

Online Appendix Table 1. Home countries and host countries

Home Countries	CBAs	Home Countries	CBAs	Host Countries	CBAs	Host Countries	CBAs
United States	35489	Malta	102	United States	19761	Thailand	457
United Kingdom	18062	Peru	93	United Kingdom	14467	Estonia	449
France	9768	Indonesia	83	Germany	10357	Peru	418
Germany	9524	Latvia	71	Canada	8772	Greece	400
Sweden	5935	Panama	66	France	6921	Philippines	382
Netherlands	5697	Vietnam	61	Australia	5553	Lithuania	346
Australia	4952	Bulgaria	55	Spain	5148	Latvia	335
Canada	4656	Slovenia	43	Italy	4988	Singapore	294
China	3850	Uruguay	43	Netherlands	4577	Slovenia	270
Switzerland	3495	Egypt	41	Sweden	4161	Egypt	225
Italy	2772	Nigeria	35	India	3120	Morocco	107
Spain	2587	Croatia	33	Switzerland	2690	Saudi Arabia	74
Belgium	2429	Romania	33	Brazil	2688	Iceland	73
Ireland	2316	Costa Rica	26	Norway	2598	Costa Rica	71
Norway	2270	Sri Lanka	25	Belgium	2553	Serbia	60
Denmark	2145	Venezuela	24	Denmark	2453	Croatia	54
Luxembourg	2054	Pakistan	22	China	2424	Jordan	17
Finland	1989	Morocco	20	Poland	2235	Uruguay	9
Austria	1910	Jordan	18	Finland	2093	Algeria	1
India	1555	Serbia	17	Ireland	1788		
South Korea	1389	Ecuador	14	New Zealand	1707		
Malaysia	1216	Zimbabwe	9	Japan	1674		
South Africa	924	Trinidad and Tobago	8	Mexico	1532		
Russia	766	Kenya	7	Russia	1530		
Mexico	575	Uganda	7	Austria	1423		
Brazil	532	Jamaica	6	Czech Republic	1364		
Thailand	527	Ghana	5	Portugal	1053		
Portugal	451	El Salvador	5	Turkey	1030		
Poland	429	Fiji	3	Israel	982		
Iceland	329	Zambia	2	South Africa	940		
Greece	303	Ethiopia	1	South Korea	910		
Chile	297	Mozambique	1	Argentina	907		
Czech Republic	243			Hungary	810		
Philippines	234			Chile	774		
Turkey	224			Indonesia	728		
Estonia	200			Luxembourg	648		
Argentina	158			Malaysia	630		
Colombia	143			Romania	603		
Hungary	131			Colombia	521		
Lithuania	118			Vietnam	468	Total	133,623

Online Appendix Table 2. Home country's Economic and Political Institutions scores by country
(Average; year 2000-2020)

Country	Economic Institutions	Political Institutions	Country	Economic Institutions	Political Institutions
Argentina	-0.89	0.18	Morocco	-2.46	-1.22
Australia	0.61	0.72	Mozambique	-3.74	-0.82
Austria	-0.37	0.13	Netherlands	0.99	2.03
Belgium	0.05	2.55	Nigeria	-1.81	-0.35
Brazil	-2.07	-0.94	Norway	0.78	0.76
Bulgaria	-1.38	0.66	Pakistan	-3.27	-2.08
Canada	-1.12	0.12	Panama	-1.92	-1.75
Chile	-1.59	-1.87	Peru	-2.38	-1.33
China	-2.40	-2.78	Philippines	-3.06	-1.94
Colombia	-1.35	0.11	Poland	-1.00	-0.20
Costa Rica	-1.34	0.07	Portugal	-1.58	-0.36
Croatia	-0.63	0.54	South Korea	-0.61	-0.45
Czech Republic	-0.44	0.97	Romania	-2.22	-1.38
Denmark	0.60	0.93	Russia	-0.21	-0.66
Ecuador	-2.50	-2.04	Serbia	-1.28	-0.18
Egypt	-2.06	-2.22	Slovenia	-1.31	0.84
El Salvador	-2.57	-2.34	South Africa	-1.83	-0.15
Estonia	-0.55	0.74	Spain	-0.96	0.21
Ethiopia	-3.61	-3.23	Sri Lanka	-2.68	-1.10
Fiji	-1.95	-1.80	Sweden	1.04	0.74
Finland	0.17	0.96	Switzerland	1.19	-0.36
France	-0.15	0.06	Thailand	-3.22	-0.61
Germany	0.67	0.27	Trinidad and	-2.07	-0.27
Ghana	-3.37	-0.86	Turkey	-2.49	-0.68
Greece	-1.45	-0.53	Uganda	-3.67	-2.42
Hungary	-0.95	-0.45	United Kingdom	0.06	-0.54
Iceland	0.29	0.50	United States	0.19	-0.41
India	-3.37	1.48	Uruguay	-1.74	0.02
Indonesia	-3.57	-1.07	Venezuela	-2.47	-1.90
Ireland	-0.46	0.20	Vietnam	-3.27	-3.75
Italy	-0.50	0.16	Zambia	-3.43	-0.01
Jamaica	-2.60	-0.95	Zimbabwe	-3.28	-3.92
Jordan	-1.34	-3.30			
Kenya	-3.33	-0.49			
Latvia	-0.64	0.96			
Lithuania	-0.67	1.01			
Luxembourg	1.23	0.56			
Malaysia	0.36	-0.06			
Malta	-2.97	-0.93			
Mexico	-2.04	0.41			

Additional tests

To confirm the robustness of our results, we perform a number of additional analyses (see Online Appendix Table 3). First, research has suggested that tobit analysis is sensitive to the assumptions of normality and homoskedasticity (Cameron & Trivedi, 2010); our tobit estimation may thus be biased by heteroskedastic or non-normally distributed errors. A fractional response (FR) model is a frequently used alternative model for proportional dependent variables and makes no assumptions about their conditional distribution (Papke & Wooldridge, 1996). This advantage makes the FR model an excellent choice for a robustness check in our study, as the estimated coefficients in our FR model are consistent, regardless of heteroskedasticity or non-normality (Wulff & Villadsen, 2020). Our coefficients and corresponding p -values when using the FR model (see Model 10) are very similar to our main regression results in Model 9, indicating that the potential inconsistency caused by deviations from the tobit assumptions is not an issue.

Second, we check the robustness of our results using an alternative dependent variable. Given that 79.7% of the deals in our sample are full acquisitions, we reconstruct our *acquirer's ownership sought* variable into a dummy variable, which takes a value of 1 for a full acquisition and 0 for a partial acquisition. As this dependent variable is a binary variable, we use logistic regression and obtain results similar to our main results from this additional test (see Model 11).

Third, we test whether our results are biased by our selection criterion (CBAs aiming at more than 10% ownership). We increase our selection threshold to CBAs seeking more than 20% ownership (see Model 12); also relax our second selection criterion by including CBAs in which the

acquirer has prior ownership in the target firm (see Model 13). These alternative criteria lead to some changes in the observations, but still yield results consistent with our main specifications.

Next, we investigate whether our results are sensitive to other measures of our dependent and moderating variables. First, we use different indices to construct *home country's economic institutions* and *political institutions*. The measurement of *home country's economic institutions* is changed to the percentage of the population aged 25 and over who have studied for or completed a bachelor's degree or equivalent (data source: UNESCO Institute for Statistics). For *home country's political institutions*, we use the *bureaucracy quality* score provided by the International Country Risk Guide, which measures the strength and expertise of governments in policy-making on a 4-point scale. We find that four of our six hypotheses (Hypotheses 1, 2, 3a, and 3b) are still supported (see Model 14). Second, we replace the moderating variable *mutual trade dependence* with a unilateral measure, which is calculated as bilateral trade flows between home and host countries divided by the host country's total trade volume. Compared with the measure used in our main regression, this measure only accounts for the unilateral dependence of the host country on the home country. However, the result does not show a positive moderating effect (Hypothesis 3a) (see Model 15). This inconsistency suggests that mutual dependence between two parties, rather than unilateral dependence of one party on the other, is critical for establishing effective business connections. Third, we measure *acquirer's economic capabilities* and *acquirer's political capabilities* using a 10-year window instead of a 5-year window (see Model 16). The results remain robust to this change.

Fifth, we reconsider the validity of our exclusion restrictions in the first-stage selection model. We follow existing literature to use *host country GDP growth rate* (source: World Bank) as an alternative exclusion restriction. According to Vasudeva et al.'s study (2018), GDP growth rate

determines the attractiveness of FDI destination, but does not have a direct effect on ownership commitment. The second-stage results with alternative exclusion restrictions still provides support for all our hypotheses (see Model 17).

Finally, we examine omitted variable bias by including acquirer size (measured as the acquirer's total assets) as a control variable in Model 18. This test examines the possibility that large acquirers have greater financial resources to support more ambitious ownership plans than small acquirers. More than half of our observations are excluded due to the unavailability of acquirers' financial data; nevertheless, we still obtain results consistent with our predictions.

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Online Appendix Table 3. Robustness of results

Variables	Model 10 Fractional Regression	Model 11 Full vs Partial acquisition	Model 12 Ownership >20%	Model 13 Observations with prior ownership included	Model 14 Alternative measure on institutions	Model 15 Alternative measure on dependence	Model 16 Alternative measure on capabilities	Model 17 Alternative exclusion restrictions	Model 18 Control for acquirer size
Home country's economic institutions	0.042 (0.000)	0.096 (0.000)	0.037 (0.000)	0.039 (0.000)	0.033 (0.000)	0.039 (0.000)	0.038 (0.000)	0.039 (0.000)	0.036 (0.001)
Home country's political institutions	0.034 (0.000)	0.059 (0.000)	0.017 (0.000)	0.024 (0.000)	0.118 (0.000)	0.038 (0.000)	0.025 (0.000)	0.024 (0.000)	0.020 (0.003)
Home country's economic institutions × Mutual trade dependence	0.314 (0.000)	0.670 (0.000)	0.208 (0.000)	0.273 (0.000)	0.955 (0.006)	-0.098 (0.101)	0.273 (0.000)	0.277 (0.000)	0.301 (0.000)
Hone country's political institutions × Mutual trade dependence	-0.312 (0.002)	-0.510 (0.026)	-0.212 (0.022)	-0.235 (0.014)	-1.043 (0.020)	-0.157 (0.007)	-0.235 (0.015)	-0.242 (0.014)	-0.260 (0.058)
Home country's economic institutions × Acquirer's economic capabilities	0.002 (0.012)	0.002 (0.107)	0.001 (0.176)	0.001 (0.054)	-0.004 (0.000)	0.001 (0.043)	0.001 (0.026)	0.001 (0.054)	0.003 (0.039)
Home country's political institutions × Acquirer's political capabilities	0.345 (0.204)	1.400 (0.030)	0.546 (0.027)	0.481 (0.053)	-0.080 (0.790)	0.420 (0.093)	0.311 (0.182)	0.476 (0.055)	0.388 (0.284)
Mutual trade dependence	0.626 (0.000)	1.310 (0.000)	0.441 (0.000)	0.531 (0.000)	0.633 (0.000)	-0.036 (0.692)	0.529 (0.000)	0.528 (0.000)	0.651 (0.000)
Acquirer's economic capabilities	-0.003 (0.000)	-0.005 (0.000)	-0.002 (0.001)	-0.002 (0.000)	0.000 (0.788)	-0.002 (0.000)	-0.002 (0.000)	-0.002 (0.000)	-0.006 (0.001)
Acquirer's political capabilities	-0.151 (0.638)	1.264 (0.113)	0.645 (0.035)	0.330 (0.299)	0.465 (0.322)	0.260 (0.417)	0.361 (0.271)	0.372 (0.243)	1.688 (0.000)
Acquirer public listed	0.008 (0.000)	0.017 (0.000)	0.006 (0.000)	0.007 (0.000)	0.010 (0.000)	0.007 (0.000)	0.007 (0.000)	0.007 (0.000)	0.008 (0.000)
Acquirer diversification	-0.024 (0.003)	-0.087 (0.000)	-0.033 (0.000)	-0.032 (0.000)	-0.055 (0.000)	-0.033 (0.000)	-0.032 (0.000)	-0.032 (0.000)	-0.040 (0.007)
Acquirer's prior experience	-0.000 (0.852)	0.001 (0.749)	0.001 (0.525)	0.000 (0.827)	-0.000 (0.617)	-0.000 (0.830)	-0.000 (0.991)	0.000 (0.807)	0.004 (0.211)
Target public listed	-0.202 (0.000)	-0.324 (0.000)	-0.081 (0.000)	-0.148 (0.000)	-0.281 (0.000)	-0.148 (0.000)	-0.148 (0.000)	-0.148 (0.000)	-0.097 (0.000)
Target diversification	-0.019 (0.000)	-0.034 (0.000)	-0.010 (0.000)	-0.014 (0.000)	-0.010 (0.000)	-0.014 (0.000)	-0.014 (0.000)	-0.014 (0.000)	-0.008 (0.000)

	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18
Target industry relatedness	0.040 (0.000)	0.073 (0.000)	0.024 (0.000)	0.032 (0.000)	0.047 (0.000)	0.031 (0.000)	0.031 (0.000)	0.031 (0.000)	0.013 (0.000)
Target industry FDI restrictiveness	-0.292 (0.000)	-0.483 (0.000)	-0.208 (0.000)	-0.235 (0.000)	-0.121 (0.002)	-0.234 (0.000)	-0.234 (0.000)	-0.234 (0.000)	-0.268 (0.000)
Geographic distance	-0.013 (0.088)	-0.010 (0.624)	-0.006 (0.388)	-0.009 (0.241)	-0.017 (0.162)	0.004 (0.620)	-0.009 (0.246)	-0.011 (0.246)	-0.003 (0.796)
Cultural distance	-0.040 (0.000)	-0.066 (0.000)	-0.024 (0.000)	-0.031 (0.000)	-0.045 (0.000)	-0.020 (0.000)	-0.031 (0.000)	-0.031 (0.000)	-0.027 (0.000)
Legal difference	-0.062 (0.000)	-0.117 (0.003)	-0.046 (0.002)	-0.052 (0.001)	-0.027 (0.209)	-0.096 (0.000)	-0.052 (0.001)	-0.051 (0.004)	-0.045 (0.082)
Linguistic distance	-0.055 (0.000)	-0.112 (0.000)	-0.041 (0.000)	-0.047 (0.000)	-0.023 (0.010)	-0.035 (0.000)	-0.047 (0.000)	-0.047 (0.000)	-0.060 (0.000)
Home country GDP	0.042 (0.000)	0.095 (0.000)	0.037 (0.000)	0.039 (0.000)	0.022 (0.000)	0.041 (0.000)	0.039 (0.000)	0.039 (0.000)	0.051 (0.000)
Home country GDP per capita	0.054 (0.000)	0.132 (0.000)	0.045 (0.000)	0.050 (0.000)	0.007 (0.544)	0.063 (0.000)	0.051 (0.000)	0.049 (0.000)	0.068 (0.000)
Host country GDP	-0.419 (0.000)	-1.095 (0.000)	-0.480 (0.000)	-0.421 (0.000)	0.539 (0.021)	-0.443 (0.000)	-0.422 (0.000)	-0.414 (0.000)	-0.346 (0.043)
Host country GDP per capita	0.481 (0.000)	1.349 (0.000)	0.542 (0.000)	0.484 (0.000)	-0.645 (0.010)	0.498 (0.000)	0.485 (0.000)	0.477 (0.000)	0.376 (0.039)
Inverse Mills Ratio	0.208 (0.000)	0.411 (0.007)	0.158 (0.008)	0.177 (0.004)	0.134 (0.136)	-0.095 (0.052)	0.175 (0.006)	0.169 (0.019)	0.277 (0.016)
Acquirer Size									-0.013 (0.000)
Constant	5.416 (0.007)	12.321 (0.010)	7.252 (0.000)	6.037 (0.002)	-8.184 (0.047)	6.777 (0.000)	6.045 (0.002)	5.953 (0.002)	4.344 (0.147)
R-squared (pseudo)	0.084	0.108	0.095	0.097	0.108	0.097	0.097	0.097	0.095
Chi/F-statistics			148.19	155.89	83.36	157.84	156.29	156.04	59.84
Prob > F			0.000	0.000	0.000	0.000	0.000	0.000	0.000
Observations	133,623	133,623	129,546	133,623	69,754	133,623	133,623	133,623	55,991

Note: P-value are in parentheses. Year-fixed effects and host country-fixed effects are included but not reported.