hal-02508909

**HAL Id: hal-02508909**

**<https://hal.science/hal-02508909v1>**

Submitted on 21 Jul 2022

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## Investors' Time Preferences and Takeover Performance

By Wolfgang Breuer<sup>a</sup>, Bushra Ghufra<sup>b</sup>, and Astrid Juliane Salzmann<sup>c\*</sup>

### Abstract

We investigate investors' time preferences and takeover outcomes in a cross-disciplinary international study. We use a cultural measure on long-term orientation (LTO) to capture investors' time preferences. Additionally, we study how investor protection and the nature of the deal (cross-border vs domestic) in connection with investors' time preferences come into play in explaining long-term takeover performance. Evaluating data on 38,153 M&A deals from 54 countries, over the period from 2000 to 2015, we offer empirical evidence that investors' future orientation significantly improves post-M&A performance, while short-term oriented behavior deteriorates takeover performance. Our findings further suggest that the positive impact of investors' future orientation on takeover performance is more pronounced in countries with strong investor protection. Moreover, the impact of investors' time preferences is stronger for domestic deals where the confounding impact of cultural differences is almost non-existent.

**Keywords:** future orientation, investors' time preferences, mergers and acquisitions, takeover performance, investor protection

**JEL Classifications:** D22, G34, G38, K10, Z10

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This work was funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) – 409307532. The DFG had no involvement in study design; in the collection, analysis and interpretation of data; in the writing of the report; and in the decision to submit the article for publications.

Declarations of interest: none

*We are indebted to Dr. Manish Mandad for his outstanding support. We are also grateful for feedback from session participants at the 2019 AIB Annual Meeting, the 2019 AIB/Sheth Foundation Doctoral Consortium, and the 2019 INFINITI Conference.*

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## 1. INTRODUCTION

In the era of global competition, mergers and acquisitions (M&As) are among the fastest strategic choices opted for to be competitive in the market. However, we observe a high rate of mergers and acquisitions failure owing to cultural differences, post-merger integration problems, and agency issues mainly. We try to add to the current literature in this direction to better ascertain the underlying reasons for poor M&As outcomes, however, from a somewhat different perspective. Our goal is to see through the temporal lenses of the acquiring companies' investors [hereafter termed as 'investor(s)'] to better comprehend how their time preferences affect post-merger takeover performance.

The notion of '*time*' – no matter how abstract it may sound – has gained extensive attention in the literature regarding corporate theory and strategy. Time has been considered one of the main concepts that shape human behavior in general (Galor and Özak, 2016), and economic behavior in particular (Chen, 2013). The selection between current consumption and delayed gratification outlines many human choices ranging from personal to managerial level decisions and consequently exerts a great impact on related outcomes. Probing into time preferences is therefore of utmost importance not only to understand individual decision-making, but also to comprehend how individual decision-making consequently affects corporate behavior and strategy formulation.

The literature in this regard mainly shows the general relevance of time preferences for economic behavior (e.g. Newman and Nollen, 1996; Chang and Noorbakhsh, 2009). We find evidence with respect to time preferences at the organizational level (Buck et al., 2010; Antonczyk et al., 2014; Harris and Siebert, 2017), however, to some degree, investors' time preferences have been neglected in the empirical corporate finance literature in general (exceptions are Howlett et al., 2008, and Flammer and Bansal, 2017) and in the mergers and acquisitions related literature in particular with Gaspor et al. (2005) and Chen et al. (2007) being notable exceptions. Gaspor et al. (2005) and Chen et al. (2007) have studied the impact of institutional investors' investment horizons mainly in connection with corporate control and monitoring. Their results also link long-term underperformance of acquirers to short-term oriented shareholders. However, both studies are restricted to the US and are considering mainly institutional investors with an ability to exert corporate control. The impact of the temporal preferences of a general investor base is not studied extensively. This is because investors' temporal orientation is difficult to observe, thus making it very challenging to substantiate the likely impact of time orientation on firm performance empirically. The current

study takes on the challenge and tries to establish a vigorous research design to investigate the potential influence of investors' time preferences on long-term takeover performance in an international context.

It is argued that economic choices are largely dependent on the selection between current and future gratification, which is determined by decision-makers' time preferences (Anderhub et al., 2001; Frederick, 2003). Stout (2012) points out that though long-term orientation is assumed to be associated with greater gains, organizations are still found to pursue short-term goals and forgo projects yielding positive net present values only because they may cause a reduction in short-term profits (Graham et al., 2005). It is quite a contrasting and intriguing finding at the same time that even though theory claims long-term orientation to be generally value-maximizing, organizations still focus on short-term gains. This difference between theory and practice may not only be due to the lack of some convincing empirical validation of benefits associated with long-term orientation, but also due to the absence of proper investor protection prohibiting managers from indulging in value destroying short-term strategies.

Against this background, we mainly seek to provide clear evidence of a positive impact of investors' long-term orientation on an acquirer's post-acquisition performance. In additional analyses, we address the issue of investor protection in connection with investors' time preferences and show that the positive impact of investors' time preferences on takeover performance is stronger for higher levels of investor protection.

The rest of the paper is organized as follows. We discuss the theoretical framework and hypotheses development in Section 2. Data and research methods employed are described in Section 3, while empirical findings are presented in Section 4. Several robustness checks are carried out in Section 5, whereas in Section 6 we additionally investigate the impact of investor protection and the differences between cross-border and domestic deals in explaining the impact of time preferences. Finally, conclusions are delineated in the closing section.

## **2. THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT**

### **2.1. Culture and Time Preferences**

Though economists had a long held belief that preferences are not shaped by culture or society (Stigler and Becker, 1977), more recent studies have acknowledged that culture exerts a great influence on formulating preferences (Fehr and Hoff, 2011; Eugster et al., 2011; Henrich, 2000). Culture is found to have a profound impact on the perception of time. In fact, the perception of time is regarded as part of culture itself. Becker and Mulligan (1997) suggest

culture to be among the most important factors that determine time preferences. Wang et al. (2016), in their extensive survey-based study on time preferences across different cultures, also provide a clear evidence on a strong connection between temporal preferences and cultural background.

Long considered as vague and abstract by economists, however, sociologists and psychologists – most notably Geert Hofstede – conducted pioneering cross-national research on culture over different time periods and put forward six core cultural dimensions (Hofstede et al., 2010). For the purpose of our study, we refer to the cultural dimension of long-term orientation (LTO) that specifically addresses time preferences.

Hofstede (1991) argues that long-term oriented cultures display the characteristics of thrift and persistence that induce future-oriented behavior, whereas short-term oriented cultures focus more on the past and the present, following traditions, preserving ‘face’, and satisfying societal responsibilities. Short-term orientation emphasizes immediate fulfillment of needs, while long-term orientation acknowledges delayed gratification. When relating time preferences to economic behavior, Hofstede et al. (2010) argue that short-term orientation induces spending and consuming, however, long-term orientation implies larger savings and ensures availability of funds for investments. They further suggest in contrast to future-oriented behavior, short-term orientation slows down economic growth of countries.

This concept of long-term orientation in comparison to short-term orientation helps us understand how different cultures perceive time, and what the relative importance of the past, the present, and the future is. Hence, we also build on the idea put forward by Hofstede (1991) that people in cultures with higher scores on LTO are more patient and give more value to the future, and therefore we use LTO as a proxy for investors’ time preferences.

## **2.2. Investors’ Time Preferences and Firm Value**

Previous literature has shown increased attention on postulating the impact of culture on financial decision-making (e.g. see Aggarwal et al., 2016; Karolyi, 2016; Zingales, 2015). Reviewing the recent literature on cultural finance, Nadler and Breuer (2017) suggest that research is carried out on four levels: informal institutions (culture), formal institutions (capital markets), the corporate level (e.g. corporate control and ownership structure), and the individual level (managers and private investors). Literature further investigates the impact of culture (level 1) on the decisions of managers and individual investors (level 4) in determining financial outcomes (Aggarwal et al., 2016). We also build our rationale on these lines and expand

cultural research to a financial context and seek to substantiate the financial effects of cultural preferences.

We witness a lot of research suggesting a significant association between time preferences and economic undertakings (e.g. Chen, 2013; Chang and Noorbakhsh, 2009). Nevertheless, we generally do not find much literature on corporate investors' time preferences and their likely impact on corporate strategies and outcomes. Our research is the first large scale study that focuses explicitly on investors' intertemporal preferences, measured with the help of cultural values, and their impact on acquirers' long-term post-merger performance.

The literature in corporate finance emphasizes the need of a long-term perspective and reveals that many corporate decisions are influenced by short-term orientation causing suboptimal outcomes (see Stein, 1988, 1989; Porter, 1992; Bebchuk and Stole, 1993). It is argued that corporate strategies should rather be designed to enhance long-term firm value (Financial Times, 2009). Likewise, Galor and Özak (2016) point out that long-term orientation is crucial for the formation of human and physical capital, technological and economic progression, and wealth of the nations.

We build on the line of argumentation that investors' time preferences play an important role in maximizing firm value. To be more specific, we posit that future-oriented investors urge corporate decision makers devote more time and resources to developing long-term oriented strategies and forward-looking plans that maximize firm value. In order to present this idea in a more formal way, consider a (national) perfect capital market with a representative entrepreneur who has to decide between two alternative (i.e. mutually exclusive) investments (e.g. different kinds of acquisitions). At time  $t = 0$  both of them require an initial capital outlay of  $I$ . Project 1 leads to certain cash inflow  $CF_1$  at time  $t = 1$ , whereas project 2 offers a payoff amounting to  $CF_2$  only at time  $t = 2$ . The entrepreneur's time preferences are described by a discount rate  $r$  and are identical to the time preferences of all other (national) capital market participants. Small values of  $r$  correspond with a high future orientation and thus higher patience, while high values of  $r$  imply a low future orientation and thus a higher impatience. Let  $r_h$  denote the discount rate in the latter case, and  $r_l$  in the former. We further assume  $CF_1 \cdot (1+r_l) < CF_2 < CF_1 \cdot (1+r_h)$  and hence a preference for project 2 if patience is high (i.e.  $r = r_l$ ), while it is the other way round for  $r = r_h$ . To be more precise, with  $NPV_i(r = r_l)$  as the net present value of project  $i = 1, 2$  for discount rate  $r = r_l$ , we get  $NPV_1(r = r_l) = -I + CF_1/(1+r_l) < NPV_2(r = r_l) = -I + CF_2/(1+r_l)^2$ , whereas we have  $NPV_1(r = r_h) > NPV_2(r = r_h)$  for a capital market with rather impatient subjects and thus a higher market discount rate  $r_h$ .

At time  $t = 0$ , when the decision is made, there will be an immediate reaction in the capital market regarding the value of the entrepreneur's firm which is identical to the net present value of the realized project. In case of project 1 being chosen, this price reaction will be  $CF_1/(1+r)-I$ , while the price reaction for selecting project 2 will amount to  $CF_2/(1+r)^2-I$ . However, based on our assumptions so far, we have  $CF_2/(1+r)^2 > CF_1/(1+r) > CF_1/(1+r_h)$ , which means that stock price increases are higher in the case of more patient capital market participants (due to  $r = r_l$  and the choice of project 2), implying a better performance for takeover activities.

Now, when switching from the consideration of just one national capital market to two distinctive ones with comparatively patient participants in the former one, i.e.  $r = r_l$ , and rather impatient participants in the latter, i.e.  $r = r_h$ , we will observe higher positive value effects of acquisitions in the capital market with the more patient investors. Certainly, the intuition is straightforward: higher patience leads to lower discounting, and, in addition, the attractiveness of more long-term oriented projects grows as well, implying a better takeover performance. Against this background, the same conclusion holds true if projects 1 and 2 are not mutually exclusive, but can be realized at the same time. In the patient economy, there will be relatively more long-term oriented projects of type 2 with  $NPV_2 > 0$  (compared to the number of profitable short-term oriented projects of type 1, i.e. those with  $NPV_1 > 0$ ). Moreover, in any case, the overall positive value effect of investing in projects of type 1 and/or type 2 will be more pronounced in the patient economy due to less severe discounting. However, this conclusion only holds true if national capital markets are sufficiently segregated, because otherwise national interest rates and thus discount factors will converge (e.g., in the case of risk neutrality or certainty according to the uncovered interest rate parity).

In a situation with perfect transnational capital market integration, it does not matter whether there are more patient investors in one national (sub-) market than in the other: takeover performance would be the same in the whole transnational capital market. Such a conclusion applies not only to the effect of time preferences, but also to all dimensions of preferences (including risk preferences). But there is a lot of literature that shows that there are indeed performance differences (Alexandridis et al., 2007; Petmezas, 2009; Croci et al., 2010). That is, the assumption that capital markets are not perfectly integrated is not completely peculiar. In fact, real national capital markets are characterized by more or less integration. Depending on the degree of this integration, we will thus be able to observe differences in takeover performance or not as described above. This leads us to the following competing hypotheses:

H1 (perfect capital market integration): The level of investors' *future orientation* has no impact on long-term takeover performance.

H2 (segmented markets or only partial capital market integration): The level of investors' *future orientation* is positively related to long-term takeover performance.

The studies by Gaspar et al. (2005) and Chen et al. (2007) in the context of M&As have measured investors' time preferences based on investment turnover ratio, however, we particularly employ a cultural measure of time orientation. The idea of culture is reasonably workable here, as it is argued that national culture plays an important role in forming locals' preferences (Eugster et. al., 2011; Henrich, 2000), so we can assume that country-level cultural values are suitable proxies for investors' time preferences. Apparently, relying on a cultural measure for time preferences matches quite well the above described idea of examining differences in national levels of patience and their impact on only partly integrated national capital markets. Literature also widely documents the presence of a home country bias, signifying that investors usually have a strong preference for investing in locally headquartered firms (French and Poterba, 1991; Coval and Moskowitz, 1999). This in turn suggests that the majority of the shareholders comes from the acquirer's home country and is subject to the same national culture. Against this background, for each M&A deal we identify the acquirer's home country and use the corresponding cultural values (LTO) as proxies for investors' time preferences.

### **3. DATA AND METHODOLOGY**

#### **3.1. Dataset**

We investigate post-M&A takeover performance (over a time period of three years) of mergers and acquisitions deals that occurred from January 2000 to May 2015. We obtain a large-scale international sample from Standard & Poor's Capital IQ database and follow Frijns et al. (2013) and Malmendier and Tate (2008), among others, to attain the deals that fulfill the following criteria:

- The acquirer is a publicly traded firm with stock price data available.
- Both domestic and cross-border transactions are taken into account.
- Only those deals that imply a change of control are considered.
- Only large acquisitions with transaction size greater than US\$ 1 million are included.

Our final sample is comprised of 38,153 M&A deals from 54 acquiring countries. The international securities identification numbers (ISINs) of acquirer firms are used to match deal

data with stock returns data obtained from DataStream. We take daily stock returns of acquirer firms, and to be consistent in our measures and to compute abnormal returns using Fama and French (1993) for each acquirer, we also obtain the daily risk free rates, the excess market returns, and the Fama-French SMB and HML factors for the corresponding acquiring countries from Kenneth R. French's Data Library. Moreover, we attain additional information on acquirer-specific characteristics from DataStream.

### 3.2. The Dependent Variable: Takeover Performance

In order to capture long-term takeover performance, we follow Mitchell and Stanford (2000) and compute *abnormal returns (ARs)* for the acquiring firm until three years after the date of the deal announcement using the Fama and French (1993) three-factor model, which is proved to be superior to a simple application of the one-factor Capital Asset Pricing Model (CAPM) by Sharpe (1964) and Lintner (1965).

Fama and French (2015) further build on the three-factor model and propose a five-factor model by adding the factors regarding robust (or weak) profitability and conservative (or aggressive) investment. However, the three-factor model is well tested and hugely documented in research. So, for the purpose of the current study, we follow Doukas and Petmezas (2007) and specifically employ the Fama and French (1993) three-factor model to compute daily abnormal returns for each acquirer by estimating intercepts from the time-series regression of daily returns. Nevertheless, we additionally rely on the CAPM and the Fama and French five-factor model (2015) in our robustness tests later in Section 5. We use 36-month daily return data prior to the event to predict regression estimates and rely these estimates to compute expected daily returns for a 36-month period (in our base case) after the announcement date. We calculate daily abnormal returns (or alpha) after taking the difference between realized returns and expected returns. We estimate the following regression model:

$$AR_{ijt} = R_{ijt} - R_{fjt} - \beta_{ij1} \cdot (R_{mjt} - R_{fjt}) - \beta_{ij2} \cdot SMB_{jt} - \beta_{ij3} \cdot HML_{jt} + \varepsilon_{ijt}. \quad (1)$$

$AR_{ijt}$  is the daily abnormal return for acquirer  $i$  from country  $j$  at time  $t$ , calculated from time  $t = \tau$  (the announcement date) to time  $t = \tau + T$  (36 months later in our baseline case).  $R_{ijt}$  is the daily realized return for acquirer  $i$  from country  $j$ ,  $R_{fjt}$  is the corresponding daily risk free rate,  $R_{mjt} - R_{fjt}$  is the daily excess market return for country  $j$ , where  $R_{mjt}$  is the daily CRSP value-weighted return of the market portfolio in country  $j$ ,  $SMB_{jt}$  and  $HML_{jt}$  are the corresponding daily size and book-to-market factor returns by Fama and French (1993),  $\beta_{ij1}$ ,  $\beta_{ij2}$ ,

and  $\beta_{ij3}$ , are regression coefficients, while  $\varepsilon_{ijt}$  is the error term. For alpha to credibly reflect (a variation in) post-takeover performance it is necessary that the Fama and French three-factor model works equally well in all countries. However, to confirm the validity of outcomes we also use other return measures in Section 5.1.

In our computation, we particularly use country (or region) specific estimates of the Fama and French factors, thus assuming separate national (or regional) capital markets in line with Hypothesis 2. However, we resort to global factor estimates in the instances of unavailability of local factors. In the case of missing local factors, we hence refer to integrated capital markets (which should be in favor of Hypothesis 1). Nevertheless, we check for the robustness of our empirical results after excluding those countries with no local factor estimates available, and also by accounting for all countries using global factor estimates (which would be most consistent to Hypothesis 1) and observe the same findings as revealed by our main return measure (presented in Appendix A, which is available as online supplementary material). This means that varying our assumptions regarding the degree of capital market integration with respect to risk factors does not affect our results for the impact of investors' national time preferences on takeover performance.

For the purpose of our study, we accumulate the daily abnormal returns over a specific time period as described below:

$$CAR_{ij\tau+T} = \sum_{t=\tau}^{\tau+T} AR_{ijt}. \quad (2)$$

$CAR_{ij\tau+T}$  is the cumulative abnormal return for acquirer  $i$  from country  $j$  calculated from time  $t = \tau$  until  $t = \tau+T$  by simply adding the daily  $AR_{ijt}$  as defined in equation (1). In our base case,  $T$  denotes the number of trading days over 36 months after the takeover announcement.

### 3.3. The Key Independent Variable: Future Orientation

Our key independent variable, *future orientation*, is based on cultural scores of long-term orientation (LTO) obtained from the Hofstede et al. (2010) framework. The value of LTO varies from 0 to 100, where higher values indicate a greater level of future orientation and patience. Though relatively stable, our cultural measure for time preferences may have an inherent causality problem that we try to address later in our robustness checks.

### 3.4. Control Variables

In addition to investigating the impact of our main variables of interest, we try to substantiate the likely impact of a number of deal-specific, acquirer-specific, and country-specific control variables on takeover performance.

#### **3.4.1. Deal-Specific Control Variables**

Many prior researchers have deemed deal-specific characteristics to be important success indicators of acquisitions, hence we also control for them in our regression model. *Synergy* is a dummy variable capturing the likely impact of relatedness of the bidder and the target. It takes the value of 1 if both the bidder and the target are from the same industry and 0 otherwise. Related firms are expected to yield higher post-merger returns due to fewer integration expenses (Morck et al., 1990), however, research also suggests a significant negative impact owing to reduced diversification opportunities (Corhay and Rad, 2000). *Financial* is a dummy variable with a value of 1 if a bidder is from the financial sector and 0 otherwise. Financial companies such as investment banks, financial advisors, or insurance companies may not only be more experienced in carrying out deals, but also possess better information about the target companies. Cybo-Ottone and Murgia (2000) studied the performance of European mergers and acquisitions among banks and financial institutions and report positive abnormal returns. We also examine whether mergers and acquisitions in the financial sector yield superior returns.

*Method of payment* is a dummy variable with a value of 1 if a merger is completely financed through stocks and 0 otherwise (i.e. either through cash or a combination of stocks and cash). It may have implications for acquirers' returns, as takeover premiums vary depending on the mode of payment (Shleifer and Vishny, 2003). *Hostile* is a dummy variable that takes the value of 1 if it is a hostile merger and 0 otherwise. Research findings suggest hostile bids either yield relatively lower bidder returns (Servaes, 1991) or cast no significant impact on takeover returns (Guo and Petmezas, 2012). *Cross-border* is a dummy variable with a value of 1 if it is a cross-border merger deal and 0 otherwise. Literature reveals mixed findings, with acquirers yielding significant positive returns for going across the border according to earlier studies (Doukas and Travlos, 1988), while the recent literature suggests cross-border mergers are relatively less profitable owing to integration problems and cultural clashes (Belcher and Nail, 2000; Moeller and Schlingemann, 2005).

*Deal size* is the natural logarithm of the transaction value that captures the size of the deal. Previous research suggests that large targets result in relatively bigger profits for bidders than

small targets do (Linn and Switzer, 2001), however, contemporary findings highlight the negative impact of higher integration costs associated with larger deals (Ahern, 2010). *Relative size* is the transaction value normalized by the acquirer's size. Some empirical outcomes suggest that relatively large targets decrease acquirers' performance (Clark and Ofek, 1994), while others recommend no significant connection between relative size and takeover performance (Powell and Stark, 2005).

### **3.4.2. Firm-Specific Control Variables**

Additionally, we control for a number of acquiring firm-specific characteristics. *Firm size* is computed as the natural logarithm of an acquirer's total assets following Gabaix and Landier (2008). Larger firm size is expected to cast a negative impact on takeover performance owing to increased agency costs (Jensen and Meckling, 1976). *Return on assets* is net profit available for common shareholders normalized by total assets, as an acquirer's previous profitability is expected to have a significant impact on post-acquisition performance (Ahern et al., 2015; Brown and Sarma 2007). *Cash flow* is free cash flow normalized by total assets. According to Jensen (1986), free cash flow is associated with investment decisions that result in reduced firm value. *Leverage*, the ratio of total debt to total assets, is mostly considered to be among the main determinants of an acquirer's post-acquisition performance. According to Ammann et al. (2011), leverage has a significant negative impact on merger performance, Aggarwal et al. (2009), however, suggest that leverage has no significant impact.

### **3.4.3. Country-Specific Control Variables**

Finally, we try to grasp the probable impact of country-specific attributes other than time preferences that may affect acquirers' returns. *Cultural distance* captures the cross-country cultural differences between the acquirer and the target firms. It is computed, following Chakrabarti et al. (2009), by considering all five cultural values (long-term orientation, individualism, masculinity, uncertainty avoidance index, and power distance index) obtained from Hofstede et al. (2010). *Corporate boards* as a governance indicator for the acquiring country allows for the management's level of accountability towards investors and boards at the country level and takes a value from 1 to 7, where 7 depicts the maximum level of accountability. Güner et al. (2008) suggest that the board has an important impact on investment and financing decisions. The *anti-self-dealing* index as another governance indicator for the acquiring country, obtained from Djankov et al. (2008), measures the degree of legal protection for mi-

nority shareholders against insider self-dealing. The index varies from 0 to 1, where 1 refers to the best anti-self-dealing practices.

*Legal system*, another governance variable, is a dummy that takes the value of 1 if the legal origin of the acquiring country is civil law and 0 if the legal origin is common law. According to La Porta et al. (1998), the legal system has a significant impact on various financial outcomes. *Trust* is the average level of trust in the acquiring country. The numerical value of the average level of trust for each acquiring country is obtained from the *World Values Survey* and varies from 0 to 100 percent, where a higher value indicates a higher trust level. Trust is an essential corporate value for merger success, and its absence causes mergers to suffer the most (Stahl and Stikin, 2001; Napier, 1989). *Economic freedom* is an aggregate index for the acquiring country issued by the Heritage Foundation. The index is measured on a scale from 0 to 100, where 100 indicates the maximum level of freedom. Stocker (2005) argues that a higher level of economic freedom helps investors achieve better investment returns, while Chen and Huang (2009) suggest a slight connection between economic freedom and stock returns.

*Market capitalization* is the capitalization of listed companies from the acquiring country, normalized by gross domestic product. The literature highlights that merger activity and performance is affected by firm and overall market capitalization (Shleifer and Vishny, 2003). *GDP per capita* is the gross domestic product per capita of the acquiring country. According to Erel et al. (2012), GDP per capita is a significant macroeconomic determinant of M&A performance. We summarize our main dependent and independent variables along with all the control variables in Table 1.

>>> Table 1 goes about here <<<

Table 2 reports descriptive statistics for our variables, and Table 3 presents the correlation matrix.

>>> Tables 2 and 3 go about here <<<

#### **4. EMPIRICAL FINDINGS**

We estimate multivariate regression models to study the relationship between investors' future orientation and long-term post-acquisition takeover performance, while keeping the likely impact of a number of other factors controlled. Our dependent variable is the cumulative abnormal return based on the Fama and French three-factor model for a 36-month time window,

while the main independent variable of interest is future orientation (proxied by LTO). More specifically, our regression model is:

$$CAR_{ij\tau+T} = \alpha + \beta \cdot Future\ Orientation_j + \sum_{k=1}^l \gamma_k \cdot Control_{ij\tau k} + \varepsilon_{ij\tau}. \quad (3)$$

With  $\tau$  being the announcement date,  $CAR_{ij\tau+T}$  is the cumulative abnormal return of acquirer  $i$  from country  $j$  until time  $\tau+T$  as defined in equation (2). *Future Orientation<sub>j</sub>* captures the impact of investors' future orientation (proxied by LTO) for acquirer  $i$  from country  $j$ , and *Control<sub>ijτk</sub>* takes into account the effect of deal-specific, acquirer-specific, and country-specific factors at time  $\tau$  that may affect an acquirer's  $CAR_{ij\tau+T}$ . The mean variance inflation factors (vif) yield noticeably low values (mostly below 3) for our regression models, and we do not observe multicollinearity among the variables in our sample.

>>> Table 4 goes about here <<<

Our main results are reported in Table 4. We carry out a regression analysis at three levels based on three different types of controls that we exert in our model sequentially. At the first level, in addition to our main variable of interest, i.e. future orientation, we control for deal-specific variables and present the results as Model 1. At the second and third level, we add further additional controls based on firm and country-specific characteristics and present them as Models 2 and 3.

It should be noted that in all of our regression models standard errors are clustered at the country level. Our models try to explain takeover performance as a deal-specific phenomenon, however, our main variable of interest defining investors' time preferences is country-specific. We have data on more than 30,000 deals, yet only 54 time preferences values for LTO. We try to control for this disparity by defining our sample into 54 clusters at the country level. Moreover, clustering reduces the potential problems of serial correlation and yields better estimates of standard errors in testing our hypotheses.

Furthermore, we take into account industry and year fixed effects. We control for fixed effects to deal with any unobserved heterogeneities that may distort our estimates and may cause wrong inferences regarding our hypotheses. Model 3 is the most refined and final regression model that we proceed with to conduct sensitivity analyses and additional tests. Results from all the regression models reveal that future orientation has a significantly positive impact on takeover performance. These findings suggest that countries with higher future orientation –

those with higher scores on LTO – tend to exhibit improved takeover performance. Hence, we receive initial empirical support for our Hypothesis H2 suggesting that under segmented or only partially integrated markets investors' preferences for future orientation have a significant positive impact on acquirers' post-M&A returns.

As we have standardized both our dependent and independent variables to compute our regression results, the estimates of investors' future orientation (proxied by LTO) can be easily interpreted in economic terms. The original variable CAR (i.e. before standardization) has a mean value of 1.24% and a standard deviation of 32.26%. Such a low average abnormal rate of return is typical for acquirers' performance revealing the general difficulty of gaining positive excess takeover returns. Future orientation, in the last column of Table 4, has a coefficient of 0.0122, which implies that a one-standard-deviation increase in future orientation, e.g. switching from the United States to the United Kingdom, would induce a  $0.0122 \times 32.26\% = 0.394$  percentage points increase in the CAR measure. In percentage terms, relative to the absolute value of the mean of CAR, this corresponds to about a 31.77% increase in CAR. This is economically significant, given the difficulty to achieve high excess returns and the fact that this difference can be identified even for such closely related countries as the US and the UK.

Our main results regarding the control variables are in line with the previous literature. We observe strong synergy benefits for the sample under study. Bidders from the financial sector do not show better takeover performance. Bigger targets, as proxied by deal size, cast a significant negative effect on acquirers' returns, consistent with the findings of Ahern (2010), however, targets larger relative to the bidder exert no significant influence on takeover gains, consistent with Powell and Stark (2005). An acquirer's return on assets has a strong positive relationship with takeover performance. A good governance structure in place, in terms of a responsible corporate board and anti-self-dealing index, is positively related to takeover performance. The average level of trust prevailing in the country is also found to positively explain takeover performance. We can thus conclude that most of our control variables assume the expected signs in the regression models.

## 5. ROBUSTNESS CHECKS

In the following, we discuss a number of tests performed to confirm the robustness of our primary results.

### 5.1. Controlling for Alternate Return Measures

As a robustness check of our initial findings, we use abnormal returns based on both the CAPM and the Fama-French 5 factor model alternatively. Table 5 reports the results for alternate abnormal returns and clearly suggests that the previously documented effects of time preferences are still valid. Future orientation, proxied by LTO, continues to load significantly in a positive way throughout the regression models.

>>> Table 5 goes about here <<<

## 5.2. Controlling for Window Length

Next, we study the likely impact of time preferences on takeover performance after restricting the time window from 36 months to 24 months as an alternate time frame to study long-term takeover outcomes. The results reported in Table 6 confirm that future orientation has a strong positive influence on takeover performance for the 24-month time window. We further restrict the window length to 12 months and find future orientation continues to exert a significant positive impact on takeover gains, though the adjusted  $R^2$  values are reduced. However, this is in line with our consideration of the consequences of long-term time preferences if capital markets are not perfectly efficient in a semi-strong sense. This means that in contrast to our simple theoretical considerations of Section 2.2, it will take some time before the capital market has processed all information regarding a certain takeover activity. It seems natural to assume that information processing takes more time for long-term returns than for short-term returns, implying that the long-term investments in more “patient” societies outperform the more short-term oriented investments in more “impatient” societies only for a sufficiently long time horizon.

In fact, this conjecture can be confirmed if we further shorten the time frame to a 9, 6, 3, and 1-month time windows. The results reported in Table 6, as expected, provide a clear distinction of the impact of future orientation on a relatively longer time period from that of shorter time horizons. Future orientation has no significant impact for a 3-month time window, however, it exerts a strong *negative* impact for a 1-month time window.

>>> Table 6 goes about here <<<

## 5.3. Applying Alternative Measures of Time Preferences

Next, we test for alternate measures of investors’ time preferences, based on language and alternate cultural measures. We specifically rely on the future time reference (FTR) concept of language from Chen (2013), the original cultural scores of LTO from Hofstede (2001), the

GLOBE cultural dimension of future orientation from House et al. (2004), and the updated cultural scores of LTO from Tang and Koveos (2008).

>>> Table 7 goes about here <<<

Table 7 presents re-estimated regression model findings using all four alternate measures of time preferences that reassure our previous findings.

#### **5.4. Controlling for Time Effects**

We further check whether our results are driven by the latest financial crisis that has noticeably reduced economic activity and greatly affected investment risk and long-term value creation. We divide our sample period into three parts as the pre-crisis period (2000 to 2006), the crisis period (2007 to 2008), and the post-crisis period (2009 to 2015), and re-compute our model to authenticate that our results are not driven by some particular time period with different economic implications.

The results presented in Table 8 support the robustness of our previous findings. Future orientation has a strong positive impact on acquirers' long-term post-acquisition performance for both the pre-crisis and the post-crisis time period. However, the coefficient estimates suggest that the likely impact of future orientation on long-term takeover performance is slightly more pronounced during the post-crisis time. Quite interestingly, the impact of LTO on takeover performance during the crisis period becomes irrelevant. It clearly indicates that during the period of financial turmoil, among other things, not even future-oriented behavior could bring in better returns. On the whole, we may conclude that these findings are in line with our earlier inferences.

>>> Table 8 goes about here <<<

#### **5.5. Controlling for Sample Composition Bias**

In order to ascertain that our results are not some particular country- or region-specific phenomenon, we try to control for a potential sample composition bias and conduct our initial analysis again. We start with removing the US initiated deals from our sample and re-generate our regression results. Next, we exclude the UK (the second most prominent acquiring country in our sample) initiated deals additionally and check the strength of our primary results. Furthermore, we repeat our analysis by considering only non-EU initiated mergers.

The regression outcomes reported in Table 9, for all three subsamples based on non-US, both non-US and non-UK, and non-EU (including UK) initiated mergers and acquisitions deals,

suggest that investors' future orientation has a strong positive impact on long-term takeover gains. Although the sample size drops considerably when removing US and UK deals (resulting in exaggerated coefficients of determination), these findings clearly underpin that our earlier results are not a consequence of some particular cultural setting.

>>> Table 9 goes about here <<<

### **5.6. Controlling for Endogeneity using an Instrumental Variable Approach**

Literature has shown concerns regarding the accuracy of cultural scores in capturing culture per se, as culture is argued to be an abstract and hard to define concept (Triandis et al., 1986). Such concerns give birth to the endogeneity issues of reverse causality or spurious relationship (between the dependent and the independent variables while leaving out unobserved determinants). Our cultural measure of future orientation is considerably stable, since world cultural rankings are observed to remain persistent under different economic conditions and change only very sluggishly over a course of centuries (Williamson, 2000), hence reverse causality is not a problem. However, to deal with unobserved determinants of culture causing a spurious relationship, Aggarwal et al. (2016) suggest either to use many country level controls (that we already account for) or to carry out an instrumental variable analysis.

Therefore, in order to address the potential problem of causality and to capture the possible impact of some omitted variables, we follow Guiso et al. (2006) and conduct an instrumental variable analysis. Guiso et al. (2006) argue that culture is transmitted genetically. We, therefore, use data on genetics as an indirect proxy of cultural diffusion to confirm the robustness of our primary results. Gorodnichenko and Roland (2011) suggest that parents transmit both genes and culture to their offspring. This ongoing process of the transfer of genes and culture within countries runs through generations and ultimately shapes the cultural values of societies. They further argue that genetically close countries generally display similar cultural patterns. We also build on the same idea, and following the methodology proposed by Gorodnichenko and Roland (2011) and El Ghouli and Zheng (2016), use the *genetic distance* between the acquiring country and South Korea (the country with the highest long-term orientation score in our sample) as an instrument for our cultural measure of future orientation. All the necessary data on genetic distance is obtained from Cavalli-Sforza et al. (1994).

To be more specific, we employ the dominant population fixation index ( $F_{st}$ ) distance as an instrument for future orientation (proxied by LTO). It takes into account the probable dissimilarity between two alleles (a specific form of a gene) selected randomly from two populations

(El Ghouli and Zheng, 2016; Spolaore and Wacziarg, 2009). A higher  $F_{st}$  distance (from South Korea) suggests a higher genetic difference concerning long-term orientation amid two populations, and hence, a bigger cultural difference. This greater genetic and cultural disparity suggests a negative connection between the  $F_{st}$  distance and future orientation.

Furthermore, theory also hints at the agricultural origins of time preferences. Galor and Özak (2016) suggest an increase in the average potential crop yield pre-1500CE, as experienced by a country's ancestors, results in an increased patience for delayed gratification and thus increased degree of long-term orientation in society. They further suggest that an increased change in the average potential crop yield post-1500CE further enhances long-term orientation. They also studied the impact of the pre-1500CE average potential crop growth cycle and its change in the post-1500CE period on long-term orientation, however, no conclusive direction of impact is observed. Based on their verdict of the strong association of pre- and post-1500CE agricultural factors with long-term orientation, we also use these factors as instruments for our cultural measure of time preferences. We particularly use pre-1500CE average potential crop yield and average potential crop growth cycle and their change post-1500CE, as experienced by a country's ancestors, as instruments for future orientation (proxied by LTO). All the necessary data on agricultural factors is obtained from Galor and Özak (2016).

Table 10 summarizes results regarding the instrumental variable analysis. In Model M1 genetic distance is used as an instrument, while in Model M2 agricultural factors are used as instruments for future orientation (proxied by LTO). Our findings from the regression models M1 and M2 suggest that our coefficient estimates from the instrumented variable (LTO) are significant and retain the expected sign. It is worth mentioning that genetic distance is strongly associated with LTO maintaining the anticipated direction and is in itself uncorrelated with takeover performance. Furthermore, pre-1500CE average potential crop yield and its change in the post-1500CE period are strongly positively correlated with long-term orientation, while pre-1500CE average potential crop growth cycle and its change in the post-1500CE period, as expected, do not establish some consistent relationship with time preferences. In addition, these agricultural variables both pre- and post- 1500CE show almost no correlation with takeover performance. We present these first level regression results in Appendix B, which is available as online supplementary material. In general, the findings from the instrumental variable analysis further strengthen our earlier conclusions and offer assurance that our results on time preferences are not distorted by omitted variables.

>>> Table 10 goes about here <<<

## 6. ADDITIONAL EVIDENCE

### 6.1. Future Orientation, Investor Protection, and Long-Term Performance

So far we have postulated the impact of investors' time preferences in defining long-term takeover performance. In general, we would expect the same results based on managerial time preferences. If managers act in a patient way, takeover performance should be better than for more impatient managers. However, managers are generally found to be 'shorttermist', i.e. they prefer short-term returns at the cost of long-term gains mainly to receive better short-term compensation (Narayanan, 1985; Stein, 1988) with this kind of reimbursement being both a consequence and a cause of managerial incentive problems. Therefore, we might expect a relatively smaller sensitivity of takeover performance to managerial time preferences than to investors' time preferences (because all managers act in a more or less short-term oriented way in contrast to their "true" time preferences). One may thus conjecture that our results are mainly driven by investors' time preferences, even if we assume that managers and investors with the same cultural background also share similar time preferences.

However, the extent to which investors' time preferences act as determinants of long-term takeover performance may depend on the relevance of investor protection in the acquirer's country. In the presence of agency issues, there must be an appropriate institutional framework (in terms of *investor protection*) in place to ensure that investors' preferences are considered in corporate decision-making and hence be reflected in corporate strategy.

The literature on law and finance suggests a better investor protection results in lower private benefits of control for insiders (Dyck and Zingales, 2004). The literature further reveals that the takeover market is more active in countries having a stronger legal investor protection system (Rossi and Volpin, 2004). Several research studies hint at a strong positive relationship between investor protection and bidder returns. Improved investor protection practices are considered to prohibit insiders from expropriation and thus increase corporate valuation, while less protective countries exhibit reduced firm values (Bris and Cabolis, 2008).

Furthermore, Han et al. (2010) argue that the institutional framework can alter the likely effect of cultural values. Hence, we also try to investigate whether a better investor protection,

by safeguarding investors' time preferences, is able to strengthen the impact of future orientation on an acquirer's long-term takeover performance, specifically by defining partitions in data based on the strength of investor protection practices. We assume that the impact of investors' future orientation on takeover performance is more pronounced in countries with strong investor protection. To the best of our knowledge, there exists no such large-scale study in the context of M&As.

Early literature of corporate governance suggests the anti-director rights index developed by La Porta et al. (1998) as the most effective country-level measure of investor protection. Since its establishment, it has been used as an effective measure of investor protection. However, recent literature greatly disapproves and challenges the measurement of the anti-director rights index because of its ad hoc nature, and inherent conceptual and coding issues (Graff, 2008; Pagano and Volpin, 2005; Spamann, 2005). Hence, in order to account for the aforementioned issues of the anti-director rights index, Djankov et al. (2008) reformulate the anti-director rights index of La Porta et al. (1998) and present revised estimates. Furthermore, Spamann (2005) not only highlights the inherent issues of the anti-director rights index (also called the original anti-director rights index) by La Porta et al. (1998), but also comes forward to address those issues and presents a corrected anti-director rights index (see Spamann, 2010). Spamann (2010) particularly improved upon data collection methods, coding protocols, and documentation procedures.

For the purpose of the current study, we therefore use both the revised anti-director rights index by Djankov et al. (2008) and the corrected anti-director rights index by Spamann (2010) as proxies for investor protection. According to Horn (2001), the location of shareholders is irrelevant, as this protection does not necessarily depend on the corporate law of the country where the shareholders reside, or where the business operates, or where the company assets are situated. It rather depends on the legal situation of the home country of the firm.

Since regression models with interaction terms between our measures of investor protection and future orientation imply variance inflation factors of up to 11, we use median values for the revised and the corrected anti-director rights index of the acquiring country to define partitions in our sample. Observations above median values are included in the samples with a higher level of the index, while observations below or equal to median values define the samples with a lower level of the index.

>>> Table 11 goes about here <<<

Results reported in Table 11 reveal quite an interesting and convincing pattern that investors' future orientation is significantly positively related to long-term takeover performance mainly in the case of subsamples with a higher level of the revised and corrected anti-director rights index. Consistently, the effect is weakened and becomes insignificant in the case of subsamples with a lower level of the revised and the corrected anti-director rights index.

Hence, we may conclude that a better institutional framework and governance, in terms of strong anti-director rights measures, increases the importance of investors' time preferences for long-term takeover performance by reducing managers' private benefits of control and investor expropriations. Our additional analysis not only strengthens our inferences about time preferences, but also highlights the essential role of investor protection in explaining long-term takeover performance. Yet, due to the lower country variation among some subsamples, determination coefficients yield uncommonly high values and should be interpreted with care.

As a further caveat however, it should be noticed that our measures of investor protection are primarily aimed at the problem of preventing major shareholders and managers from extracting "private benefits" and are thus less concerned with managerial behaviour adequately accounting for shareholders' time-preference traits. Therefore, we refrain from stating our conjecture regarding the moderating role of investor protection as a formal hypothesis.

## **6.2. Cross-Border vs. Domestic Mergers**

So far the present study takes into account the overall impact of investors' temporal orientation in the case of both domestic and cross-border M&As. However, in the last decade we observe a greater thrive in cross-border business activity that makes it even more intuitive to disentangle the probable impact of the two different kinds of merger deals. It is argued that cross-border mergers are relatively less profitable owing to greater integration problems posed by cultural differences (Slangen, 2006, Breuer et al., 2018). Hence, we also try to substantiate how the probable impact of investors' time preferences (proxied by the cultural dimension of LTO) varies for domestic and cross-border deals by splitting the overall sample on the basis of a dummy variable *cross-border*. We expect a more pronounced impact of investors' time preferences for domestic deals due to reduced cultural differences, and a relatively less strong effect in the case of cross-border deals owing to greater cultural interference.

The results reported in Table 12 suggest that investors' future orientation has a strong positive impact on long-term takeover performance for both domestic and cross-border takeover deals.

Nevertheless, the impact of future orientation, as expected, is relatively stronger in the case of domestic deals. Moreover, if we re-estimate our model by defining sample splits on the basis of the Hofstede cultural distance, we find exactly the same results, as in our case the median value for the Hofstede cultural distance takes the value of zero.

>>> Table 12 goes about here <<<

In a similar vein, we check for globalization effects assuming the level of globalization of a country, captured using both the globalization index and the acquirer's firm size, mediates the importance of (domestic) investors' time preferences on takeover performance and present the results in Appendix C (available as online supplementary material). In line with our conjecture, we find that a low level of globalization suggests a strong positive and more pronounced impact of (domestic) investors' future orientation (proxied by LTO) on long-term takeover performance, while the effect becomes relatively less pronounced to insignificant in the case of a higher level of globalization.

## **7. DISCUSSION AND CONCLUSION**

The aim of the current study is to open a new academic discussion on time preferences and possible performance outcomes in the context of mergers and acquisitions. We seek to generate new insights on how investors' conceptualization of time may impact acquirers' performance outcomes. By particularly focusing on culture to grasp the notion of long-term (or future) orientation, we add to the existing literature by looking at a measure of investors' time orientation from a different perspective. We provide the first large-scale international evidence that investors' future orientation has a substantial impact on the long-term gains takeovers may create. In addition to examining the likely impact of time preferences, we also study how investor protection helps explain long-term takeover performance.

On the whole, our findings suggest that investors' time preferences cast a significant impact on the long-term abnormal returns a takeover may generate. We offer strong empirical evidence that investors' future orientation significantly improves post-M&A performance, while investors' short-termism deteriorates acquirers' takeover performance over an extended period of time.

Our empirical outcomes also reveal that a strong investor protection (proxied by the revised and the corrected anti-director rights index) when combined with investors' future orientation enhances takeover performance, by ensuring investors' (time) preferences are taken into consideration while deciding on corporate strategies. We can conclude that a better institutional

framework (i.e. a strong investor protection) straightens managers' behavior by mitigating incentive problems like indulging in suboptimal short-term strategies, and thus increases the impact of future orientation. Based on our empirical findings, we have a clear message for the board of directors and the policy makers to constitute and implement a strong governance structure to deal with potential conflicts of interests. They must monitor managerial behavior and come forward to intervene if managers (in comparison to their industry peers) are found to pursue short-term oriented goals excessively. Moreover, such managerial myopic behavior may be curbed by offering rather long-term incentives, e.g., by coupling managerial compensations with long-term financial outcomes. Lastly, we believe our empirical study may encourage long-term oriented investors to stick to their temporal inclinations, while instigating short-term oriented investors to rethink of their time-based orientation to yield higher investment gains. Our findings further suggest that investors' time preferences have a more pronounced impact when foreign cultures do not interfere with and dilute the impact of the local culture, particularly in the case of domestic deals.

The study at hand extends prior work by Breuer et al. (2018), which analyzes the role of cultural values on takeover performance from a managerial perspective. Among other things, the consequences of managerial entrenchment are investigated, which necessitates to consider takeover performance without risk-adjustment. In contrast, the current study focuses solely on the effect of long-term orientation from an investor perspective. Therefore, we have to rely on measuring takeover performance with the help of the Fama-French model that explicitly takes risk considerations into account. Though only used as a control variable in Breuer et al. (2018), it seems that long-term orientation impacts non-risk-adjusted takeover performance rather in a negative way. Taken together with the results of the paper at hand, we therefore may conclude that takeover returns in more long-term oriented societies exhibit comparatively lower risk features than in less long-term oriented cultures, thus implying higher risk-adjusted abnormal returns in the former case in spite of smaller "raw returns". As an interesting issue for future research one may take a closer look at this relationship between long-term orientation and risk behavior.

Nevertheless, the current study has its own drawbacks that must be considered while interpreting its findings. In particular, we had to rely on country-based measures of time preferences. Certainly, such measures on an individual level would be preferable, but are very hard to obtain. Against this background, we believe that our empirical findings regarding investors'

temporal orientation, investor protection, and takeover performance deliver sufficient evidence to boards and policy makers to help enhance takeover gains.

There is a lot more to be done to explore temporal vistas to better comprehend how investors, management, and organizations relate to the dimension of time, and how this may create a difference. We urge future scholars to employ temporal lenses to further inquire the issue at hand and to expand the insights we produce.

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**Table 1: Description of Variables**

Variables	Description	Mean	Standard Deviation
<b>Panel A: Time Preferences and Takeover Performance</b>			
<b>Future Orientation (proxied by LTO)</b>	A focus on future rewards, primarily persistence, and thrift in long-term oriented cultures, whereas a focus more on the past and the present than the future and emphasis on following traditions, preserving 'face', and satisfying societal responsibilities in short-term oriented cultures. It takes the value from 0 to 100 based on world values survey from Hofstede et al. (2010).	46.24	32.26
<b>Long-Term Performance</b>	Measured as abnormal return (in percentage) based on the Fama and French (1993) three-factor model over a 36-month window. <i>Source: DataStream, Hofstede et al. (2010), and Kenneth R. French's Data Library</i>	1.24	24.34
<b>Panel B: Deal-Specific Variables</b>			
<b>Synergy</b>	Dummy variable that identifies the merger as inter or intra industry, d = 1 if intra-industry, and d = 0 if inter-industry.	0.66	0.47
<b>Financial</b>	Dummy variable that identifies whether acquirer is from financial sector, d = 1 if financial, and d = 0 otherwise.	0.15	0.36
<b>Method of Payment</b>	Dummy variable that identifies the method of payment, d = 1 if all stock, and d = 0 otherwise.	0.39	0.39
<b>Hostile</b>	Dummy variable that identifies the nature of a bid, d = 1 if hostile, and d = 0 if friendly.	0.00	0.05
<b>Cross-Border</b>	Dummy variable that identifies the nature of a merger, d = 1 if cross-border, and d = 0 otherwise.	0.29	0.45
<b>Deal Size</b>	Natural logarithm of the transaction value (in million US dollars) of the acquisition.	4.59	2.86
<b>Relative Size</b>	Transaction value to the total assets of the acquiring company (in percentage). <i>Source: Bloomberg and DataStream</i>	8.00	5.61
<b>Panel C: Acquirer-Specific Variables</b>			
<b>Firm Size</b>	Natural logarithm of the book value of total assets (in million US dollars).	13.07	2.50
<b>Return on Assets</b>	Net income to book value of assets ratio (in percentage).	-0.83	66.08
<b>Cash Flow</b>	Cash flow to book value of assets ratio (in percentage).	-6.20	6.95
<b>Leverage</b>	Total debt to book value of assets ratio (in percentage). <i>Source: DataStream</i>	67.76	67.29
<b>Panel D: Country-Specific Variables</b>			
<b>Cultural Distance</b>	Cultural distance is the Euclidian distance of the target's cultural values from that of the acquirer's based on all five cultural values from the Hofstede et. al. (2010) framework.	2.89	5.42
<b>Corporate Boards</b>	Management's accountability to investors and boards (1 = little accountability; 7 = maximum accountability). <i>The Global Competitiveness Report 2011</i> .	5.04	0.42
<b>Anti-Self-Dealing</b>	The <i>anti-self-dealing</i> index, measures the regulation of corporate self-dealing along three parameters: disclosure, transaction approval procedures, and enablement of private litigation in the case of self-dealing. The index varies from 0 to 1, where 1 refers to best anti-self-dealing practices. <i>Djankov et al. (2008)</i> .	0.65	0.18
<b>Legal System</b>	Dummy variable that identifies the legal origin of the bankruptcy law of each country, d = 1 if a country's legal origin is civil law, and 0 if the legal origin is common law. <i>La Porta et al. (2008)</i> .	0.22	0.41
<b>Trust</b>	Average level of trust in a country. The individual country values vary between 0 and 100 percent and are obtained from the <i>World Values Survey</i> based on a composite of a number of survey questions.	23	0.11
<b>Economic Freedom</b>	An aggregate index of ten components of economic freedom measured on a scale from 0 to 100, where 100 indicates the maximum level of freedom. These ten components constituting the index are business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, and labor freedom. <i>www.heritage.org</i>	72.73	8.24
<b>Market Capitalization</b>	Market capitalization is the value of total listed shares to gross domestic product. <i>Beck et al. (2009)</i>	1.16	0.46
<b>GDP per capita</b>	Gross domestic product per capita in US dollars. <i>The Global Competitiveness Report 2012</i> .	41,492.01	18,308.20
<b>Panel E: Other</b>			
<b>FTR</b>	Classification of languages as weak-FTR (long-term oriented) and strong-FTR (short-term oriented) based on how they refer to future events. It is a dummy variable with d = 1 for weak-FTR, referring to long-term orientation and d = 0 for strong-FTR, referring to short-term orientation. <i>Chen (2013)</i> .	0.25	0.43
<b>Genetic Distance</b>	The genetic distance between the focal country and South Korea (with the highest score for LTO in our sample). <i>Cavalli-Sforza, Menozzi, and Piazza, (1994)</i> .	879.78	312.19
<b>Crop Yield (Ancs., Pre-1500CE)</b>	A country's average potential production of crop (in tens of millions of kilo calories per hectare per year) pre-1500CE as experienced by a country's ancestors. <i>Galor and Özak, (2016)</i> .	7.09	1.67
<b>Crop Yield Change (Ancs., Post-1500CE)</b>	Change in a country's average potential production of crop (in tens of millions of kilo calories per hectare per year) post-1500CE as experienced by a country's ancestors. <i>Galor and Özak, (2016)</i> .	1.08	1.13
<b>Crop Growth Cycle (Ancs., Pre-1500CE)</b>	The level of average potential crop growth period (in days) pre-1500CE as experienced by a country's ancestors. <i>Galor and Özak, (2016)</i> .	135.54	9.62
<b>Crop Growth Cycle</b>	Change in average potential crop growth period (in days) post-1500CE as experi-	22.28	16.36

<b>Change (Ancs., Post-1500CE)</b>	enced by a country's ancestors. <i>Galor and Özak, (2016)</i> .		
<b>Revised ADRI</b>	Revised anti-director rights index. The individual country values vary between 2 and 5. <i>Djankov et al. (2008)</i> .	3.57	1.09
<b>Corrected ADRI</b>	Corrected anti-director rights index. The individual country values vary between 2 and 6. <i>Spamann (2010)</i> .	3.54	1.31

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This table describes the main independent time preferences variable *LTO* from Hofstede et al. (2010), long-term takeover performance, and control variables, and presents their mean values and standard deviation across deals.

**Table 2: Descriptive Statistics**

<i>Acquiring Countries</i>	<i>No. of Deals</i>	<i>CAR</i>	<i>LTO</i>	<i>Synergy</i>	<i>Financial</i>	<i>Payment</i>	<i>Hostile</i>
Argentina	22	2.28	20	0.82	0.27	0.09	0.00
Australia	2,239	1.77	21	0.66	0.14	0.23	0.00
Austria	67	1.52	60	0.78	0.25	0.09	0.00
Belgium	167	3.78	82	0.70	0.19	0.15	0.00
Brazil	406	2.83	44	0.76	0.22	0.11	0.00
Bulgaria	1	8.46	69	0.00	0.00	0.00	0.00
Canada	3,196	1.32	36	0.72	0.09	0.34	0.00
Chile	81	1.94	31	0.79	0.24	0.15	0.00
China	2,820	1.30	87	0.56	0.11	0.12	0.00
Colombia	34	-0.78	13	0.80	0.40	0.20	0.00
Croatia	5	-1.94	58	0.80	0.00	0.20	0.00
Czech	3	6.29	70	1.00	0.67	0.00	0.00
Denmark	127	3.11	35	0.74	0.19	0.14	0.00
Finland	249	1.79	38	0.62	0.14	0.15	0.00
France	583	2.15	63	0.70	0.16	0.14	0.00
Germany	520	2.97	83	0.65	0.15	0.16	0.00
Greece	128	4.57	45	0.79	0.20	0.46	0.01
Hong Kong	230	2.78	61	0.47	0.37	0.10	0.00
Hungary	28	1.74	58	0.86	0.28	0.07	0.00
India	694	1.43	51	0.66	0.08	0.24	0.00
Indonesia	91	1.64	62	0.65	0.24	0.12	0.01
Ireland	264	2.36	24	0.74	0.10	0.06	0.00
Israel	265	1.20	38	0.63	0.15	0.11	0.00
Italy	436	3.67	61	0.73	0.18	0.12	0.00
Japan	2,419	1.40	88	0.60	0.11	0.21	0.00
Luxemburg	44	-0.54	64	0.79	0.29	0.09	0.04
Malaysia	844	2.92	41	0.52	0.19	0.11	0.00
Malta	4	4.55	47	0.75	0.75	0.00	0.00
Mexico	87	1.49	24	0.79	0.09	0.09	0.01
Morocco	9	5.32	14	0.78	0.22	0.33	0.00
Netherlands	289	2.59	67	0.66	0.16	0.08	0.00
New Zealand	148	0.99	33	0.66	0.11	0.13	0.00
Norway	306	1.16	35	0.63	0.09	0.13	0.00
Pakistan	10	2.83	50	0.90	0.40	0.70	0.00
Peru	26	0.88	25	0.69	0.19	0.11	0.00
Philippines	121	1.95	27	0.52	0.34	0.16	0.00
Poland	159	2.12	38	0.76	0.13	0.15	0.01
Portugal	64	3.32	28	0.63	0.19	0.08	0.00
Romania	4	2.97	2	1.00	0.25	0.50	0.00
Russia	109	1.92	81	0.76	0.13	0.03	0.00
Singapore	639	1.50	72	0.54	0.15	0.14	0.00
Slovenia	7	5.30	49	1.00	0.14	0.00	0.00
South Africa	418	3.06	34	0.67	0.24	0.17	0.01
South Korea	1,005	2.65	100	0.43	0.04	0.35	0.00
Spain	281	1.58	48	0.70	0.23	0.10	0.00
Sweden	552	1.72	53	0.66	0.15	0.09	0.00
Switzerland	254	2.50	74	0.74	0.18	0.09	0.00
Taiwan	411	1.88	93	0.62	0.19	0.42	0.00
Thailand	172	0.34	32	0.58	0.22	0.10	0.00
Turkey	64	1.56	46	0.65	0.19	0.19	0.00
United Kingdom	4,037	2.01	51	0.64	0.13	0.11	0.00
United States	13,005	0.04	26	0.70	0.18	0.18	0.00
Venezuela	3	10.24	16	0.67	0.07	0.33	0.00
Vietnam	6	0.47	57	0.83	0.33	0.67	0.00

This table presents mean values for the dependent variable *CAR*, main independent time preferences variable *LTO* from Hofstede et al. (2010), deal-specific variables and acquirer-specific variables. Observations are at the country level. There are 38,153 M&A deals (both domestic and cross-border) from 54 countries over the period from 2000 to 2015, from Standard & Poor's Capital IQ database. See Table 1 for detailed description of all the variables.

**Table 2: continued**

<i>Acquiring Countries</i>	<i>Cross-Border</i>	<i>Deal Size</i>	<i>Relative Size</i>	<i>Firm Size</i>	<i>ROA</i>	<i>Cash Flow</i>	<i>Leverage</i>
Argentina	0.09	4.48	0.89	13.85	2.67	19.66	21.84
Australia	0.28	3.83	15.31	11.35	-25.91	0.27	622.51
Austria	0.85	5.01	0.15	14.51	2.68	10.78	26.79
Belgium	0.72	4.77	0.01	14.07	0.37	8.76	24.10
Brazil	0.15	5.96	0.85	14.67	4.81	9.85	27.16
Bulgaria	0.00	2.74	0.01	14.12	4.34	17.84	55.50
Canada	0.35	4.05	12.90	12.05	-24.17	-23.63	24.02
Chile	0.45	5.80	0.40	14.32	4.99	10.83	26.68
China	0.08	6.26	2.64	13.32	8.70	14.69	24.68
Colombia	0.57	6.35	0.10	15.58	3.42	4.08	15.46
Croatia	0.40	3.42	0.02	12.70	0.59	-0.08	25.49
Czech	0.00	3.22	0.00	16.05	2.54	2.50	15.62
Denmark	0.65	5.01	0.14	13.99	3.42	9.80	27.76
Finland	0.58	4.32	0.24	12.96	3.97	11.54	24.75
France	0.63	5.87	0.24	14.92	1.12	8.10	24.28
Germany	0.65	5.54	0.23	14.49	0.36	6.64	20.90
Greece	0.27	3.96	0.05	13.42	2.22	6.57	29.14
Hong Kong	0.52	3.59	0.05	13.36	-1.67	0.76	23.22
Hungary	0.64	4.48	0.03	14.30	3.61	11.83	17.42
India	0.47	4.19	0.43	12.73	7.59	9.06	27.08
Indonesia	0.15	5.20	6.96	13.40	3.45	10.73	30.37
Ireland	0.83	4.91	0.34	13.80	2.25	8.90	25.60
Israel	0.62	4.27	0.58	12.92	-21.12	2.85	21.34
Italy	0.44	4.59	0.09	14.15	0.96	6.48	29.85
Japan	0.22	4.79	0.64	13.43	1.47	14.00	21.61
Luxembourg	0.97	6.70	0.41	15.16	6.47	7.28	26.39
Malaysia	0.23	3.42	3.09	12.23	-0.34	5.78	24.30
Malta	0.75	5.51	0.15	13.54	-2.70	11.79	25.98
Mexico	0.52	6.78	0.32	15.40	5.14	13.62	29.04
Morocco	0.44	4.67	0.02	13.87	7.62	5.96	19.15
Netherlands	0.75	5.61	0.26	14.83	3.46	9.29	25.58
New Zealand	0.39	3.74	3.70	11.66	-52.88	35.15	26.51
Norway	0.54	4.09	0.36	13.04	3.99	8.63	20.55
Pakistan	0.00	4.89	0.90	12.99	10.22	13.79	13.20
Peru	0.42	6.23	0.40	14.15	6.05	16.90	27.37
Philippines	0.26	4.67	69.87	13.16	-379.06	44.68	19.68
Poland	0.29	4.79	0.32	13.21	4.02	11.30	18.64
Portugal	0.45	4.74	0.12	14.25	2.02	8.96	39.28
Romania	0.00	3.30	0.01	12.70	13.18	6.66	1.28
Russia	0.30	6.92	0.08	16.08	7.46	20.60	28.36
Singapore	0.56	4.37	5.27	12.42	-0.98	7.34	25.36
Slovenia	0.86	4.26	0.01	14.41	3.94	5.39	33.01
South Africa	0.26	4.19	1.16	12.52	0.94	71.91	27.51
South Korea	0.09	2.56	0.03	12.05	-7.53	0.73	27.54
Spain	0.56	5.57	0.08	15.26	2.74	10.03	33.39
Sweden	0.61	4.39	0.24	13.18	-1.50	6.42	22.62
Switzerland	0.85	6.38	0.25	14.96	3.40	13.92	21.40
Taiwan	0.29	4.97	0.57	13.58	3.85	13.31	21.71
Thailand	0.25	4.99	0.01	13.09	4.15	13.91	34.28
Turkey	0.14	5.66	3.98	13.22	5.00	11.22	26.02
United Kingdom	0.34	2.82	0.14	12.25	-12.51	0.36	19.39
United States	0.19	5.03	16.51	13.42	-227.16	-28.76	47.79
Venezuela	0.00	3.39	0.01	14.01	-11.08	1.89	3.22
Vietnam	0.00	7.49	0.57	12.97	3.94	11.14	28.06

**Table 3: Correlation Matrix**

Variables	CAR	LTO	Synergy	Financial	Payment	Hostile	Cross-Border	Deal Size	Relative Size	Firm Size	ROA	Cash Flow	Leverage	Cultural Distance	Boards	ASDI	Legal System	Trust	Economic Freedom	Capitalization	GDP per Capita	
<b>CAR</b>	1																					
<b>LTO</b>	0.01*	1																				
<b>Synergy</b>	0.00	-0.10*	1																			
<b>Financial</b>	0.00	-0.05*	0.07*	1																		
<b>Payment</b>	-0.01*	0.02*	0.03*	0.03*	1																	
<b>Hostile</b>	-0.00	-0.02*	0.02*	-0.00	-0.00	1																
<b>Cross-Border</b>	0.01	0.00	0.01	-0.09*	-0.15*	0.01	1															
<b>Deal Size</b>	-0.02*	0.05*	0.02*	0.00	-0.03*	0.03*	0.08*	1														
<b>Relative Size</b>	-0.05*	-0.01*	-0.02*	-0.01	0.05*	-0.00	-0.01*	0.03*	1													
<b>Firm Size</b>	0.03*	0.05*	0.07*	0.20*	-0.22*	0.04*	0.14*	0.59*	-0.08*	1												
<b>ROA</b>	0.03*	0.02*	-0.00	0.00	-0.04*	0.00	-0.00	0.02*	-0.07*	0.09*	1											
<b>Cash Flow</b>	0.02*	0.02*	-0.01	0.01	-0.04*	0.00	-0.00	0.02*	-0.12*	0.10*	0.59*	1										
<b>Leverage</b>	-0.00	-0.01*	-0.01	-0.00	0.01*	-0.00	-0.00	-0.01	0.09*	-0.04*	-0.09*	-0.06*	1									
<b>Cultural Distance</b>	0.01	0.08*	0.01	-0.09*	-0.13*	0.01*	0.86*	0.09*	-0.00	0.15*	0.00	0.00	-0.00	1								
<b>Boards</b>	0.00	-0.42*	0.05*	0.001	0.04*	0.02*	0.13*	-0.14*	0.00	-0.15*	-0.00	-0.00	0.01	0.06*	1							
<b>ASDI</b>	-0.00	-0.20*	-0.03*	0.03*	-0.06*	-0.00	-0.12*	-0.17*	0.00	-0.20*	-0.00	-0.00	0.00	-0.16*	0.13*	1						
<b>Legal System</b>	0.01	0.51*	-0.03*	-0.01*	-0.04*	-0.01	0.09*	0.19*	-0.00	0.16*	0.01*	0.01*	-0.00	0.12*	-0.37*	-0.42*	1					
<b>Trust</b>	0.02*	0.17*	0.02*	-0.05*	0.09*	-0.00	0.14*	-0.08*	-0.01	-0.06*	0.01*	0.00	0.00	0.11*	0.28*	-0.30*	0.22*	1				
<b>Economic Freedom</b>	-0.00	-0.57*	0.06*	0.02*	0.05*	0.01*	0.08*	-0.17*	0.00	-0.11*	-0.01*	-0.01*	0.01	0.01*	0.69*	0.09*	-0.65*	0.08*	1			
<b>Capitalization</b>	-0.00	-0.52*	0.04*	0.07*	-0.01*	0.01*	0.06*	-0.13*	0.00	-0.04*	-0.01*	-0.01	0.01	-0.00	0.46*	0.32*	-0.54*	-0.22*	0.68*	1		
<b>GDP per Capita</b>	-0.01	-0.53*	0.07*	0.00ss	0.03*	0.01*	0.09*	-0.07*	0.01	-0.04*	-0.01*	-0.01*	0.01	0.04*	0.62*	-0.16*	-0.41*	0.12*	0.82*	0.44*	1	

This table reports the correlation coefficients (with  $*p < 0.05$ ) of our main independent time preferences variable *LTO* from Hofstede et al. (2010), long-term takeover performance, and control variables.

**Table 4: Regression Results: Investors' Time Preferences and Long-Term Takeover Performance**

<b>Independent Variables</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>
Future Orientation	0.0181*** (2.93)	0.0108*** (2.72)	0.0122*** (5.24)
Synergy	0.0065* (1.97)	0.0055* (1.67)	0.0060* (1.74)
Financial	-0.0025 (-1.09)	-0.0110 (-1.30)	-0.0101 (-1.29)
Method of Payment	-0.0233 (-1.53)	-0.0093 (-1.53)	-0.0096 (-1.58)
Hostile	0.0008 (1.30)	0.0008 (1.04)	0.0009 (1.14)
Cross-Border	0.0027 (0.83)	-0.0014 (-1.28)	-0.0002 (-0.09)
Deal Size	0.0133 (1.01)	-0.0332* (-1.83)	-0.0326* (-1.79)
Relative Size	0.0506*** (24.31)	-0.2825 (-1.57)	-0.2857 (-1.56)
Firm Size		0.0480 (1.56)	0.0544 (1.66)
Return on Assets		0.1565*** (10.16)	0.1537*** (9.85)
Cash Flow		-0.0036 (-0.51)	-0.0041 (-0.56)
Leverage		0.0047 (1.39)	0.0048 (1.42)
Cultural Distance			-0.0035 (-0.95)
Corporate Boards			0.0105** (2.47)
Anti-self-dealing			0.0141** (2.39)
Legal System			0.0044 (1.22)
Trust			0.0070* (1.95)
Economic Freedom			0.0084 (1.28)
Market Capitalization			-0.0085 (-1.63)
GDP per Capita			-0.0041 (-1.04)
<b>Industry FE</b>	Yes	Yes	Yes
<b>Year FE</b>	Yes	Yes	Yes
<b>Adjusted R<sup>2</sup></b>	0.0408	0.0473	0.0454
<b>Mean VIF</b>	1.95	2.03	2.38
<b>No. of deals</b>	38,153	34,230	32,154
<b>No. of countries</b>	54	54	34

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French three-factor model for a 36-month time window. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. The data on all the financial variables is obtained in terms of dollars. *Firm size* is based on start of the fiscal year values, while all other firm-specific variables are measured at the year-end (same as in Malmendier and Tate, 2008). See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

**Table 5: Robustness Check: Controlling for Alternate Return Measures**

<b>Independent Variables</b>	<b>M1: CAPM CARs</b>		<b>M2: FF 5-Factor Model CARs</b>	
Future Orientation	0.0121***	(5.39)	0.0120***	(5.48)
Synergy	0.0060*	(1.76)	0.0054*	(1.77)
Financial	-0.0099	(-1.28)	-0.0101	(-1.26)
Method of Payment	-0.0097	(-1.59)	-0.0095	(-1.56)
Hostile	0.0009	(1.13)	0.0010	(1.17)
Cross-Border	-0.0002	(-2.69)	-0.0002	(-2.60)
Deal Size	-0.0328*	(-1.80)	-0.0326*	(-1.83)
Relative Size	-0.2933	(-1.55)	-0.2713	(-1.57)
Firm Size	0.0537	(1.67)	0.0536	(1.67)
Return on Assets	0.1493***	(9.54)	0.1277***	(10.45)
Cash Flow	-0.0044	(-0.60)	-0.0031	(-0.48)
Leverage	0.0049	(1.41)	0.0045	(1.42)
Cultural Distance	-0.0036	(-0.95)	-0.0039	
Corporate Boards	0.0105**	(2.45)	0.0103**	(2.43)
Anti-self-dealing	0.0139**	(2.36)	0.0138**	(2.39)
Legal System	0.0045	(1.39)	0.0046	(1.43)
Trust	0.0068*	(1.90)	0.0067*	(1.87)
Economic Freedom	0.0086	(1.35)	0.0081	(1.30)
Market Capitalization	-0.0085	(-1.63)	-0.0084	(-1.65)
GDP per Capita	-0.0041	(-1.06)	-0.0038	(-1.00)
<b>Industry FE</b>	Yes		Yes	
<b>Year FE</b>	Yes		Yes	
<b>Adjusted R<sup>2</sup></b>	0.0460		0.0474	
<b>Mean VIF</b>	2.38		2.38	
<b>No. of deals</b>	32,154		32,154	
<b>No. of countries</b>	34		34	

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* for a 36-month time window based on the CAPM in Model M1 and the Fama and French five-factor model in Model M2. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

**Table 6: Robustness Check: Controlling for Alternate Time Windows**

<b>Independent Variables</b>	<b>24M</b>	<b>12M</b>	<b>9M</b>	<b>6M</b>	<b>3M</b>	<b>1M</b>
Future Orientation	0.0135*** (4.83)	0.0146*** (4.87)	0.0124*** (4.98)	0.0085*** (5.01)	0.0019 (1.60)	-0.0032* (-1.94)
Synergy	0.0051* (1.99)	0.0021** (2.33)	0.0001 (0.09)	-0.0023 (-1.03)	-0.0056 (-1.26)	-0.0078 (-1.48)
Financial	-0.0096 (-1.13)	-0.0091 (-1.05)	-0.0066 (-0.90)	-0.0057 (-1.05)	-0.0028 (-0.89)	0.0001 (0.07)
Method of Payment	-0.0090 (-1.53)	-0.0034 (-1.36)	-0.0007 (-0.40)	0.0037 (1.14)	0.0103 (1.53)	0.0132 (1.51)
Hostile	0.0008 (1.28)	0.0006 (1.23)	0.0005 (1.50)	0.0004** (2.05)	0.0003 (1.67)	0.0000 (0.06)
Cross-Border	0.0038 (0.11)	-0.0021 (-0.67)	-0.0018 (-0.70)	-0.0010 (-0.52)	-0.0009 (-0.61)	-0.0021* (-1.90)
Deal Size	-0.0323* (-1.79)	-0.0342 (-1.63)	-0.0300 (-1.56)	-0.0264 (-1.56)	-0.0170 (-1.38)	-0.0104 (-1.14)
Relative Size	-0.2765 (-1.53)	0.2305 (-1.51)	-0.1645 (-1.63)	-0.1259 (-1.53)	-0.0449 (-1.63)	-0.0312* (-1.79)
Firm Size	0.0613 (1.65)	0.0643 (1.61)	0.0538 (1.58)	0.0419 (1.60)	0.0192 (1.51)	0.0022 (0.78)
Return on Assets	0.1469*** (9.93)	0.1303*** (10.63)	0.1001*** (12.22)	0.0716*** (12.60)	0.0347*** (8.34)	0.0119*** (20.02)
Cash Flow	-0.0043 (-0.56)	-0.0041 (-0.60)	-0.0016 (-0.37)	-0.0000 (-0.01)	0.0009 (1.15)	0.0008*** (2.83)
Leverage	0.0045 (1.30)	0.0036 (1.14)	0.0022 (1.02)	0.0012 (0.72)	-0.0001 (-0.15)	-0.0009*** (-6.40)
Cultural Distance	-0.0042 (-0.92)	-0.0016 (-0.39)	-0.0011 (-0.32)	-0.0010 (-0.39)	-0.0002 (-0.15)	0.0015 (1.23)
Corporate Boards	0.0120** (2.46)	0.0128** (2.30)	0.0103** (2.20)	0.0067* (1.99)	0.0018 (1.15)	-0.0025** (-2.66)
Anti-self-dealing	0.0163** (2.39)	0.0190** (2.47)	0.0161** (2.49)	0.0129** (2.59)	0.0061*** (3.08)	0.0006 (0.63)
Legal System	0.0043 (0.94)	0.0066 (1.42)	0.0057 (1.45)	0.0055* (1.92)	0.0039** (2.53)	0.0026 (1.34)
Trust	0.0084* (1.94)	0.0088* (1.99)	0.0069* (1.89)	0.0041 (1.55)	0.0004 (0.39)	-0.0031** (-2.59)
Economic Freedom	0.0090 (1.15)	0.0089 (1.07)	0.0068 (0.98)	0.0041 (0.80)	0.0008 (0.29)	-0.0027 (-1.00)
Market Capitalization	-0.0097 (-1.53)	-0.0104 (-1.60)	-0.0089 (-1.61)	-0.0068 (-1.60)	-0.0030* (-1.85)	0.0004 (0.46)
GDP per Capita	-0.0054 (-1.16)	-0.0058 (-1.05)	-0.0041 (-0.88)	-0.0016 (-0.47)	0.0016 (0.72)	0.0040 (1.67)
<b>Industry FE</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Year FE</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Adjusted R<sup>2</sup></b>	0.0507	0.0435	0.0333	0.0196	0.0069	0.0019
<b>Mean VIF</b>	2.38	2.38	2.38	2.38	2.38	2.38
<b>No. of deals</b>	32,154	32,154	32,154	32,154	32,154	32,154
<b>No. of countries</b>	34	34	34	34	34	34

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French three-factor model for a 24-, 12-, 9-, 6-, 3-, and 1-month time windows. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

**Table 7: Robustness Check: Controlling for Alternate Time Preference Measures**

<b>Independent Variables</b>	<b>FTR</b>	<b>LTO-HF</b>	<b>LTO-TK</b>	<b>FO-SP</b>
Future Orientation	0.0061** (2.44)	0.0153*** (5.42)	0.0097*** (4.67)	0.0104* (1.95)
Synergy	0.0057 (1.63)	0.0068 (1.68)	0.0056 (1.57)	0.0057 (1.60)
Financial	-0.0103 (-1.31)	-0.0113 (-1.18)	-0.0093 (-1.17)	-0.0098 (-1.21)
Method of Payment	-0.0093 (-1.47)	-0.0104 (-1.46)	-0.0097 (-1.48)	-0.0092 (-1.42)
Hostile	0.0009 (1.09)	0.0012 (1.22)	0.0009 (1.06)	0.0009 (1.07)
Cross-Border	-0.0006 (-0.27)	-0.0014 (-2.66)	-0.0013 (-0.49)	-0.0014 (-0.63)
Deal Size	-0.0340* (-1.87)	-0.0372* (-1.79)	-0.0344* (-1.89)	-0.0345* (-1.91)
Relative Size	-0.2860 (-1.56)	-0.2955 (-1.54)	-0.2851 (-1.55)	-0.2857 (-1.56)
Firm Size	0.0550* (1.69)	0.0634 (1.77)	0.0559* (1.71)	0.0557* (1.70)
Return on Assets	0.1539*** (9.89)	0.1524*** (8.96)	0.1534*** (9.83)	0.1535*** (9.92)
Cash Flow	-0.0041 (-0.55)	-0.0050 (-0.63)	-0.0041 (-0.55)	-0.0040 (-0.55)
Leverage	0.0047 (1.42)	0.0049 (1.45)	0.0047 (1.42)	0.0047 (1.42)
Cultural Distance	-0.0025 (-0.70)	-0.0024 (-0.53)	-0.0018 (-0.45)	-0.0020 (-0.56)
Corporate Boards	0.0066 (1.20)	-0.0052 (-0.76)	0.0107** (2.14)	0.0011 (0.16)
Anti-selfdealing	0.0143** (2.27)	0.0263** (2.93)	0.0141** (2.42)	0.0167** (2.41)
Legal System	0.0045 (1.14)	0.0053 (1.02)	0.0093** (2.69)	0.0117*** (3.01)
Trust	0.0097** (2.28)	0.0168** (2.48)	0.0098** (2.35)	0.0108** (2.42)
Economic Freedom	0.0104 (1.35)	0.0298* (2.04)	0.0168** (2.16)	0.0118 (1.37)
Market Capitalization	-0.0098 (-1.62)	-0.0217** (-2.43)	-0.0084 (-1.59)	-0.0134* (-1.93)
GDP per Capita	-0.0071 (-1.37)	0.0012 (0.23)	-0.0124** (-2.35)	-0.0057 (-0.83)
<b>Industry FE</b>	Yes	Yes	Yes	Yes
<b>Year FE</b>	Yes	Yes	Yes	Yes
<b>Adjusted R<sup>2</sup></b>	0.0453	0.0401	0.0448	0.0449
<b>Mean VIF</b>	2.39	2.98	2.29	2.57
<b>No. of deals</b>	32,154	27,168	31,673	31,796
<b>No. of countries</b>	34	13	29	30

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French three-factor model for a 36-month time window. The main independent variables regarding investors' future orientation is based on *FTR* (Chen, 2013), the Hofstede cultural dimension of *LTO-HF* (Hofstede, 2001), the cultural dimension *LTO-TK* (Tang and Koeves, 2008), and the GLOBE cultural measure of future orientation based on societal practices presented as *FO-SP* (House et al., 2004). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

**Table 8: Robustness Check: Controlling for Time Effects**

<b>Independent Variables</b>	<b>Pre-Crisis</b>		<b>Crisis</b>		<b>Post-Crisis</b>	
Future Orientation	0.0119***	(3.49)	0.0066	(0.76)	0.0148***	(4.28)
Synergy	0.0097*	(1.92)	0.0079**	(2.03)	-0.0061	(-1.12)
Financial	-0.0180	(-1.65)	0.0091	(0.91)	-0.0010	(-0.23)
Method of Payment	-0.0166**	(-2.09)	0.0112	(0.72)	0.0139*	(1.69)
Hostile	0.0007	(0.74)	0.0008	(0.69)	0.0007	(1.33)
Cross-Border	0.0008	(0.25)	-0.0039	(-0.50)	-0.0060*	(-1.88)
Deal Size	-0.0326*	(-2.01)	-0.0442	(-1.45)	0.0016	(0.14)
Relative Size	0.0064*	(1.75)	-0.3527***	(-28.24)	-0.5797	(-1.50)
Firm Size	0.0712*	(1.85)	0.0818	(1.39)	-0.0035	(-0.32)
Return on Assets	0.0038	(1.19)	-0.5254***	(-7.72)	0.4960***	(9.38)
Cash Flow	0.0090***	(4.11)	-0.1761**	(-2.63)	-0.0034	(-1.28)
Leverage	0.0001	(0.21)	-0.7550***	(-7.92)	-0.0991***	(-9.29)
Cultural Distance	-0.0050	(-1.38)	-0.0015	(-0.22)	0.0029	(0.88)
Corporate Boards	0.0102**	(2.50)	0.0179*	(1.98)	-0.0065*	(-1.94)
Anti-self-dealing	0.0157**	(2.47)	-0.0002	(-0.01)	0.0110**	(2.24)
Legal System	0.0063	(1.36)	0.0028	(0.37)	0.0042	(1.13)
Trust	0.0049	(1.58)	0.0086	(1.01)	0.0024	(0.88)
Economic Freedom	0.0043	(0.71)	0.0079	(0.67)	-0.0060	(-0.92)
Market Capitalization	-0.0073	(-1.39)	-0.0102	(-1.12)	-0.0055	(-1.45)
GDP per Capita	-0.0052	(-1.32)	-0.0107	(-1.09)	0.0244**	(2.60)
<b>Industry FE</b>	Yes		Yes		Yes	
<b>Year FE</b>	Yes		Yes		Yes	
<b>Adjusted R<sup>2</sup></b>	0.0328		0.3150		0.0661	
<b>Mean VIF</b>	2.49		2.71		2.58	
<b>No. of deals</b>	14,693		5,209		12,252	
<b>No. of countries</b>	32		33		33	

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French three-factor model for a 36-month time window. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. The data is split at the end of 2006 and 2008 and our baseline regression is re-estimated for three subsamples. Pre-crisis comprises the time period from 2000 to 2006, crisis time period comprises 2007 to 2008, while post-crisis comprises the time period from 2009 to 2015. See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

**Table 9: Robustness Check: Controlling for Sample Composition Bias**

<b>Independent Variables</b>	<b>M1: Non-US</b>	<b>M2: Non-US &amp; Non-UK</b>	<b>M3: Non-EU</b>
Future Orientation	0.0217*** (4.70)	0.0253*** (4.82)	0.0120*** (5.26)
Synergy	0.0050* (1.75)	0.0053 (1.51)	0.0063* (1.86)
Financial	0.0026 (0.66)	0.0034 (0.73)	-0.0100 (-1.24)
Method of Payment	-0.0023 (-0.38)	-0.0026 (-0.36)	-0.0101 (-1.61)
Hostile	-0.0002 (-0.09)	-0.0003 (-0.14)	0.0010 (1.43)
Cross-Border	-0.0062 (-1.39)	-0.0099** (-2.26)	-0.0003 (-0.13)
Deal Size	-0.0322*** (-3.08)	-0.0321** (-2.61)	-0.0315* (-1.75)
Relative Size	-0.0067 (-0.75)	-0.0076 (-0.80)	-0.2844 (-1.55)
Firm Size	0.0168* (1.73)	0.0148 (1.31)	0.0544 (1.70)
Return on Assets	-0.0004 (-0.26)	-0.0014 (-0.58)	0.1528*** (9.84)
Cash Flow	0.0014* (1.97)	0.0014 (1.54)	-0.0043 (-0.58)
Leverage	-0.0002 (-0.36)	-0.0004 (-0.52)	0.0048 (1.43)
Cultural Distance	0.0011 (0.26)	0.0037 (0.76)	-0.0025 (-0.67)
Corporate Boards	0.0076 (1.29)	0.0070 (1.16)	0.0097* (2.02)
Anti-self-dealing	0.0122* (1.97)	0.0175*** (2.91)	0.0119** (2.40)
Legal System	0.0189*** (2.80)	0.0211*** (3.16)	0.0026 (0.65)
Trust	-0.0043 (-0.90)	-0.0037 (-0.73)	0.0077* (1.78)
Economic Freedom	-0.0018 (-0.17)	0.0002 (0.02)	0.0057 (0.88)
Market Capitalization	-0.0052 (-1.45)	-0.0048 (-1.39)	-0.0075 (-1.63)
GDP per Capita	0.0083 (1.26)	0.0101 (1.35)	-0.0028 (-0.70)
<b>Industry FE</b>	Yes	Yes	Yes
<b>Year FE</b>	Yes	Yes	Yes
<b>Adjusted R<sup>2</sup></b>	0.7804	0.7485	0.0422
<b>Mean VIF</b>	2.40	2.49	2.65
<b>No. of deals</b>	20,476	16,728	29,428
<b>No. of countries</b>	33	32	24

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French three-factor model for a 36-month time window. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. The data is split according to country (and geographic) composition and our baseline regression is re-estimated for three subsamples, Non-US, Non-US and Non-UK, and Non-EU (including UK) M&A. See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

**Table 10: Robustness Check: Controlling for Endogeneity using Instrumental Variable Approach**

<b>Independent Variables</b>	<b>M1: Genetic Distance</b>		<b>M2: Agricultural Measures</b>	
Future Orientation	0.0116***	(4.58)	0.0149***	(4.34)
Synergy	0.0064*	(1.78)	0.0062*	(1.81)
Financial	-0.0105	(-1.33)	-0.0101	(-1.32)
Method of Payment	-0.0105	(-1.64)	-0.0101	(-1.63)
Hostile	0.0009	(1.11)	0.0009	(1.18)
Cross-Border	-0.0004**	(-0.18)	0.0001	(0.05)
Deal Size	-0.0328*	(-1.80)	-0.0321*	(-1.80)
Relative Size	-0.2850	(-1.58)	-0.2856	(-1.58)
Firm Size	0.0554*	(1.70)	0.0542*	(1.68)
Return on Assets	0.1535***	(10.03)	0.1537***	(9.98)
Cash Flow	-0.0042	(-0.58)	-0.0041	(-0.57)
Leverage	0.0048	(1.45)	0.0048	(1.45)
Cultural Distance	-0.0032	(-0.89)	-0.0040	(-1.10)
Corporate Boards	0.0133***	(2.60)	0.0107**	(2.59)
Anti-self-dealing	0.0154**	(2.46)	0.0143**	(2.41)
Legal System	0.0058*	(1.71)	0.0038	(0.97)
Trust	0.0059*	(1.82)	0.0066**	(1.98)
Economic Freedom	0.0052	(1.01)	0.0081	(1.26)
Market Capitalization	-0.0078*	(-1.69)	-0.0080*	(-1.66)
GDP per Capita	-0.0022	(-0.61)	-0.0031	(-0.72)
<b>Industry FE</b>	Yes		Yes	
<b>Year FE</b>	Yes		Yes	
<b>Adjusted R<sup>2</sup></b>	0.0445		0.0454	
<b>No. of deals</b>	31,398		32,154	
<b>No. of countries</b>	33		34	

This table presents standardized coefficients based on an instrumental variable approach analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French three-factor model for a 36-month time window. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. In Model M1, *genetic distance* (same as, El Ghoul and Zheng, 2016) is used as an instrument, while in Model M2 agricultural measures based on pre-1500CE *crop yield* and *crop growth cycle* and their *change* in the post-1500CE period from Galor and Özak (2016) are used as instruments for the *LTO* measure of future orientation. See Table 1 for a detailed description of all the variables. The *z*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

**Table 11: Additional Analysis: Investors' Time Preferences, Investor Protection, and Takeover Performance**

<b>Independent Variables</b>	<b>Hi R-ADRI</b>	<b>Low R-ADRI</b>	<b>Hi C-ADRI</b>	<b>Low C-ADRI</b>
Future Orientation	0.0243*** (6.14)	-0.0027 (-1.04)	0.0103** (2.55)	0.0050 (0.98)
Synergy	0.0087** (2.72)	0.0058 (1.49)	0.0090** (2.36)	0.0076** (2.54)
Financial	0.0054 (1.04)	-0.0104 (-1.36)	0.0104 (0.98)	-0.0168* (-2.11)
Method of Payment	-0.0034 (-0.42)	-0.0122** (-2.58)	-0.0120*** (-3.33)	-0.0118* (-1.86)
Hostile	-0.0011 (-0.08)	0.0013 (1.74)	0.0045 (1.74)	0.0010 (1.08)
Cross-Border	-0.0059 (-1.14)	0.0024 (1.48)	-0.0002 (-0.04)	-0.0019 (-0.81)
Deal Size	-0.0338** (-2.45)	-0.0340* (-1.75)	-0.0442*** (-6.79)	-0.0426** (-2.53)
Relative Size	-0.0071 (-0.73)	-0.5130*** (-27.94)	0.0771** (2.71)	-0.2832 (-1.50)
Firm Size	0.0202* (2.02)	0.0642** (2.81)	0.0357*** (5.67)	0.0696** (2.32)
Return on Assets	-0.0009 (-0.61)	0.3251*** (6.49)	0.0090 (1.78)	0.1553*** (9.92)
Cash Flow	0.0013 (1.28)	-0.0109** (-2.81)	0.0027*** (4.86)	-0.0069 (-0.88)
Leverage	0.0001 (0.09)	0.0310*** (3.43)	0.0037 (0.92)	0.0054 (1.58)
Cultural Distance	0.0038 (0.61)	-0.0054*** (-7.25)	-0.0054 (-1.11)	0.0004 (0.12)
Corporate Boards	0.0186*** (4.88)	0.0021 (0.82)	0.0146*** (8.94)	0.0072* (1.80)
Anti-self-dealing	0.0044 (0.60)	0.0129** (2.41)	-0.0160* (-2.06)	0.0173** (2.41)
Legal System	0.0090** (2.31)	0.0234*** (4.53)	-0.0122** (-2.60)	0.0079 (1.37)
Trust	-0.0009 (-0.28)	-0.0004 (-0.19)	0.0064*** (3.41)	0.0093*** (3.02)
Economic Freedom	0.0101 (1.62)	0.0065 (1.00)	0.0054* (1.85)	0.0068 (0.95)
Market Capitalization	-0.0046* (-2.08)	-0.0006 (-0.30)	-0.0017 (-0.79)	-0.0074 (-1.44)
GDP per Capita	-0.0018 (-0.38)	-0.0013 (-0.71)	-0.0033 (-0.90)	-0.0019 (-0.42)
<b>Industry FE</b>	Yes	Yes	Yes	Yes
<b>Year FE</b>	Yes	Yes	Yes	Yes
<b>Adjusted R<sup>2</sup></b>	0.7584	0.0296	0.8703	0.0327
<b>Mean VIF</b>	2.65	4.28	5.40	2.50
<b>No. of deals</b>	14,124	18,030	8,827	20,254
<b>No. of countries</b>	17	17	10	17

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French three-factor model for a 36-month time window. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. The data is split into subsamples based on high or low level of the *revised anti-director rights index (R-ADRI)* from Djankov et al. (2008) and the *corrected anti-director rights index (C-ADRI)* from Spaman (2010). See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

**Table 12: Additional Analysis: Cross-Border vs. Domestic Mergers**

Independent Variables	Cross-Border		Domestic	
Future Orientation	0.0089***	(3.29)	0.01333***	(4.51)
Synergy	-0.0031	(-0.80)	0.0071	(1.64)
Financial	-0.0141*	(-1.71)	-0.0097	(-1.13)
Method of Payment	-0.0055	(-1.43)	-0.0101	(-1.64)
Hostile	-0.0010	(-0.41)	0.0015*	(1.94)
Deal Size	-0.0341***	(-4.43)	-0.0285	(-1.64)
Relative Size	0.4850*	( 1.86)	-0.0930	( -1.67)
Firm Size	0.0518**	(2.57)	0.0524*	(1.72)
Return on Assets	-0.0382	(-1.58)	0.5046***	(7.07)
Cash Flow	0.0644***	(5.43)	0.0011	(0.14)
Leverage	-0.0211	(-1.51)	0.0040*	(2.02)
Cultural Distance	-0.0019	(-0.52)		
Corporate Boards	0.0099	(1.64)	0.0123**	(2.39)
Anti-self-dealing	0.0092	(1.57)	0.0133***	(2.77)
Legal System	0.0087**	(2.07)	0.0029	(0.77)
Trust	-0.0008	(-0.18)	0.0083**	(2.58)
Economic Freedom	-0.0012	(-0.18)	0.0110	(1.52)
Market Capitalization	0.0018	(0.48)	-0.0109*	(-2.01)
GDP per Capita	0.0017	(0.30)	-0.0054	(-1.23)
<b>Industry FE</b>	Yes		Yes	
<b>Year FE</b>	Yes		Yes	
<b>Adjusted R<sup>2</sup></b>	0.5091		0.0379	
<b>Mean VIF</b>	3.59		2.48	
<b>No. of deals</b>	8,569		23,585	
<b>No. of countries</b>	32		34	

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French three-factor model for a 36-month time window. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. The data is split into two subsamples: one comprising *cross-border* M&A deals, while the other based on *domestic* deals. See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

## Appendix: Online supplementary material

NOT for print publication, only for online publication and referees' information

### Appendix A: Checking for Local and Global Factor Estimates

Independent Variables	M1: CAR_Local FF		M2: CAR_Global FF	
Future Orientation	0.0114***	(7.34)	0.0123***	(5.64)
Synergy	0.0066*	(1.89)	0.0044*	(1.82)
Financial	-0.0132	(-1.64)	-0.0090	(-1.34)
Method of Payment	-0.0106	(-1.66)	-0.0089	(-1.59)
Hostile	0.0011	(1.20)	0.0010	(1.23)
Cross-Border	-0.0018	(-0.76)	-0.0002	(-0.07)
Deal Size	-0.0383**	(-2.07)	-0.0289*	(-1.86)
Relative Size	-0.2903	(-1.54)	-0.2174	(-1.58)
Firm Size	0.0611*	(1.83)	0.0497	(1.68)
Return on Assets	0.1536***	(8.90)	0.0985***	(11.34)
Cash Flow	-0.0054	(-0.69)	-0.0010	(-0.21)
Leverage	0.0049	(1.48)	0.0038	(1.47)
Cultural Distance	-0.0029	(-0.79)	-0.0034	(-0.93)
Corporate Boards	0.0027	(0.84)	0.0108**	(2.68)
Anti-self-dealing	0.0172**	(2.96)	0.0136**	(2.44)
Legal System	0.0079**	(2.19)	0.0044	(1.28)
Trust	0.0149*	(2.13)	0.0066*	(1.88)
Economic Freedom	0.0153*	(1.86)	0.0079	(1.25)
Market Capitalization	-0.0108*	(-2.01)	-0.0083	(-1.67)
GDP per Capita	-0.0009	(-0.29)	-0.0036	(-0.98)
<b>Industry FE</b>	Yes		Yes	
<b>Year FE</b>	Yes		Yes	
<b>Adjusted R<sup>2</sup></b>	0.0430		0.0496	
<b>Mean VIF</b>	2.29		2.38	
<b>No. of deals</b>	27,827		32,154	
<b>No. of countries</b>	25		34	

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French (FF) three-factor model computed using local factor estimates for a 36-month time window. In Model M1, only local factor estimates from Kenneth French's website<sup>2</sup> are used, while in Model M2 only global factor estimates are utilized to compute *CAR*. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

<sup>2</sup> [https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html)

## Appendix B: First level regression results for instrumented and instrumental variables

Independent Variables	M1: LTO	M2: CAR	M3: LTO	M4: CAR
Future Orientation		0.0084** (2.26)		0.0068* (1.85)
Genetic Distance	-0.6359*** (-4.26)	-0.0020 (-0.60)		
Crop Yield (Anc., pre-1500)			0.3648*** (4.21)	0.0026 (1.41)
Crop Yield Change (Anc., post-1500)			0.4644*** (4.02)	0.0098 (1.68)
Crop Growth Cycle (Anc., pre-1500)			-0.0499*** (-3.51)	0.0004 (1.21)
Crop Growth Cycle Change (Anc., post-1500)			-0.0014 (-0.18)	0.0003** (2.24)
Synergy	-0.0086 (-1.59)	0.0064* (1.75)	-0.0219*** (-3.11)	0.0061* (1.77)
Financial	0.0185 (1.02)	-0.0104 (-1.31)	0.0414 (2.21)	-0.0097 (-1.28)
Method of Payment	0.0134 (1.23)	-0.0105 (-1.61)	0.0111 (1.26)	-0.0102 (-1.60)
Hostile	0.0000 (0.03)	0.0009 (1.10)	-0.0075* (-1.91)	0.0009 (1.09)
Cross-Border	-0.0170 (-0.54)	-0.0005 (-0.20)	-0.0332 (-1.17)	-0.0007 (-0.28)
Deal Size	-0.0637** (-2.28)	-0.0329* (-1.78)	-0.0796** (-2.47)	-0.0328* (-1.80)
Relative Size	0.0044 (0.44)	-0.2850 (-1.56)	0.0007 (0.06)	-0.2855 (-1.56)
Firm Size	0.0557** (2.19)	0.0556 (1.68)	0.0600** (2.53)	0.0551 (1.68)
Return on Assets	-0.0084 (-1.09)	0.1534*** (9.87)	0.0028 (0.33)	0.1534*** (9.79)
Cash Flow	0.0017 (0.71)	-0.0042 (-0.57)	-0.0021 (-0.95)	-0.0042 (-0.57)
Leverage	-0.0003 (-0.35)	0.0048 (1.43)	-0.0021 (-1.35)	0.0047 (1.42)
Cultural Distance	0.0529* (1.99)	-0.0030 (-0.84)	0.1024** (2.65)	-0.0031 (-0.83)
Corporate Boards	0.4174** (2.05)	0.0146** (2.14)	0.1417 (0.86)	0.0152*** (2.85)
Anti-self-dealing	0.0244 (0.16)	0.0154** (2.43)	0.0888 (0.55)	0.0183** (2.66)
Legal System	0.2985* (1.78)	0.0068** (2.11)	0.3042* (1.88)	0.0144** (2.66)
Trust	0.0192 (0.17)	0.0060* (1.77)	-0.0123 (-0.13)	0.0032 (1.11)
Economic Freedom	-0.4085 (-1.64)	0.0039 (0.76)	0.0816 (0.43)	0.0127 (1.47)
Market Capitalization	0.2065 (1.51)	-0.0072 (-1.59)	-0.1591 (-1.47)	-0.0099* (-1.92)
GDP per Capita	-0.2578* (-1.90)	-0.0030 (-0.78)	-0.0082 (-0.06)	0.0008 (0.19)
<b>Industry FE</b>	Yes	Yes	Yes	Yes
<b>Year FE</b>	Yes	Yes	Yes	Yes
<b>Adjusted R<sup>2</sup></b>	0.7809	0.0445	0.8288	0.0454
<b>Mean VIF</b>	2.41	2.56	2.71	2.90
<b>No. of deals</b>	21,398	31,398	32,154	32,154
<b>No. of countries</b>	33	33	34	34

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The main independent variable in Models M1 and M2 is based on *genetic distance*, while in Models M3 and M4 main independent variables are pre-1500CE *crop yield* and *crop growth cycle* and their change post-1500CE. The main dependent variable in Models M1 and M3 is the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010), while in Models M2 and M4 is *CAR* based on the Fama and French three-factor model for a 36-month time window. Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. See Table 1 for detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.

## Appendix C: Globalization Effects

Independent Variables	Hi GI	Low GI	Larger Firms	Smaller Firms
Future Orientation	0.0046 (0.77)	0.0160*** (6.83)	0.0086** (2.40)	0.0166*** (5.68)
Synergy	0.0030 (1.11)	0.0064* (1.88)	0.0024 (0.70)	0.0054* (1.81)
Financial	-0.0018 (-0.28)	-0.0074 (-0.95)	0.0122** (2.57)	-0.0103 (-1.13)
Method of Payment	0.0014 (0.16)	-0.0126** (-2.84)	-0.0102* (-1.86)	-0.0053* (-1.91)
Hostile	-0.0019 (-0.92)	0.0014** (2.78)	0.0026 (0.75)	0.0007 (0.71)
Cross-Border	-0.0098 (-1.74)	0.0057*** (3.58)	-0.0096* (-1.73)	0.0017 (0.44)
Deal Size	-0.0196 (-1.38)	-0.0304 (-1.57)	-0.0432*** (-9.98)	-0.0258* (-1.87)
Relative Size	-0.0088 (-1.05)	-0.5119*** (-24.15)	0.0059*** (7.59)	-0.3005 (-1.57)
Firm Size	0.0142 (1.27)	0.0604** (2.57)	0.0287*** (6.79)	0.0612 (1.60)
Return on Assets	-0.0003 (-0.33)	0.3266*** (6.97)	0.0050*** (2.79)	0.1523*** (12.49)
Cash Flow	0.0011 (0.78)	-0.0097** (-2.11)	0.0105*** (3.17)	-0.0074 (-0.78)
Leverage	-0.0003 (-0.47)	0.0320*** (3.63)	-0.0032 (-1.03)	0.0066 (1.56)
Cultural Distance	0.0079 (1.30)	-0.0092 (-3.14)	0.0049 (1.06)	0.0005 (0.14)
Corporate Boards	-0.0006 (-0.10)	0.0033 (1.40)	0.0022 (0.42)	0.0158*** (3.27)
Anti-self-dealing	-0.0082 (-0.33)	0.0066 (1.52)	0.0050 (0.74)	0.0196*** (3.56)
Legal System	-0.0010 (-0.04)	-0.0031 (-1.05)	0.0107 (1.68)	0.0014 (0.24)
Trust	-0.0023 (-0.22)	0.0017 (0.63)	-0.0099* (-1.89)	0.0133*** (3.51)
Economic Freedom	-0.0020 (-0.10)	0.0132** (2.42)	-0.0096 (-0.98)	0.0082 (0.97)
Market Capitalization	0.0037 (1.23)	-0.0022 (-0.43)	0.0038 (0.90)	-0.0118* (-1.90)
GDP per Capita	0.0014 (0.23)	-0.0168*** (-4.73)	0.0065 (0.94)	-0.0026 (-0.51)
<b>Industry FE</b>	Yes	Yes	Yes	Yes
<b>Year FE</b>	Yes	Yes	Yes	Yes
<b>Adjusted R<sup>2</sup></b>	0.7773	0.0311	0.8017	0.0306
<b>Mean VIF</b>	4.46	3.86	2.38	2.38
<b>No. of deals</b>	12,178	19,401	15,969	16,185
<b>No. of countries</b>	15	17	34	33

This table presents standardized coefficients based on a multivariate regression analysis, where standard errors are clustered at the country level. The dependent variable is *CAR* based on the Fama and French three-factor model for a 36-month time window. The main independent variable regarding investors' future orientation is based on the Hofstede cultural dimension of *LTO* (Hofstede et al., 2010). Data is comprised of 38,153 M&A deals from 54 countries, over the period from 2000 to 2015. The data is split into subsamples based on high or low level of the *globalization index* (from Dreher, 2006) and bigger or smaller *firm size* of the acquirer. See Table 1 for a detailed description of all the variables. The *t*-statistics are reported in parentheses. 1%, 5%, and 10% significance level is denoted by \*\*\*, \*\*, and \*, respectively.