Closing the deal faster: the role of institutions and government involvement in cross-border M&A completions in Brazil

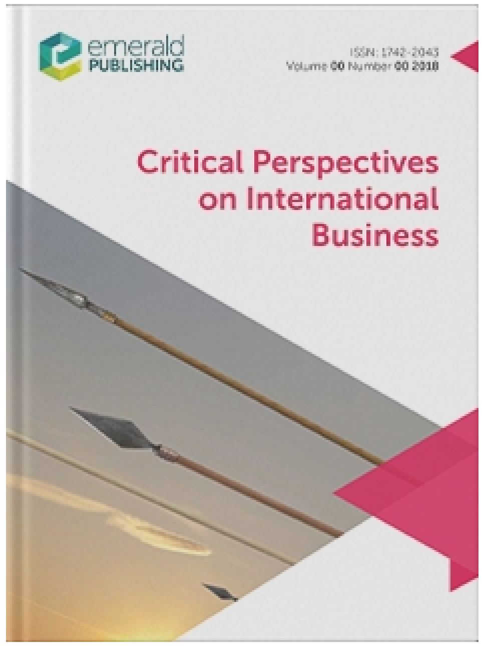

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Table 1. M&A deal durations (expected) based on institutional quality and distance combinations for the developed and emerging country pairs

Institutional quality	Low institutional distance	High institutional distance
High	(1) Home emerging country vs Host developed country *Short deal duration*	(2) Home developed country vs Host developed country *The shortest deal duration*
Low	(3) Home emerging country vs Host emerging country *The longest deal duration*	(4) Home developed country vs Host emerging country *Long deal duration*

Figure 1. Research framework and hypotheses

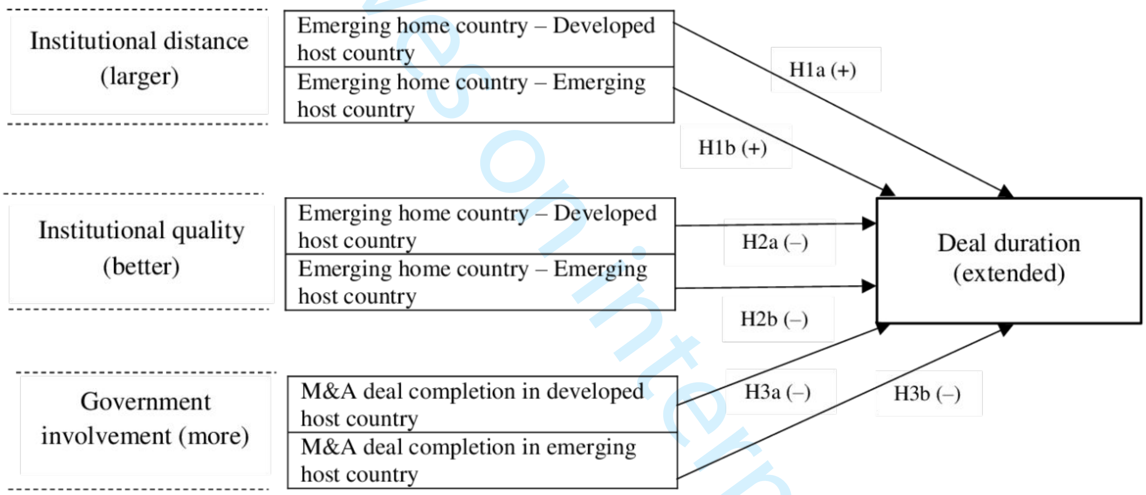

Table 2. Characteristics of the M&A deal sample

Industry	*Two digit SIC*	*Number of deals*	*Average deal duration (days)*	*Top 5 locations*	*Average deal duration (days)*
Agriculture & Forestry	01-09	1	31	#1 Argentina	120
Mining, Oil & Gas	10-14	54	117	#2 USA	97
Construction	15-17	19	152	#3 Canada	75
Manufacturing	20-39	129	100	#4 Portugal	145
Transport & Utilities	40-49	93	170	#5 Uruguay	175
Wholesale Trade	50-51	28	113		
Retail Trade	52-59	16	142		
Finance	60-67	109	158		
Services	70-89	55	99		

N= 514

Table 3. Inter-item correlation matrix

#	Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	VIF
1	Deal duration (days)	126.14	128.87	1														1.84
2	Cash payment	0.27	0.45	–0.032	1													1.12
3	Acquired stake	70.02	36.66	–0.025	–0.230**	1												1.32
4	Acquirer listed	0.67	0.46	0.063	–0.092**	0.264***	1											1.44
5	Acquirer experience	2.04	3.39	0.019	0.067	–0.052	–0.033	1										1.66
6	Target listed	0.14	0.35	0.129***	0.027	–0.255***	–0.011	0.046	1									1.10
7	Target subsidiary	0.09	0.29	0.085*	–0.073	–0.098**	0.060	0.287***	0.052	1								1.23
8	Industry relatedness	0.39	0.48	0.064	–0.034	–0.022	0.082*	–0.085*	0.033	–0.076*	1							1.03
9	Bus group affiliation	0.38	0.49	0.010	0.109**	–0.146***	0.116***	0.518***	–0.012	0.166***	–0.068	1						1.65
10	Acquirer size (log)	7.42	2.80	0.052	0.088**	0.078	0.430***	0.530***	0.091**	0.312***	0.012	0.478***	1					1.97
11	Acquirer age	37.95	36.90	0.032	0.050	–0.115***	0.152***	0.275***	0.108**	0.311***	–0.044	0.288***	0.356***	1				1.25
12	Institutional distance	0.07	0.16	–0.067	0.116***	0.100**	0.079*	0.168***	–0.052	–0.068	0.001	0.270***	0.148***	0.040	1			4.60
13	Institutional quality	1.31	3.17	–0.054	0.044	0.052	0.006	0.113**	–0.017	–0.080*	–0.015	0.203***	0.087**	–0.003	0.769**	1		4.32
14	Government involvement	0.27	0.44	0.105**	0.003	0.085*	0.073	–0.036	0.035	–0.039	–0.009	0.027	0.009	0.002	0.074*	0.031	1	1.03

*** p< 0.01, ** p< 0.05, * p< 0.1

Table 4. Analyses results

Variables	DV: Deal duration								
	Developed host country sample				Emerging host country sample				Hypotheses
	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4	
Controls									
Constant	336.149**	348.415**	360.673**	368.112**	34.097	41.088	38.868	26.214	
	(140.624)	(144.168)	(143.429)	(143.9)	(43.503)	(43.436)	(42.713)	(43.059)	
Cash payment	–21.116	–16.718	–17.679	–18.314	–14.677	–15.918	–15.334	–14.835	
	(25.821)	(27.769)	(29.394)	(29.536)	(18.358)	(18.256)	(18.132)	(17.983)	
Acquired stake	0.120	0.142	0.106	0.111	0.030	–0.049	–0.053	–0.095	
	(0.343)	(0.342)	(0.401)	(0.406)	(0.232)	(0.235)	(0.237)	(0.238)	
Acquirer listed	5.424	3.059	4.782	6.237	11.033	11.403	12.226	10.069	
	(29.672)	(30.597)	(32.238)	(33.101)	(18.196)	(18.371)	(18.528)	(18.672)	
Acquirer experience	–7.159*	–7.800*	–7.593*	–7.617*	0.669	–0.400	–0.559	–0.377	
	(4.078)	(4.380)	(4.596)	(4.683)	(2.312)	(2.232)	(2.224)	(2.241)	
Target listed	–11.063	–11.983	–12.365	–12.098	46.416*	47.251**	47.557**	42.588*	
	(35.935)	(35.757)	(36.338)	(37.045)	(23.778)	(23.627)	(23.604)	(24.126)	
Target subsidiary	9.033	4.452	6.911	6.165	21.424	22.486	21.967	23.627	
	(48.066)	(48.719)	(51.337)	(52.396)	(19.312)	(18.985)	(18.903)	(19.140)	
Industry relatedness	–25.582	–22.186	–21.804	–20.975	8.932	6.224	6.454	7.123	
	(26.613)	(26.416)	(26.798)	(28.593)	(12.427)	(12.517)	(12.519)	(12.376)	
Business group affiliation	–24.675	-23.339	–23.046	–20.907	15.276	11.374	11.688	10.128	
	(33.624)	(34.803)	(35.114)	(36.298)	(20.143)	(20.369)	(20.369)	(20.676)	
Acquirer size (log)	1.323	1.339	0.965	0.604	–3.410	–3.630	–3.684	–3.129	
	(5.070)	(5.037))	(5.154)	(5.478)	(3.781)	(3.806)	(3.809)	(3.886)	
Acquirer age	–0.526	–0.570	–0.557	–0.562	0.231	0.241	0.259	0.252	
	(0.452)	(0.464)	(0.474)	(0.473)	(0.204)	(0.204)	(0.205)	(0.207)	
Independent Variables									
Institutional Distance		–47.726	–22.237	–16.185		290.773***	225.419**	211.742**	H1a (not supported)
		(58.293)	(102.862)	(106.229)		(100.618)	(100.344)	(98.921)	H1b (supported)
Institutional Quality			–2.517**	–2.901**			5.197	6.158	H2a (partially supported)
			(6.598)	(6.776)			(3.622)	(3.533)	H2b (not supported)
Government Involvement				–7.495				37.739**	H3a (not supported)
				(26.727)				(16.721)	H3b (not supported)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Observations	77	77	77	77	437	437	437	437	
R^2	0.492	0.498	0.499	0.501	0.131	0.144	0.146	0.159	
Wald chi-square	422.463***	422.087***	421.405***	421.008***	274.317***	272.126***	272.804***	272.538***	

Standard errors in parentheses, *** p< 0.01, ** p< 0.05, * p< 0.1

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ABSTRACT

Drawing on an integrative lens of the institutional theory and resource-based view, we investigate the effect of institutional distance, institutional quality, and government involvement on the duration of cross-border M&A deals in Brazil between 2000 and 2015. The larger institutional distance does not extend the duration of M&A deals for emerging home country (Brazil) and developed host country pairs. However, the larger institutional distance between emerging home (Brazil) and emerging host country pairs leads to longer M&A deal durations. We show a positive association between institutional quality and M&A deal duration in developed host countries but not emerging host countries. While no association between government involvement and M&A deal durations is reported for developed host country settings, we find that government involvement extends the deals' duration in emerging host countries. Thus, government involvement does not contribute as a firm-level asset in helping Brazilian acquirers shorten their M&A deal durations. We explain our findings with the importance of institutional quality and complex or sluggish bureaucratic structure, politics, or corruption that might emerge as transaction costs in emerging country contexts.

Keywords: Deal duration, mergers and acquisitions, institutional distance, institutional quality, government involvement, institutional theory, resource-based view, emerging countries, Brazil

INTRODUCTION

Deal duration, from the announcement date to the completion date of a merger and acquisition (M&A), holds significant economic implications for the concerned parties (Fuad & Venugopal, 2024; Yang & Ai, 2023). The influence of institutional factors, i.e., distance and quality, and government involvement as critical determinants of M&A deal durations, is widely acknowledged and well-documented in the existing literature (Koch, 2022; Li et al., 2019). However, their roles and impact on M&A deal durations have primarily been examined from the perspective of transactions flowing from developed to other developed or emerging countries (Soleimani & Yang, 2022; Das et al., 2021), but the reverse flow from emerging to developed or other emerging countries remains underexplored. It is crucial to examine this aspect because the extent and nature of the impact of institutional distance and quality, as well as government involvement on M&A deal durations, can vary depending on the direction of the M&A flow. Government and institutions of emerging and developed economies are embedded in dissimilar contexts and entail different dominant logics (Molz & Ratiu, 2012). Thus, we propose that the role and dominance of institutions and government—specifically distance, quality, and government involvement—varies depending on the direction of the M&A flow, whether from developed to emerging countries or vice versa. This variation has significant implications for M&A transactions. Once we gain a deeper understanding of the changing roles of the institutions and government involvement in M&A transaction flows, we can provide valuable insights into mitigating potential M&A delays that can result in costs of contract breaching penalties, adverse resource exploitation, missed opportunities in foreign markets, diminished legitimacy, reputation impairment and employee ambiguity (Cardillo & Harasheh, 2023; Thompson & Kim, 2020).

This paper defines institutional distance as the extent of cultural similarity or difference between an acquirer-target country pair (Salomon & Wu, 2012; Dikova et al., 2010). Institutional quality refers to differences between an acquirer-target country pair regarding political stability, opaqueness and accountability in their capital markets, judicial and litigation systems, and efficiency in corporate governance and market intermediaries (Hoskisson et al., 2013). The prevailing view in the extant literature is that larger institutional distance decreases the volume of cross-border M&As, but we are yet to know its impact on the M&A deal duration (i.e., Lawrence et al., 2021; Ahern et al., 2015). We suggest that a larger institutional distance between the home and host countries prolong the duration of the M&A deal. Drawing on institutional theory (DiMaggio & Powell, 1991; North, 1990), we examine the effects of institutional distance and institutional quality on M&A deal duration at the country level

Government involvement refers to the acquirers (Brazilian firms) affiliation with the government (Li et al., 2019). We propose that government involvement could serve as a valuable asset and endorsement for the acquirer and influence the firm's behavior as theorized by the resource-based view (RBV) of the firm (Barney, 1991). Developed countries' general public and political institutions rarely welcome emerging home country M&As, particularly unlisted and private firms, due to perceived fad image and reputational concerns (Kamasak et al., 2019a; Goldstein, 2007). Thus, government involvement may help emerging country acquirer firms enhance their legitimacy, which can contribute to expediting the duration of the M&A deal. Furthermore, the institutional quality differences between emerging and developed countries, where the availability and reachability to sophisticated data repositories, databases or statistical information vary, may expose emerging country acquirers to high information asymmetry (Brown et al., 2023; Khanna & Palepu, 2010). Information asymmetry can be managed more easily by emerging country acquirers in developed countries due to solid governance and transparency, making information more accessible. However, firms' poor accounting practices, lack of capital market transparency, weak regulations on financial disclosure, and hidden information by bureaucracy and regulatory bodies for national security (Hasija et al., 2020) purposes in emerging countries can prevent acquirers from obtaining reliable information (Song et al., 2021; Lebedev et al., 2015). So, government affiliation of the acquirer can provide it with government-related benefits (Kamasak, 2017; Wang et al., 2012). Nonetheless, the benefits the acquirer gains from government involvement may manifest differently in developed and emerging country settings (Kamasak et al., 2019b). While government involvement can help the acquirer enhance its legitimacy and respond to institutional pressures in developed countries, it supports the acquirer in navigating weak institutional arrangements and mitigating information asymmetry in emerging countries, thus leading to shorter M&A deal durations. Hence, we separately examine the effects of government involvement on the duration of Brazilian acquirers' deals in emerging and developed host country M&As.

Considering the concurrent roles of institutional factors and firms' resources and capabilities that might emerge from government agency involvement, we used a multi-theoretical lens combining institutional theory and RBV (Peng et al., 2009). This integrated framework acknowledges that institutional distance, institutional quality, and government involvement may not yield equal contributions for Brazilian acquirers in emerging and developed countries to shorten M&A deal durations.

The contributions of this paper mainly lie in the following aspects. First, the complexity of M&A deal processes needs multi-level analyses, which are scarce in the literature. We extend the literature by simultaneously explicating the country- i.e., institutional distance and institutional quality and firm-level, i.e., government involvement effects on M&A deal duration from an emerging country acquirer perspective. Second, we shed light on the unique impact of government involvement in cross-border M&As, including emerging-developed and emerging-emerging country pairs, on the speed of M&A completions. Given the surge of emerging country firms' internationalization efforts, insightful findings can help allocate their resources optimally, enabling them to expedite their M&A deals and minimize unforeseen costs. Third, limited research exploring the effect of the cross-border M&A flow from an emerging country to another emerging or developed country on deal duration predominantly focuses on Chinese and Indian firms (i.e., Yang & Ai, 2023; Fisch et al., 2019; Opoku-Mensah et al., 2019). However, these countries possess highly distinct traditional and historical socioeconomic characteristics and resource bases. Brazil is a typical middle-class emerging country with many more commonalities with other emerging countries (Cavallo, 2019; Reddy et al., 2014). Besides, Brazil had more than five times the number of M&A regulatory reviews than China in 2010 (Harle et al., 2012), and despite the adverse effects of the global pandemic, the upward trend continues (Clément et al., 2022). Thus, we consider Brazil an ideal and interesting context and state that empirical evidence from Brazil can offer findings that are more relevant and applicable to the internationalization endeavors of other emerging country firms. Finally, unlike most previous studies focusing on publicly listed firms, we employ a distinctive dataset from the Thomson SDC Mergers and Acquisitions Database and Zephyr, covering both public and private M&As in Brazil. Random samples of M&As indicate that about two-thirds of acquired firms are privately held or subsidiaries or divisions of other firms (Zhou et al., 2016; Zollo & Singh, 2004). Hence, including private and public firms allows for obtaining results closer to reality (Erel et al., 2015).

THEORY AND HYPOTHESES

The Integrative Perspective of Institutional Theory and the Resource-Based View on Firms' Internationalization

Institutional theory addresses the context within which a firm's activities are embedded (North, 1990). According to institutional theory, firms' strategic behaviors are affected by institutions' regulative, normative, and cognitive structures (Scott, 1995). Similarly, Peng (2003) integrated these structures, categorizing them as formal and informal. These structures confer resources and legitimacy to firms in the environment. Thus, institutional structures and norms shape economic and organizational activities (Peng et al., 2008; DiMaggio & Powell, 1991). Wang et al. (2012)

suggest that the rationales behind firms' internationalization strategy "extend beyond economic optimization and strategic justification to forces shaped by political, legal and social rules, and by the broader political context" (p. 657). Hence, laws, courts, contracts, regulations, public opinion, interest groups, negotiations, and socially constructed beliefs and procedures, i.e., culture as the elements of institutional context, play a pivotal role in firms' internationalization processes. Institutional theory offers valuable insights into how country-level institutional forces determine the conduct and progress of firms' M&A deals yet omits the impact of firm-level resources or capabilities. The RBV theorizes that the speed of M&A deal completion is a function of inter-firm resource heterogeneity (Dierickx & Cool, 1989; Kamasak, 2013). Prior research found that firms' international experience overall (Luypaert & de Maeseneire, 2015; Dikova et al., 2010) and experience in specific contexts (Muehlfeld et al., 2012) contribute to reducing M&A deal duration. Similarly, we argue that a firm's government affiliation (Peng & Turel, 2020) can offer crucial support, such as mitigating legitimacy challenges, expediting permissions or reducing bureaucracy to facilitate the duration of M&A deals.

While institutional theory and RBV individually contribute to the progression of a firm`s international expansion by M&A, each theory offers a partial explanation of internationalization (Wang et al., 2012). Institutional theory can elucidate how institutional forces determine the deal durations, yet it falls short of providing insights into which resources firms should use to address institutional forces to expedite the process and shorten deal durations (Clampit et al., 2023). Similarly, firms` resource bases cannot explicitly address the variations in M&A deal durations without understanding institutional constraints dictating to firms which resources to select and use (Huang et al., 2023). The duration of completing a deal in an international setting can only be studied with a thorough understanding of the surrounding context since firms` resource deployment and reconfiguration of bundles are conditional upon institutional pressures (Heaton et al., 2023; Hoskisson et al., 2000). Firms must accommodate strategic choices to handle country-level determinants. At this point, we find these two theories complementary and utilize an integrative perspective to improve comprehension of M&A deal duration.

Institutional Distance, Institutional Quality, and M&A Deal Duration

In M&As, acquirers and targets must make sense of, manipulate, negotiate and partially construct their institutional environment. Emerging countries diverge from developed countries in terms of social and economic realities, developmental trajectory, and institutional context (Peng et al., 2008). Scholars (i.e., Zhang et al., 2023; Kamasak & Yavuz, 2015; Hoskisson et al., 2000) suggest that institutional effect, i.e. institutional distance and quality, and government agency involvement can have a more pronounced deal duration impact on M&A transactions in emerging countries. For example, Kim and Song (2017) delineate that institutional voids in corporate laws and capital markets make emerging country firms a target for hostile takeovers and enhance the number of M&A abandonments. Thus, the reflections of institutional theory on emerging countries may differ from those of developed countries. Studies (i.e., Li et al., 2022; Zhou et al., 2016) suggest that larger institutional distance prolongs the required time to finalize an M&A transaction due to dissimilarities between pair countries' perceptions of risk and ethics, power relations, business operations and institutional processes. Institutional distance is commonly viewed as a macro variable at the country level, implying that a larger distance increases information asymmetry between the acquirer and target and complicates resource transfer and M&A integration, thereby enhancing risk and uncertainty (Li et al., 2020; Basuil & Datta, 2015). A larger institutional distance can affect the deal process in various ways, such as blurring available information for the market assessments and due diligence processes, exacerbating the lack of legitimacy of transnational operations (Du & Boateng, 2015), extending the duration of ongoing negotiation beyond expected timelines, delaying the enforcement of contracts and the issue of necessary permits (Li et al., 2022). Researchers (i.e., Peng, 2014; Reus & Lamont, 2009) have highlighted the complex nature of institutional distance since it comprises informal structures such as culture (Kilic & Kamasak, 2009a).

A more significant institutional distance may amplify emerging country acquirers' communication and decision-making challenges in developed countries (Liou & Rao-Nicholson, 2017; Kilic & Kamasak, 2009b). Based on the GLOBE framework data, the study by Dikova et al. (2010) reported that a larger institutional distance would delay deal completion. Nevertheless, Slangen (2006) asserts that the effect of informal institutional distance on cross-border M&A transactions can only be seen post-M&A integration. Zhou et al. (2016) find that larger institutional distance, i.e. risk level perception and regulations between emerging and developed countries, result in high M&A completion failures. Thus, findings regarding the impact of informal institutional distance, particularly cultural distance, on the duration of cross-border M&A deals are mixed.

For this paper, we mainly focused on uncertainty avoidance and power distance as the components of culture and their influential effects on M&A deal durations. We propose that country-level values can predict organizations' values. Uncertainty avoidance is "the extent to which ambiguous situations threaten individuals, rules and order are preferred, and uncertainty is tolerated in a society" (Dikova et al., 2010, p. 232). In countries where senior-level managers possess high uncertainty avoidance, they can show unwillingness to engage in new and risky projects such as M&As with uncertain outcomes; thus, the decision-making process may extend the duration of deal completion. Power distance refers to how power is distributed between managers and subordinates and concentrated in the hands of a few people (House et al., 2004). In high power distance countries, i.e. emerging countries, organizations are hierarchical, and subordinates wait for orders and expect supervision from managers, resulting in more extended periods for making final decisions for M&A transactions (Feng et al., 2017). However, in low power distance settings, i.e. emerging countries, organizations are flat and have fewer supervisors, and managers with equally distributed power can make final decisions quickly (Javidan et al., 2006).

According to Li et al. (2020), "different institutional settings support the same operational activities to different degrees in certain environments" (p. 4). We agree and suggest that the institutional distance effect may manifest differently in emerging and developed countries. Thus, we separately analyze the impact of institutional distance on M&A deal duration for developed and emerging country hosts. In summary, we propose the following hypotheses:

H1a: A larger institutional distance between the emerging home country acquirer (Brazil) and the developed host country target will extend the duration of the cross-border M&A deal.

H1b: A larger institutional distance between the emerging home country acquirer (Brazil) and the emerging host country target will extend the duration of the cross-border M&A deal.

Although emerging countries have undergone profound institutional transformations, the quality of their institutions is still lower than that of developed countries (Gorodnichenko et al., 2024). Institutional quality promotes the development of a well-functioning market economy and facilitates resource exchanges (Engemann et al., 2023). Complex deal structures that include competing bids and tenders require full-blown due diligence to investigate the target's legal, financial and operational issues, and the transaction may also need a judicial decision (Luypaert & de Maeseneire, 2015). Well-developed institutions supporting transparency in capital markets and fair judicial and litigation systems help emerging country acquirers reduce information asymmetry and time needed to conduct business activities, including cross-border M&As (North, 1990). We anticipate a lower degree of information asymmetry and bureaucracy when host countries exhibit high institutional quality and robust corporate governance systems. Thus, we hypothesize that.

H2a: Institutional quality is associated with shorter M&A deal durations between the Brazilian acquirers and target firms in developed and emerging host countries.

However, we suggest that institutional quality may be more influential than institutional distance for the duration of M&A deals, particularly in emerging host countries. We can explain this through a framework that Table 1 presents. We build a framework based on institutional quality and institutional distance between home and host country pairs. The vertical and horizontal axes indicate the high- and low-level institutional quality and distance in the home and host countries, respectively. Most prior studies' interest lies in cells (2) and (4) since cross-border M&As originate from developed countries. Our research adopts an emerging acquirer perspective; thus, we concentrate on cells (1) and (3). The difference in institutional distance is hypothetically the same for the scenarios of an emerging home and developed host or vice versa in cells (1) and (4), respectively. Similarly, the cell (3) scenario indicates the shortest institutional distance since it considers the emerging home and host.

TABLE 1

The institutional distance from Brazil to a host country may not be identical to that from the same host country to Brazil due to the culture's complex, intangible and subtle nature (Boyacigiller et al., 1996). Shenkar (2001) terms this situation as the illusion of symmetry and claims that this implicitly assumed linear and constant symmetry could not be scaled quantitatively. The author argues that this symmetry measurement may not work in international business. In line, we propose that no matter the level of institutional distance between the Brazilian acquirer and the emerging host country, the impact of institutional quality will be relatively more decisive in shortening the duration of the M&A deal. We link our proposition to a potentially more significant impact of institutional quality, which warrants administrative efficiency and less risk and uncertainty than institutional distance. Therefore, we posit that:

H2b: Institutional quality will have a stronger impact than institutional distance on shortening M&A deal durations between Brazilian acquirers and targets from emerging countries.

Government Involvement and M&A Deal Duration

Government involvement is a frequently investigated firm-level attribute in the M&A literature (Song & Ahn, 2024; Bannò et al., 2014). Government involvement can occur in various ways, such as the inclusion of government officials, i.e. bureaucrats or politicians on boards' of public or private firms (Kamasak et al., 2019b; Sun et al., 2016), ministries holding the majority of shares in acquirer firms, i.e. state-owned enterprises (SOE) (Tu et al., 2021), and more informal involvements created by relationships, network-ties or corporate political activities, i.e., lobbying and election donations of the acquirer firms (Jia & Wu, 2023).

Emerging country acquirers may face heightened institutional pressures, especially in developed host country environments, due to concerns about their legitimacy (Stevens et al., 2016). Suchman (1995) defines legitimacy as a condition reflecting an organization's alignment with cultural norms, normative support, and adherence to relevant social rules or laws. In a cross-border M&A transaction, a firm from one country seeks to enter and operate within another country's society, where perceived legitimacy is embodied by its socially constructed norms, values, beliefs, and definitions (Ashford & Gibbs, 1990). Firms are no longer merely profit-driven entities; they are also key players with social responsibilities, working for the greater good of society (Alkan et al., 2024). The acquirer and target's transaction must be accepted as desirable, ethical and appropriate within the host country's perception of legitimization (Pesqué-Cela et al., 2023; Chen & Fan, 2013). The legitimacy of the acquiring firm relies on aligning its activities and outcomes with the host society's norms, values, beliefs, and expectations.

If the host society, government, or local authorities raise concerns about the acquirer's potential harm—rather than its contribution to social value—based on the acquirer's country image, stereotypes, or actual circumstances affecting the firm's legitimacy, the acquirer may encounter resistance. This is especially true for acquiring firms from emerging countries, which may not be welcomed by host country decision-makers in the M&A process (Song et al., 2024). Such a misalignment of legitimacy can lead to extensive checks, additional controls, and prolonged deal durations for the acquiring firm. Furthermore, emerging country acquirers' latecomer disadvantage and lack of experience with internationalization can create additional challenges in addressing the distinct regulatory, normative, and cognitive structures in host countries (Tang & Yang, 2024). Apart from socially constructed values, an acquirer can be perceived as legitimate if it only possesses superior resources and capabilities to its target firm (Yang & Ai, 2023). Emerging country acquirers' limited experience and capability in handling cross-border M&As could pose challenges to gaining legitimacy in the eyes of host country stakeholders (Velez-Ocampo & Gonzalez-Perez, 2022). Thus, legitimacy problems may provoke resistance from key stakeholders whose opposition could result in prolonged or even terminated M&A deals.

Upon announcing the intention to pursue a cross-border M&A, home and host government agencies scrutinize the motives and rationale behind the transaction. When the host country is uncertain about the motives behind an acquisition that poses potential economic or national security threats, in particular M&As related to food, telecommunication, defense industries, crucial infrastructure, or scarce resources, the legitimacy of the deal is likely to be undermined, leading to an elevated risk of acquisition failure (Li et al., 2019).

At this point, government involvement may help acquirers to complete their M&A transactions quicker by addressing the legitimacy concerns of the key stakeholders (Zhang, 2022), facilitating the set of approval procedures of antitrust authorities, providing firms with exceptional loans from public banks or other state-owned non-commercial banks (Yang & Ai, 2023), and offering them expertise for completing the negotiations and procedures with the host government agencies (Brown et al., 2023). Additionally, de Sousa Barros et al. (2021) find that Brazilian firms establish corporate ties with government institutions to decrease information asymmetry in the M&A deal processes.

The ownership status of the acquiring firm can play a crucial role in mitigating legitimacy challenges during cross-border M&A transactions. State-owned enterprises (SOEs) are often perceived as more reliable, financially stable, and backed by governmental resources, which can enhance their credibility in the eyes of the host country. Studies (Byrne et al., 2025; Malik et al., 2023) suggest that SOEs are better positioned to address legitimacy issues than privately owned firms, as their affiliation with the state can lend them an aura of trustworthiness and long-term stability. SOEs may also benefit from diplomatic ties between the home and host countries, leveraging political goodwill and government-to-government agreements to ease institutional pressures. Thus, government involvement can help emerging country acquirers in two ways: First, they can obtain a solid pre-acquisition organizational image, increase their legitimacy and tackle identity constraints (Ai & Tan, 2020). Second, they can receive more procedural and financial support, gain quick approvals from their home institutions, and eliminate potential hindrances that might be posed by political opposition during the duration of the M&A deal. The advantages generated by home government involvement may be transformed into firm-specific advantages, such as quicker transaction completion skills (Zhang, 2022; Buckley et al., 2012) in cross-border M&As. Therefore, the duration of cross-border M&A deal completion decreases when Brazilian firms are characterized by government involvement. We thus propose the following hypotheses:

H3a: Brazilian acquirers' government involvement is positively associated with shorter cross-border M&A deal completion in developed host countries.

H3b: Brazilian acquirers' government involvement is positively associated with shorter cross-border M&A deal completion in emerging host countries.

Figure 1 shows the hypotheses of our research.

FIGURE 1

METHODS

Context and sample

Emerging countries experienced a surge in their total GDP from US$4,121 billion (in constant US$2010) to US$24,490 billion, with an average growth rate of around 5.4% between 1983 and

2017 (Hasan & Du, 2023). These countries have risen as critical contributors to the global economy, and emerging country firms have become active cross-border buyers (Kumar et al., 2023). Lawrence et al. (2021) found that 92.5% of cross-border M&As between 1970 and 2016 were from developed countries. We may explain this fact for two reasons. First, the developed country acquirers enjoyed their advanced institutional environment; second, they were more dominant in the global economy and financially more potent for M&A transactions (Caiazza & Volpe, 2015). Brazil, a prominent Latin American emerging country and a dynamic actor in M&A transactions, has experienced an economic transition over the last three decades through several reform packages such as Plano Real, which includes policies of "economic openness and regional integration, controlling inflation and ensuring stability" (Kumar et al., 2022, p. 1594).

Despite Brazil's particular success in lowering inflation and strengthening its financial and manufacturing institutions, doing business in Brazil remains challenging due to its complicated economic, socio-cultural, and institutional environment (Souza et al., 2022). The high tax burden on firms and its complexity in the calculation, deficiencies in monetary and regulatory policies, high unemployment rate, populism in government spending and increased level of global competition encourage Brazilian firms to engage in cross-border M&A activities (Cai et al., 2025; Batista et al., 2023). The report by PricewaterhouseCoopers (2021) presents a historical record in M&A transactions with 1038 announced deals in 2020, which marks a 14% increase from 2019 and a 48% rise compared to the average of the five years preceding that period (2019-2015). Brazilian firms have primarily executed M&As in developed countries such as the USA, Canada, France, Italy, Netherlands, Portugal, Spain, and the UK, emerging countries such as Argentina, Uruguay, Chile, Colombia, Mexico, and Peru (Souza et al., 2022; Deng & Yang, 2015). The primary industries that Brazilian acquirers engage in M&A deals are mining, oil and gas, construction, banking, steel, and food and beverage (Batista et al., 2023). Table 2 presents the characteristics of our M&A deal sample, including industries, host countries and transaction durations.

TABLE 2

Our sample includes all cross-border M&As in Brazil between 2000 and 2015. We obtained this data from the Thomson SDC Mergers Database and Zephyr Database. We selected deals with information about announced data. Our initial selection yielded a sample of 8677 M&As.

However, we excluded the incomplete, domestic and inbound deals. We cross-checked the numbers from the Institute for Mergers, Acquisition and Alliances (IMAA, 2023). Our final sample consisted of 514 cross-border M&A deals with Brazilian acquirers, of which 77 occur in developed countries and 437 in emerging countries.

The average deal completion time is approximately 132 days, with the most extended M&A deal taking 1187 days in the emerging country sample. The developed country sample shows an average of 95 days for completion, with the most prolonged deal duration of 400 days.

Variables and measures

Dependent variable

The dependent variable is the deal duration, which is the number of days between the focal deal's announcement date and the completion date of the M&A. We considered deal duration a non-zero continuous variable; otherwise, the results could be misleading (Dikova et al., 2010; Ekelund et al., 2001).

Independent variables

Institutional Distance: Institutional distance is assessed by the GLOBE project's uncertainty avoidance and power distance measures (House et al., 2004; Dikova et al., 2010). Many researchers have empirically verified (i.e., Meyer et al., 2012; Javidan et al., 2006) and safely used (i.e., Cumming et al., 2024; Zarei et al., 2022) the cross-culturally developed measures. A composite in which a larger distance indicated a more significant difference between the home and host was calculated (Dikova et al., 2010).

Institutional Quality: The institutional quality between Brazil and the host country is assessed by the World Bank`s World Governance Indicators (WGI) measure (Kaufmann et al., 2011). The index consists of six dimensions: voice and accountability, political stability, government effectiveness, regulatory quality, rules of law and control of corruption. Each dimension ranges between the values of -2.5 and +2.5, indicating that the higher the value, the better the institutional quality. Brazil has relatively underdeveloped institutions; host countries with better institutional quality are developed countries like the U.S., Canada, Portugal, Australia and the U.K.

Government Involvement: We used two measures for government involvement: state ownership and the number of Brazilian regulatory agencies involved in transactions. The data regarding the number of regulatory agencies involved in the M&A transaction was found from Zephyr and cross-checked from company websites and other sources. The government ownership status of firms is indicated with a flag in the Thompson SDC database. We coded (1) if the acquirer is government-owned or has a share of the government and (0) otherwise. We also used a dummy for the acquired host developed and host emerging country firms. We coded (1) for the acquired developed host and (0) for the acquired emerging host. We used the IMF's list to identify developed and emerging economies.

Controls

We controlled several variables to capture the most significant impact of the relevant factors affecting the duration of the M&A deal. These factors comprise the characteristics of the deal, industry and firm. Regarding deal characteristics, *cash payment* can reduce M&A deal durations. The certainty in the value and payment facilitates deals since stock offers require more administrative burdens than cash transactions (Luypaert & De Maeseneire, 2015; Dikova et al., 2010). Thus, we controlled the payment method by a dummy variable indicating whether the payment was primarily cash. The acquirer and target firms' stockholders' approval can extend the deal duration for publicly listed firms (Caprio et al., 2011). Therefore, we controlled the *publicly listed status of the acquirer and target* by two dummies, (1) and (0). Moreover, Chen (2008) highlights that when lagging behind competitors, MNEs may prefer partial acquisitions or joint ventures to speed up market entry and avoid escalating rivalry with local firms. We expect that the more percentage acquired or sold, the more negotiation is needed to complete the transaction. Thus, the *acquired stake*, measured as the percentage acquired in the deal, was controlled. Due to the learning effect, more experienced acquirers are more likely to develop an M&A routine, and we would expect that acquirer deal experience facilitates deal completion (Vermeulen & Barkema, 2001). Thus, the *acquirer's total experience* is controlled. The acquisition of a *target subsidiary,* a minor partner of a larger enterprise, can make transactions more complex "as the parent's heritage in the governance structure of the subsidiary often persists for a considerable period" (Dikova et al., 2010, p. 233). We used dummies to determine whether the transaction was a subsidiary (1) or not (0) of a larger enterprise.

The potential impact of firm-level characteristics is also controlled. Antitrust authorities use firm size to choose which M&A to scrutinize; thus, we expect that the acquirer's size is positively correlated with a longer time to complete a deal. *Acquirer size,* measured by the log of total assets in Mil USD of the acquirer one year before the acquisition and the *acquirer's age,* are controlled. The business group plays a significant role in reducing institutional voids in emerging countries. Due to the substantial size of these firms, cross-border M&As by bidders affiliated with business groups are more likely to trigger anti-trust merger reviews and prolong the deal process (Wang et al., 2012). *Business group affiliation* is a dummy variable that takes the value of (1) if the Brazilian bidder is affiliated with a business group and (0) otherwise.

Finally, we controlled some industry characteristics. Industry dummies are included based on divisions of primary SIC codes. *Industry relatedness* of a deal is coded (1) if the primary SIC code of the acquirer and the target is the same and (0) otherwise (Yang, 2015). Year dummies are included to control for macroeconomic factors. Our sample had no hostile transactions; therefore, there has been no need to control the hostile or unsolicited deal effects.

Analyses and findings

We employed hierarchical Ordinary Least Squares (OLS) regression to analyze our dataset. Table 3 presents descriptive statistics, correlation values between variables and variance inflation factor (VIF) scores. All inter-correlations are in the desired range below 0.80 (Bryman & Cramer, 1997), and VIF scores are below the acceptable level of 5 (Kalnins, 2018), indicating no multicollinearity problems.

Table 4 shows the results of our analyses. We separately analyzed the impact of independent variables on cross-border M&A deal duration in the developed and emerging host country samples. First, we only enter the control variables, and Model 1 shows their impacts on cross-border M&A deal duration and the model's benchmark specification with a constant. We enter independent variables with institutional distance in Model 2. Model 3 presents the results with institutional quality added, and Model 4 gives the results with government involvement included. The models report coefficients, standard errors, R^2 values and the Wald chi-squared test results.

In Model 2, institutional distance is insignificant, indicating no relationship between institutional distance and M&A deal duration in developed host countries; thus, we reject H1a. Contrarily, institutional distance is positive and significant (β= 290.773, $p < 0.01$), confirming a direct relationship between institutional distance and M&A deal duration in developing host countries, and we accept H1b.

TABLE 3

In Model 3, better institutional quality is associated with shorter M&A deal durations in developed (β= –2.517, $p < 0.05$) host countries but not emerging host countries; therefore, we find partial support for H2a. When we compare their relative effects, we do not find a more substantial effect of institutional quality than the institutional distance in shortening deal durations between Brazilian acquirers and emerging host country targets, and we reject H2b. In Model 4, the findings report no association between home government involvement and M&A deal duration between Brazilian acquirers and developed host country targets, offering no support for H3a. Finally, in contrast to our proposition, government involvement is positive and significant (β= 37.739, $p < 0.05$), indicating more home government involvement leads to longer M&A deal duration between Brazilian acquirers and emerging host country targets, confirming no support for H2b.

In our models, some R^2 values are relatively low, particularly for the emerging country data set, i.e. 15% of explanatory power. Dikova et al. (2010) consider this typical when working with large panel datasets. The primary objective of our paper is to understand the contribution of our theoretical independent variables rather than explain the variation in acquisition duration. Therefore, we do not consider this a negative aspect of our study. A few control variables are significantly associated with M&A deal duration. The findings reveal that more experienced Brazilian acquirers are more likely to complete M&A deals in a shorter time in developed host countries. Listed targets are likely to take longer to be completed in developing host countries. This can be related to the time-consuming and complex approval procedures of acquisition by many shareholders and countries' capital market boards.

DISCUSSION

The duration elapsed from the announcement of an M&A transaction to its completion serves as a barometer for evaluating the success and efficiency of a deal. This paper explains the determinants of M&A deal durations from the perspective of an emerging country acquirer, Brazil. Our findings show that informal institutional distance between Brazil and host countries does not impact deal durations when the target is from a developed host. This finding reveals that factors other than institutional distance may be more critical for Brazilian acquirers to shorten their M&A deals in developed country settings. Nonetheless, Brazilian deals involving developing country targets exhibit a positive association between institutional distance and deal durations. Cultural proximity, similarity in decision-making processes and leadership styles, shared business norms, a better understanding of partners' business expectations and smoother communication stemming from the shorter institutional distance between Brazil and other emerging countries might lead to this result. This result is consistent with earlier studies (i.e., Boateng et al., 2017; Schmitt et al., 2013) that emphasize the importance of cultural proximity in fostering trust, understanding, and efficient collaboration between firms during the M&A process. However, it adds a layer of understanding by demonstrating that cultural proximity is particularly relevant in emerging country settings, where institutions are less formalized, and informal cultural dynamics have a greater influence on deal execution.

Our study finds that stronger institutional quality reduces the duration of M&A deals executed by Brazilian firms in developed countries. However, no association was found in emerging countries. It should be noted that, despite their positive impact on M&A deal completions, developed countries' rigid and inflexible regulatory frameworks can challenge Brazilian firms, as they do for all potential acquirers and result in more prolonged deal durations. Thus, the rigid frameworks of developed countries are not one-size-fits-all solutions and may not always lead to swift M&A deals but instead to more complex transactions.

The institutional deficiencies that create additional obstacles to M&A completion could make the institutional quality even more valuable for smoother and faster deals in emerging countries. The insignificant association of institutional quality with M&A deal durations can indicate more informal transactions and the outcome of relatively longer M&A deal durations in emerging countries, yet emerging countries with weaker institutions can reap substantial benefits from higher-quality institutions (Yurdakul et al., 2022). Institutional quality that is more potent in developed countries promotes information accessibility, transparency and well-functioning governance (Li et al., 2020). The existing foundation could make the marginal impact of further institutional quality on deal duration relatively minor in developed countries. However, the absence of institutional distance did not lead to disadvantages in deal duration, and the institutional quality in developed countries somewhat compensated for it. This finding extends the ongoing discussion on the effect of institutional quality on M&A deal duration by showing its differential effects in developed and emerging countries. The fact that stronger institutional quality shortens deal durations in developed countries but not in emerging ones highlights the varying importance of formal institutions across different economic contexts. This insight helps to refine our understanding of how institutional quality interacts with other factors in cross-border M&A transactions. Although the impact of institutional quality on M&A deal durations in the emerging-to-emerging flow is statistically insignificant, we interpret this finding as evidence that institutional quality still plays a more significant role in these transactions (Yurdakul & Kamasak, 2021). The lack of high-quality institutions may pressure firms involved in M&As to resolve issues more quickly through unethical or immoral practices. However, these practices may not resolve the issues but lead to more harmful outcomes for firms, including delayed transactions. The existence of higher-quality institutions can prevent M&A actors from engaging in unethical practices, which can result in smoother and quicker transactions framed with clear expectations.

We examined whether government affiliation gives Brazilian acquirers advantages in shortening M&A deal durations across emerging and developed markets. Contrary to our expectations, government involvement in Brazilian acquirers' deals did not impact M&A completions in developed countries but prolonged the transactions in emerging countries. This finding challenges the conventional assumption that government involvement is always a beneficial resource for emerging country firms (Myznikava & Farinha, 2023; Zhang et al., 2021). Therefore, the outcomes of government involvement occurred differently in developed and emerging host countries and did not manifest as a resource-based advantage. As a recent trend, many emerging country acquirers cooperate with Western co-investors rather than government involvement for cross-border M&A transactions in developed countries (Zhang, 2022), which aligns with our empirical observation. This trend can be related to emerging country acquirers' awareness of the potential inefficiencies of government involvement in M&A deals. Thus, Brazilian firms might avoid engaging in M&A transactions with government affiliations in developed countries to overcome potential legitimacy and image problems and utilize sophisticated deal structures.

Our findings indicate that Brazilian acquirers also do not benefit from government involvement in M&A transactions in emerging countries. The limited experience of emerging country firms may make them more dependent on government-related bodies (Brown et al., 2023) to conduct their M&A transactions in other emerging countries. The relationship between firms and government institutions is contingent upon the different institutional contexts of the host country. Institutional distance based on informal cultural elements not only presents how firms do business but also how governments act in a particular context. We find that institutional distance based on informal cultural elements has a more significant impact on the speed of M&A transactions than government involvement in emerging countries. Therefore, the informal institutional distance might diffuse into government bodies as well.

When we evaluate the findings regarding institutional distance and government involvement together, we suggest that government involvement might generate transaction costs such as corruption, nepotism, looting, financial demands from politicians and bureaucrats in exchange for necessary permissions or approvals, excessive bureaucracy, and administrative inefficiencies. These transaction costs might contribute to prolonged M&A deals in other emerging countries where the acquirer's government authorities might exploit a more conducive environment to assert their illegal or unethical advantages. Thus, the government's involvement in M&A transactions raises critical questions about the role of government and political affiliations in such deals. We add to the literature by highlighting the potential downsides of government involvement in emerging countries. We speculate whether companies might benefit from seeking private-sector co-investors or engaging in deals with less government intervention to improve deal efficiency and completion times.

Our study provides some policy and managerial implications. Overall, our results indicate a more macro-level institutional effect than firm-level resource advantage effect to lessen the duration of M&A deals in our sample. Moreover, cultural distance's impact on deal duration is salient in the emerging host country sample, whereas no effect is observed in the developed host country. So, our results regarding the impact of institutional distance are mixed. However, cultural similarity based on uncertainty avoidance and power distance seemed to be the most dominant elements for prolonging M&A deals in emerging countries. It is understandable for managers to analyze the business dynamics thoroughly and avoid risky deals. Top managers of acquirer firms may initiate their analyses before the deal is announced. One explanation for avoiding risk can be managers' low self-confidence due to a lack of strategic, managerial and soft skills and proficiencies. Their professional development can help enhance their self-confidence. Smaller-sized incremental transactions might also be more beneficial than pursuing larger-scale deals until top management increases their experience. Self-interest and pride of managers can also extend the decision-making processes.

The sample of emerging country M&As proved to have substantially longer deal duration times than the developed country sample, where the only influential factor was institutional quality. So, institutional quality alignment has been the most critical determinant for the completion time of Brazilian acquirers' cross-border M&A transactions conducted with the targets of the developed country. This empirical finding highlights the pivotal role of institutional quality in the duration of M&A deals. The weak governance, poor economic policies and ethical concerns discourage developed and other emerging country firms from investing and promoting M&A activities (Kumar et al., 2023). We argue that transparency is vital for an emerging country to improve the regulatory regime's efficiency and facilitate firms' internationalization. Therefore, policymakers should implement rigorous governance measures and increase the quality of institutions and the transparency of agencies.

However, we want to be more realistic about our policymaking suggestions in emerging countries, where policies might be more inclined to the concerns of the political party in power rather than the country's needs, the benefits of society, or the benefits of the M&A transactions in our study. The corrupt environment might nurture the policymakers, so expecting them to change a system which they exploit could be a naive expectation. Nevertheless, there is always something to do, and we suggest technological advancements and digital transformation have the potential to mitigate the negative impact of government involvement on M&A deal duration in emerging countries (Wijegunawardhana et al., 2024; Kamasak et al., 2023). Digital governance can reduce opportunities for corruption and ensure greater accountability in regulatory processes, contributing to more efficient and fair M&A deals and shortening the time required to navigate government approvals. For example, blockchain technology, which offers immutable records of every step in the M&A approval process, from the initial application to the final clearance, would make it harder for government officials to manipulate the system for personal gain, as every action would be publicly visible and traceable.

Our study has some limitations and opens opportunities for future research. The small sample size is the primary limitation, but our focus was on one country, Brazil, and further studies can include a larger sample size. We measured institutional distance by informal institutions, yet formal institutions such as legally constituted rules or codes can occur in another study. However, the researchers should be cautious about not duplicating some formal institutional distance elements that also exist in institutional quality. We used regulatory agency involvement as a valid indicator of government involvement, yet regulatory agencies may not always function effectively or impartially, and political or non-economic considerations could influence their actions in emerging countries. This potential inefficiency may distort the actual level of government influence on M&A deals and complicate the interpretation of our findings. Future research could benefit from incorporating additional qualitative assessments of agency effectiveness or exploring other dimensions of government involvement to provide a more comprehensive understanding of the government's role in M&A transactions. We did not have detailed information on deal contracts. Analyzing the impact of termination fees, a no-solicitation clause, and other contract details, such as the deal premium, might provide more insights about M&A deal durations.

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Reviewer: 1

Recommendation: Minor Revision

Comments:
Thank you for allowing me to read and review your paper “Closing the deal faster: The role of institutions and government involvement in cross-border M&A completions in Brazil”. The subject matter is very interesting to readers of Critical Perspectives on International Business. Although I enjoyed reading the paper, some issues need addressing before it is suitable for publication in a journal such as CPIB. It has been a pleasure to read this version of the paper.

Additional Questions:
1. Originality: Does the paper contain new and significant information adequate to justify publication?: Thank you for allowing me to read and review your paper “Closing the deal faster: The role of institutions and government involvement in cross-border M&A completions in Brazil”. The subject matter is very interesting to readers of Critical Perspectives on International Business. Although I enjoyed reading the paper, some issues need addressing before it is suitable for publication in a journal such as CPIB. Your study has great potential, but needs work in the way you present your arguments. Please read my comments carefully and make all the changes. I look forward to reading a new version!

Introduction needs to be developed. I found the introduction a little disjointed. You start with the context of the phenomenon, highlighting its relevance, and only in the third paragraph do you introduce the theory. Even in this paragraph, you take care to conceptualize the main constructs of the research. In the fourth paragraph, you discuss the theory based on the phenomenon, but the theoretical gap is not clear. You need to highlight it better. You need to make it clearer what we know and what we don't know about the role of institutions and government involvement in cross-border M&A completions, regardless of whether the context is Brazil or not. To answer this question, it is necessary to conduct a thorough review of the literature, while discussing strengths and weaknesses and positioning their study. Thus, it will bring a contribution to their research.
In the introduction, the following questions must be answered:

1- Which phenomenon is being studied? Why is it important?
2- What has been researched about this phenomenon?
3- What is the research problem? What is the gap and why it's important to study it?
4- Which is the solution and/or contribution that is being proposed for this gap?
Note that items 3 and 4 will generate their study's contribution.

RESPONSE: We thank you, the reviewer, for this constructive feedback. Yes, we noticed this, too. In the first paragraph, we highlighted issues like “Which phenomenon is being studied, and why is it important?” We moved the context of the phenomenon and its relevance to the bottom of the page and incorporated it with the study's final contribution. Additionally, some content related to the context was relocated and cited in the section about Brazil on the subsequent pages.

We also incorporated some papers from Critical Perspectives on International Business into the manuscript.

Das, A. (2021). Predatory FDI during economic crises: Insights from outbound FDI from China and host country responses. *Critical Perspectives on International Business*, *17*(2), 321-341.

Koch, A. H. (2022). Strategic responses of MNCs in emerging markets: Addressing institutional voids associated with informal institutions. *Critical Perspectives on International Business*, *18*(2), 137-156.

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: The hypotheses are well developed and theoretically supported. However, it is necessary to clarify the understanding of institutions in the research and better relate them to legitimacy (see Suchman, 1995). In the section on government involvement, I missed addressing the role of government in SOEs as well.

RESPONSE: Thank you so much for this feedback. We integrated Suchman's (1995) definition of institutional legitimacy into the paper and developed our concept based on it. We also added an additional paragraph explaining the impact of government ownership status (SOEs) in mitigating the firms' legitimacy challenges during the M&A transactions.

3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: The method must answer to three criteria: completeness, clarity, and credibility (Zhang & Shaw, 2012). At this point, I identified the authors ' concern with these aspects to demonstrate the full operationalization of the research. Furthermore, they should answer the following questions: why? what? how? so? (Eisenhardt, 2014). Similarly, I found the answer to all these questions. The data analysis shows the parameters desired by the literature. My only caveat is the use of regulatory agencies as one of the measures to identify government involvement. It is necessary to consider that, especially in emerging countries, regulatory agencies can be ineffective and serve much more political interests than the purposes for which they are intended.

RESPONSE: Thank you very much for this supportive comment that reminds us of this limitation. The use of regulatory agencies as a proxy for government involvement may indicate some biases, particularly in emerging countries. We emphasised this limitation at the end of the study and added that "future research could benefit from incorporating additional qualitative assessments of agency effectiveness or exploring other dimensions of government involvement to provide a more comprehensive understanding of the government's role in M&A transactions".

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The authors developed an adequate discussion of the results. I noticed a worry about answering some questions such as: What is the meaning of the results found? How do these results contribute to the literature in the area? What area of knowledge does the article intend to contribute?

RESPONSE: Thank you very much for this comment. We extended the discussion section.

5. Implications for research, practice and/or society: Does the paper identify clearly any implications for research, practice and/or society? Does the paper bridge the gap between theory and practice? How can the research be used in practice (economic and commercial impact), in teaching, to influence public policy, in research (contributing to the body of knowledge)? What is the impact upon society (influencing public attitudes, affecting quality of life)? Are these implications consistent

with the findings and conclusions of the paper?: I just suggest highlighting better what your results corroborate, complement or contrast with the literature. Thus, there is an effort of the authors to provide a dialogue about the issues, showing their contributions. Overall, the paper is making a valid and timely contribution to an area that is of high importance. It has been a pleasure to read this version of the paper.

RESPONSE: Thank you very much for this comment. We extended the policy implication section.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: Yes. Well written paper.

RESPONSE: Thank you so much for this feedback.