Archives of Business Review – Vol. 8, No.12
Publication Date: December 25, 2020
DOI: 10.14738/abr.812.9506.
Shao, R., Wang, Y., Wang, H., Geng, Z., & Ma, L., (2020). Media Exposure and Acquisition Premium: Evidence from Chinese Investing Companies. *Archives of Business Research,* 8*(12). 142-161.*

Media Exposure and Acquisition Premium: Evidence from Chinese Investing Companies

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ABSTRACT

Acquisition deals often draw the attention of the media and the media exposure influences the decisions of stakeholders. Especially attractive in recent years are deals that Chinese companies are investing actively both within China and across the globe. How does media exposure influence the price premium of the target companies that Chinese companies acquire? Building upon the literature of economics and psychology, we develop competing hypotheses on the potential effect. In addition, we argue that the effects of media exposure are different between the Chinese companies' domestic and international acquisition deals. The data from the recent decade's transactions indicate that media exposure is associated with the higher premium, supporting the attention-based view. In addition, we hypothesize the effect of media exposure is larger for international deals than for domestic deals. Theoretical and practical implications are discussed.

Keywords: Media exposure; International business; Acquisition; Premium; China

INTRODUCTION

Business activities often attract attention of news reporters and the information dissimulation by media has great impacts on the stakeholders. For the acquisitions, media exposure does shape the dynamics of the acquirers' decisions, such as the premium paid. A salient example is the recent battle over controlling power of the Chinese real estate giant, Vanke. The battle was widely reported by the media and the premium paid before and after the media exposure demonstrated large difference. On July 22, 2015, the acquirer Qianhai Life Insurance paid only 6.27 percent premium when buying the stock of Vanke; the deal was later on widely reported by the media from December 7, 2015; afterwards, another acquirer, Western Leadbank Fund Management Co., paid 47.58 percent premium on December 9, 2015. Why did the acquirers pay so different prices before and after media exposure? In addition, is the effect of media exposure consistent for acquisition deals across the border or within a country? To both questions, the current theories provide contradictory explanations with the different focus from economic and psychological roots. This paper aims to resolve such conflicts by examining the media exposure effects on acquisition premium by Chinese investing companies.

On the one hand, the efficient market theory suggests that the information disclosed from media exposure can help business leaders make more effective decisions regarding the focal deals [1,2]. The dissemination of information through media alleviates the information asymmetry between corporates and the investors in the market; consequently, the stock price, stock returns and the price and premium paid in acquisitions deals will respond to the disclosure of information with efficient evaluation of the firm [3,4].

On the other hand, the media effect under the traditional efficient market assumptions are different from the attention-based view [5]. According to attention-based view of the firm, decision makers with bounded rationality are constrained by their ability to process the information. Hence, in the stock market, investors tend to buy the stocks which catch their attentions, and this suboptimal purchase set will drive the price of those stocks rising due to their limited attention [6]. These two contradictory predictions of the media effects remain an open question for the theory of firm.

In this paper, we choose acquisition as the context and analyze how media exposure of the acquisition deals influences the premium paid by Chinese investors because the characteristics of media impacts might be quite different in acquisition decisions and provide a proper context to resolve the conflicts and advance our understandings of theory of the firm for two reasons. First, firms might have incentives to maximum the return from dissimulating the news with the probability of the most optimal success during important corporate events [7]. Second, the media might also actively publish sensational information to catch limited attentions from the investors for the readership [8]. Therefore, it is both necessary and important to explore how media exposure influences the asset evaluation of target firms by the acquirers. Because Chinese companies are investing actively not only locally but also globally, we also analyze whether the premium paid is different between the domestic and international deals [9]. The possible interaction effect was also analyzed.

Our study contributes to the strategy and international business literature in four ways. First, theoretically, we juxtapose the efficient market theory and attention-based view to compare their predictions on the effect of media exposure to acquisition premium. The two theories lead to

conflicting hypotheses 1a and 1b, and we test empirically which theory is more applicable and test their boundary conditions.

Second, we contribute to the stream of research on media exposure in the merger and acquisition (M&A) literature. Although the media effects have been relatively well established in standard context such as in stock returns and corporate governance [10], such effects are still much less studied in M&A context. In a non-standard context of acquisition processes, firms might not disclose important information such as the evolvement or the processes of the negotiation [11]. Especially important, we checked the media exposure of the potential deals before the transaction dates to capture the effect, making the comparison between efficient market theory and attention-based view salient.

Third, Chinese companies have become the most active investors in the world. These companies are investing heavily both globally and locally. Their behaviors represent the recent trend of investment from the emerging markets. Compared with acquisition studies in developed economies, the research in emerging markets are relatively underdeveloped [12]. As emerging markets are normally lacks of strong market-based institutional framework for internal and external governance, it is critical to understand their asset pricing strategy under the exposure of media in the weak institution context [13].

Last but not least, our research also contributes to the understanding of business theory and practice in non-English speaking countries. Although the location-specific factors have been identified with linguistic impacts [14], the research still largely focus on the English-speaking countries or news in English media, leaving non-English speaking countries relatively underdeveloped [15,16].

Using the data in the last decade from the Thomson Securities Data Company (SDC) Platinum M&A database, we found that Chinese companies paid higher premium when their deals were covered by the commercial media in China than when not covered; they also paid higher premium when their target companies were located in foreign countries than when their target companies were in China. The difference caused by media coverage was larger for international deals than for domestic deals: although the difference was not statistically significant, it was practically important for Chinese investing companies to be cautious. Our results offer important theoretical and practical implications, discussed at the end of the text.

HYPOTHESES DEVELOPMENT AND CONCEPTUAL FRAMEWORK

Both efficient market theory and attention-based view have addressed the issue at hand. Efficient market theory has dominated the curricula of the business schools and the assumptions of policy makers for many decades [17]. The efficient market theory can be traced back to the famous slogan of "the invisible hands" from Adam Smith. Most notably,

> *It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages [18].*

Thus, the economists and management scholars following this stream of research argue that the market mechanism itself is efficient. In a free market, players in the market are able to serve their own self-interest in a way that these players' interests as well as the whole society's welfare will be maximized [19].

The seminal work in psychology indicated the widely spread phenomenon of the availability heuristics [20]. The stream of research indicates that when some information is made available to individuals, the individuals tend to estimate that the information covered is present more than its true share in reality. More formally extended to the context of firms, Ocasio's attention-based view argues that firm decision makers are only bounded rational [5, 21]. As a result, the information to which they pay their attention influences their choice of the course of action, such as paying a high price for the deals or not. The attention-based view and its theoretically relevant perspectives predict that, due to the bounded rationality and limited attention to process all the information, investors tend to over-react to the information they receive. When some critical events were reported, investors tend to evaluate the information to degrees larger than the actual information [22]. Even when the media exposure revealed offered only obsolete rather than any new information, it also influences the market reaction to the valuation of the companies [23].

Although both theories provide significant insights about the firm, they provide different predictions for the effects of media exposure in acquisition decisions. This paper tests this boundary conditions with the decision of acquisition premium. Specifically, we develop hypotheses based on each of the two theories and empirically test which one of them holds true in M&A context.

Media Exposure and Premium

Economics Perspective Applied: Efficient Market Theory

The efficient market theory literature predicts the market information disseminated through the media alleviates the information asymmetry between corporates and the investors; consequently, the acquisition price should reflect the existence of media exposure. For instance, Fang and Peress found the stocks with no media coverage earn higher returns than high media coverage by studying cross-sectional stock returns and their media coverage in four major US newspapers (namely, New York Times, USA Today, Wall Street Journal, and Washington Post) [15]. They argue that media exposure increased the information depth of the covered stocks and hence simultaneously reduced the information asymmetry for evaluating the future return. A more recent study by Peress demonstrated media contribute to the efficiency of the stock market by improving the dissemination of information among investors and its incorporation into stock prices [24]. Overall, this approach views that the existence for a media is because the value of information it provides for the readers and hence the investors will pay for the information that could reduce the asymmetry effects, making the market more efficient.

Applying this stream of research to the context of media exposure and acquisition premium, media exposure reduces the problem of information asymmetry in investment and evaluation of firms [25]. The media coverage of a potential acquisition can help reduce the asymmetry, and then reduce the cost of lack of trust in the acquisition. As a result, the costs associated with the contract will be seen as lower by the acquirer companies [26]. Media exposure has been found to influence stock returns of the public companies [15, 27].

In addition, the acquirers normally assess the targets with all available information before the deal is announcement to the public [28]. The acquisition price is based on the true value of the target firm [29]. The managers in the target companies are insiders and normally possess richer and more accurate information regarding the true value of the target companies than the managers in the acquirer companies. Media exposure helps reduce the information asymmetry such that the acquirer companies' managers obtain more information regarding the true value of the target. Thus, they become less likely to pay high premium than in the context where no media exposure occurs. Therefore, we predict:

> *Hypothesis 1a. Media exposure of an acquisition deal is negatively associated with the premium of the deal.*

Psychology Perspective Applied: Attention-Based View

Applying the attention-based view to this context, media coverage of a potential transaction tends to make readers to formulate cognition that the type of transactions is more often to occur than they actually did, the companies reported are more influential than they actually were. Before a transaction of M&A, firm decision makers often are diligent and alert toward all relevant information regarding the deal. When a target company and the proposed deal are reported by the media, the attention they paid to tends to increase their perceived likelihood of the value of the acquisition. Consequently, they tend to have a stronger desire to complete the deal, even if a higher premium is required. Previous studies also indicate that the media coverage can offer information that the target company's managers enjoy legitimacy as judged by the industry such that acquisition premium is justified [30].

In addition, especially to our sample, many Chinese companies have strong desire to become more influential. Since the 1980s and especially after "go global" policy was initiated in 2001, "making our company one of Fortune 500" has become a long-lasting goal pursued by many Chinese companies [31]. Being reported often means that the acquirer company is influential [32]. This tendency might strengthen the CEO hubris which has been linked to the M&A premiums in the previous literature [33]. It is possible that the hubris of the business leaders—when they are acquirers in these deals—both influence the media exposure and acquisition premium.

Empirical studies have already found the effect of media exposure on stock price, supporting the idea of attention-based view [23]. Valuation of a firm is higher if its controlling shareholder receives more non-negative media reports [26]. An investigation by McKinsey of more than 200 investors found that 80 percent of them were willing to pay a premium for better corporate governance [34]. Hence, we propose:

> *Hypothesis 1b. Media exposure of an acquisition deal is positively associated with the premium of the deal.*

Origin of the Target Company

The two streams of literature also render different predictions on whether the Chinese investing companies are willing to pay a premium when their acquisition target companies are located within China or from abroad.

Economics Perspective Applied: Efficient Market Theory

Efficient market theory assumes that decision makers are rational in pursuing their own firms' economic interests. As a result, when deciding what a price is appropriate in an M&A deal, firm leaders tend to consider the economic, institutional, and cultural aspects. For example, the differences between the target companies and the acquiring companies often constitute barriers for subsequent integration, thus decreasing their willingness to pay a high price [35]. Larger distance in institutions often make acquisitions more difficult to succeed [36]. Especially hard is the post-acquisition integration because failure rate is about two-thirds in international transactions.

China is a relatively latecomer in the global economy cooperation [37]. As a result, the management practices in China demonstrate sharp differences from those of their cohorts in the developed countries [38]. In addition, the managers in China also lack the international business experiences, making them less capable to manage foreign divisions effectively [39]. From the efficient market theory's rational perspective, Chinese investing companies shall be less willing to purchase foreign companies compared to Chinese companies. In other words, the distances in institutions, culture, and economy conditions reduce the willingness of the Chinese investing companies to pay a high price. Possibly only a lower price can attract them to surmount the management and integrating barriers to buy foreign target companies in M&A deals.

Previously an empirical study has found that among company takeovers, the post-integration performance is much higher for cases when the acquiring companies enjoy higher status than the target companies [40]. At the same time, most Chinese managers believe that compared to their cohorts in developed countries, the Chinese companies possess only lower status (in this study's context, compared with Sweden companies) [41]. Thus, we argue:

> *Hypothesis 2a. Acquisition deals with foreign target companies have lower premium than acquisition deals with domestic target companies.*

Psychology Perspective Applied: Attention-Based View

As recommended by the attention-based view, decision makers are not always rational, they often formulate perceptions based on what information they are exposed to [21]. An acquisition deal of buying a foreign company could lead to better fulfillment of the ego of the company leaders. These deals often catch the attention of the decision makers so much that they even possibly forget the true value of the deal but are willing to pay a high premium. For example, people tend to develop product country images based on their personal experience or information acquired from media [42]. Price premiums are paid to Italy-made bags, Germany-made vehicles and Japan-made appliances. In the same category, all leather bags from Italy could sell much more expensively than those from the US, and then than those from Vietnam [43].

Decision makers from different countries are often aware of their national identity. Such attention makes their decisions different from the rational predictions. For example, in the case of company acquisitions, some company leaders could even direct their attention toward irrational aspects such as the possible effect of the deal on their national people's pride. An empirical study investigating 295 cases of companies from developing countries acquiring companies from developed countries [44]. They found that among these deals, when the buyers' attention was directed toward the pride of their national people relevant to the deals, they are willing to pay a

premium twice as much as in the cases when no such national pride consideration was present. Obviously, attention of decision makers could lead to irrational outcomes on the acquisition premium.

The consideration of target companies being domestic or foreign is especially remarkable for Chinese investing companies. China has been the largest developing country for long, invaded by many stronger foreign countries numerous times in the past two centuries, making the Chinese nationals very sensitive to issues relevant to national pride and respect [45]. Many Chinese local government agencies are willing to offer large size of benefits to attract foreign investment. Even now, the flattery attitudes toward foreign brands, foreign investments, and even foreign relatives have been persistent in China for many years. The pride associated with leading a company successfully acquiring a foreign company will encourage many Chinese business leaders to act boldly, including bid high.

> *Hypothesis 2b. Acquisition deals with foreign target companies have higher premium than acquisition deals with domestic target companies.*

Interaction Effect Predicting Premium

Although the efficient market theory and the attention-based view render different predictions regarding the two pairs of main effects above, their prediction on the interaction effect is consistent. Based on the efficient market theory, information asymmetry is more salient a problem for international deals than for domestic deals [46]. Media exposure more effectively reduces the problems associated with lack of information, lack of trust, and fear of institutional distance involving foreign target companies than the problem involving domestic target companies. Consequently, the access to the information regarding the international acquisitions is more important and useful for investing companies than the information regarding domestic acquisitions [7]. Thus, the effect on premium by media exposure on acquisitions with foreign targets tends to larger than on acquisitions with domestic targets.

The attention-based view of the firm predicts the same direction of hypothesis. Psychologically, pride can be associated with international deals where a foreign company is acquired by a Chinese company. Such pride tends not to appear in domestic deals when a domestic Chinese company was acquired. In addition, the media also have the incentive diffuse and exaggerate such sentiment in order to catch the attention from readers [8]. Especially for the acquirers from emerging markets such as Chinese firms, the national pride might play an important role to drive managers to over bid [44]. Consequently, media exposure on deals of acquiring a foreign target company makes the pride more salient in driving the decision makers to become willing to pay a high premium [5].

> *Hypothesis 3. Target company location moderates the relationship between media exposure and acquisition premium; specifically, for the Chinese acquirer companies, when target companies are located in foreign countries, the relationship between media exposure and acquisition premium is stronger than when target companies are from China.*

METHODS

Sample and Data Source

To test our hypotheses, we obtained the sample of Chinese companies' acquisitions deals from SDC Platinum M&A database, which provides detailed information on companies' merge and acquisition deals in the past few decades [47]. We chose the time domain of transactions from the January 1st, 2009 to September 18th, 2017 (the most recent time when collecting the data) for two reasons. First, Chinese companies became important global investors only after 2005. Their investments became especially important after 2009 [48]. Second, the year of 2008 featured the global financial and economic crisis in the world such that deals before the crisis could be different in certain aspects such as deal value and performance from those after [49]. Within the time frame, we found totally 2,417 M&A transactions among which the acquirers are Chinese companies. In order to better control national variations while maintain the representativeness for the diversity of the world, we limited the target companies to be located in the G20 group because it is a formal inter-governmental organization to strengthen international prudential financial standards with the enforcement by the national leaders [50]. The G20 group includes, alphabetically, Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union. Within this time and geographic frames, we finally identified in total 2,134 M&A transactions, accounting for 88 percent of all transactions.

We cleaned the dataset in a number of aspects to obtain a useable dataset for hypothesis testing. First, we excluded 890 deals that are labeled "intended," "pending," or "withdraw" because our hypothesis testing requires us to use the information regarding the paid premium.

Second, we further deleted another 415 transactions without information about the exact acquirer's name. Our hypothesis testing requires us to search information on media exposure such that the acquirer's exact name is necessary.

Third, we also deleted 37 transactions without information about any one out of three kinds of premium price in case of having the missing value of premium price.

Fourth, we deleted 22 cases of privatization because the privatization could involve mechanisms other than our research domain that influence premium.

Fifth, we deleted another 4 observations with repeated deals because (1) the premium in the repeated deals possibly does not reflect the true transactions and (2) inclusion of these cases will violate the requirement for independence of observations.

Sixth, we deleted 39 related deals because of its blur definition by SDC, which leads to ambiguous effects on focal deals. (the related deals which mean two or more deals exist which cause or affect each other including, but not limited to, competing bids, divestitures or seeking buyers connected with a merger, defensive transactions, stakes before acquisitions).

Finally, we obtained a dataset consisting of 727 deals, among which 637 transactions had target companies from China and 90 from other countries of G20.

Variables and Measurement

Dependent variable

The dependent variable in our analysis, acquisition premium, was measured as the percentage difference between a purchase price and a target firm's value before the date of the announcement of the acquisition. The SDC database recorded the premium at three time points: one day, one week and four weeks prior to the date of the announcement. To ensure the robustness of our results, we used all of the three measures in data analyses (Further explanations for the computation of the premium measure, using the 1 Day premium as an example. The 1 Day premium measure is called PREM1DAY in the SDC dataset. Specifically, from the SDC manual, "Premium 1 day prior to announcement date: Premium of offer price to target closing stock price 1 day prior to the original announcement date, expressed as a percentage: [(HOSTPR – HOSTC1DAY) / HOSTC1DAY] * 100" (SDC, 2017, p. 256). Among them, "HOSTPR is price per common share in host currency: Price paid per common share or partnership unit by the acquirer in the transaction, stated in the currency of the target company's nation. In cases where a range of prices was paid, HOSTPR is the highest price paid per share" (SDC, 2017, p. 121). HOSTC1DAY is "target stock price 1 day prior to announcement date in host currency: Closing price of target's common stock on primary stock exchange 1 day prior to original announcement date of the transaction stated in the currency of the target company's nation" (SDC, 2017, p. 105).). The SDC approach to measuring premiums has been widely used in prior acquisition research in management and other fields [51, 52].

Independent variable

Our independent variable in the study is media exposure of the acquisition deals. In operationalization, media exposure can be measured by the intensity of exposure (i.e., how intensively the deal was reported by the media), valence of exposure (i.e., the degree to which media coverage talks about favorable attitudes toward the transaction), the type of media covering the deals (i.e., whether globally recognized media, local media, industrial media, or financial media has covered the deal), and so on. In our context, the acquirers were all Chinese companies such that it is reasonable to limit our search to Chinese media only.

In China, the media relevant to the acquisition deals can be divided further into three types: official media, commercial media and industrial media. Among them, official media may cover a deal if the deal is important for development of certain areas or industries. Official media includes Renmin, Xinhua, and so on. Commercial media mainly reports international and domestic important business events such as when the size of the transaction is large. Commercial media includes Sina Finance, NetEase Finance, Finance, China Business News, The Economic Observer, iFeng, among others. Industry media tends to report a deal if the deal is important to its specific industry. For example, a deal in the coal industry is more likely to be reported by the media in the energy sector. Industry media includes Southern Energy Observation, Stainless Steel Trading, China Aluminum, among others. Since the spread of news need take some time, we decide to choose 2 days before, rather than on the announcement day of acquisition.

For two reasons, we chose to use exposure of commercial media. First, business decision makers more likely read commercial and industry media than official media, because the latter often focuses on political and social news. In addition, commercial media covers topics more generally relevant to investment decisions, but industry media more likely focuses on single industrial sector. However, in our databases, the majority of the transactions are cross-industry ones, as

indicated by the 4-digit SIC code showing that only 13.9 percent of the deals occurred within the same industry. Second, empirically, the commercial media exposure variable offers the largest variance for us to analyze the data. Based on the data we obtained from the search, the commercial media was the most likely (31.2% of the deals) to report the deals, followed by industry media (14.3%), and the least likely official media (2.5%).

In addition, the news reports of a deal were often highly similar (possibly they copy from one another). Thus, we believe it is the most reasonable if we use a dummy variable rather than a continuous variable covering a measure such as density [26]. Following the reasoning, we develop the media exposure as a dummy variable: it equals to "1" if any of the information about the acquisition was exposed by these commercial websites at least 2 days before acquisition announced date, and "-1" otherwise [53](Although many studies use 1 and 0 to denote dummy variables, such practice could lead to a serious problem when computing interaction term. For our study's purpose, we plan to analyze the interaction effect comparing the difference between the acquisition premium caused by media exposure in global deals and the premium caused by media exposure in local deals (i.e., the "difference in difference" approach). Thus, using 1 and -1 for the two levels of the dummy variable will solve the problem. In addition, when using ANOVA, the problem does not exist anymore.).

Moderator

To test our hypothesis, we need to specify whether a deal involved a Chinese domestic target firm or an international firm. We created a dummy variable, cross border, with its value assigned to be "-1" if the target firm was located in China and "1" if the target firm was located in other countries in G20.

Control Variables

Premium of the acquisitions is influenced by a number of factors other than those modeled in our paper. We include the most relevant ones that could distort the relationships we are interested to test in the paper. First, we included deal size as a control variable because large deals are both more likely to be covered by commercial media [51, 52]. Deal size was measured as the value of transaction, which was reported in millions of US dollars (USD). In our dataset, the value of transaction ranged from less than 0.5 million USD to 12.8 billion USD. Following the norm in studying M&A, we computed the natural logarithm of the deals to reduce the problem of non-normal distribution in observations [54]. Alternative variables indicating the deal size include the target company's number of employees, the target company's current assets, and the target company's total assets. However, all these three variables highly correlated with the value of transactions (r's ranged from .27 to .58, p's < .001). Consequently, we use the value of transaction as the only control variable for deal size to reduce the potential problem of multicollinearity.

An acquisition deal is also labeled as having different attitudes. "Friendly" attitudes mean that "the board recommends the offer", "neutral" attitudes mean that "the management of the target has nothing to do with the transaction", "not applicable" attitudes mean that "the board is not applicable (i.e. open market repurchases, split-offs and spinoffs)", "unsolicited" attitudes mean that "the offer is a surprise to the target's board and has not yet given a recommendation", and "hostile" attitudes mean that "the board officially rejects the offer but the acquirer persists with the takeover". Thus, we controlled the category variable of acquisition attitude, which was coded as

"1" if the deal attitude was hostile and "2" if unsolicited, "3" if not applicable, "4" if neutral and "5" if the attitude was friendly. Here, we transformed the attitudes' values to be represented by numbers using the rationale that the higher the number, the more positive the attitudes are. Obviously, friendly attitudes are more positive than neutral, and neutral more positive than not applicable, and so on.

Finally, we included a control for industry relevance because industry relevance often is associated with acquisition premium significantly [7]. We compared the four-digit SCI code of the acquiring companies and their targets. The variable representing the same industry was assigned a value of "1" if their SIC codes are the same, and "-1" otherwise.

Analytical Strategy

Our dependent variable has three measures, namely, the percentage difference (premium paid by the acquirer company) between a purchase price and a target firm's value 1) one day, 2) one week, and 3) four weeks prior to the date of the announcement recorded by the SDC database. To ensure the robustness, we used all three of them to capture a full spectrum of the premium measures. The results we reported below thus include all the three sets of analyses. However, to ensure succinctness, we used only the premium one day prior to the date of the announcement in out text and figures.

Our independent variables are two dummy variables, namely, media exposure (yes or no, by the commercial media in China) and cross border (deals involving domestic Chinese companies or foreign companies as target companies). Thus, the appropriate approaches of hypothesis testing include analysis of variance (ANOVA) and the multivariate ordinary least-squares regression (OLS). The OLS approach is straightforward and widely used in the field. However, the ANOVA approach can better capture the average premium paid under different conditions. Below, we also report results using both approaches in their most suitable ways.

RESULTS

The descriptive statistics and correlations for our variables of interest are displayed in Table 1. From the table, the minimum value of the premium was about negative 94 percent, which means that the target company having that value was acquired at only 6 percent of its booked value. Such transactions could be extremely special such that the premium could be determined by factors beyond our study's domain. It is worth pointing out that some outlier cases, where the premium was negative and actually very low, existed in the dataset. In fact, among all 727 transactions, 29 of them had premium-1day measure lower than 50 percent. That is, these companies were acquired at a price lower than half of its registered book value. Among them, 28 transactions involved Chinese target companies and only 1 transaction involved an Australia target company. However, to make sure that our analysis results are robust, we will report two sets of results below—one includes these transactions, and one without.

Table 1 also indicates that media exposure had positive correlations with the three measures of the premium. These correlations offered a preliminary support to H1b, but different from H1a. In addition, cross border transactions had positive correlations with premium measures. These correlations offered a preliminary support to H2b, but different from H2a. Last but not the least,

the correlations between the independent variables, and between the independent variables and control variables suggest multicollinearity is not a serious concern in our subsequent analyses.

Table 1. Descriptive Statistics and Correlations

	N	Minimum	Mean	Maximum	s.d	1	2	3	4	5	6	7
1. Premium-1 day (%)	727	-94.44	2.35	584.48	43.603							
2. Premium-1 week (%)	727	-94.44	4.21	634.79	44.932	.980**						
3. Premium-4 weeks (%)	727	-94.58	6.56	562.23	45.880	.921**	.937**					
4. Media exposure (1 = yes; -1 = no)	727	-1	-0.38	1	0.927	.139**	.129**	.125**				
5. Cross border (1 = yes; -1 = no)	727	-1	-0.75	1	0.659	.145**	.163**	.177**	.233**			
6. Value of Transaction-natural logarithm	727	-2.10	1.81	4.11	0.654	.101**	.089*	.093*	.141**	-.126**		
7. Attitude (1 = hostile; 2 = unsolic.; 3 = not applicable.; 4 = neutral; 5 = friendly)	727	1	4.66	5	0.584	.021	.013	.061	.063	.077*	.193**	
8. Industry Relevance (1= yes;-1= no)	727	-1	-0.72	1	0.692	.020	.009	-.020	.055	.054	.021	-.208**

Notes: *1. Premium-1 day (%) means the percentage difference between a purchase price paid by the acquirer and the target company's value one day prior to the date of the announcement, recorded by the SDC database. The same for Premium-1 week (%) and for Premium-4 weeks (%).*
2. N: The number of observations for each variable in our dataset. s.d.: Standard deviation.
*3. Significance levels: * p < .05; ** p < .01 (two-tailed).*

Hypothesis Testing

The regression results were presented in Table 2 where the three indicators of premium were all included in separate analyses (Table 2 reports the regression results of deals in which the premium paid lower than -50% cases were deleted. In fact, such extremely low premium was recorded among 29 deals using the 1-day premium measure, 31 deals using the 1-week premium measure, and 35 deals using the 4-week premium measure. Thus, the different sections of Table 2 used slightly different samples. However, Table 3 reports the regression results of all 727 deals, with results virtually the same and demonstrating the robustness of our results.). From Table 2, the relationship between media exposure and the acquisition premium is positive. For example, for the premium-1day measure (Model 2), covered by commercial media increased the premium by 4.28 percent with p-value is .015 (s.e. = 1.76%). The same pattern existed for the premium indicators with 1 week and 4 weeks as the time-window to compute premium (Models 5 and 8). The effect

kept nearly same when the interaction term was added to the regression equations (Models 3, 6, and 9). In addition, when all the transactions with extremely low premium (lower than 50%) were included in the dataset, the results remain virtually the same (see Table 3). Thus, the results supported the attention-based view applied to this context (H1b), but were different from the efficient market theory (H1a).

Table 2. Regression Results Testing Hypotheses (The cases with discount larger than 50% were deleted)

Variable	Premium-1 day			Premium-1 week			Premium-4 weeks		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Constant	-2.119	11.263	11.359	1.496	15.925	16.062	-8.001	7.185	7.725
	(13.076)	(13.195)	(13.210)	(13.435)	(13.533)	(13.548)	(13.755)	(13.824)	(13.828)
Value of transaction	5.434*	5.989*	5.886*	4.852†	5.756*	5.614*	3.904	4.952†	4.410†
	(2.489)	(2.521)	(2.561)	(2.561)	(2.590)	(2.631)	(2.611)	(2.640)	(2.679)
Attitude	-0.449	-2.051	-2.065	-0.665	-2.433	-2.454	2.105	0.241	0.157
	(2.832)	(2.814)	(2.816)	(2.914)	(2.890)	(2.892)	(2.975)	(2.945)	(2.945)
Industry relevance	0.536	-0.524	-0.551	-0.313	-1.45	-1.487	-1.826	-3.025	-3.168
	(2.326)	(2.304)	(2.308)	(2.393)	(2.366)	(2.370)	(2.436)	(2.404)	(2.406)
Media exposure		4.279*	4.696†		3.804*	4.381†		3.782*	5.991*
		(1.756)	(2.505)		(1.806)	(2.573)		(1.844)	(2.615)
Cross border deals		8.205***	8.135***		9.745***	9.648***		10.583***	10.213***
		(2.460)	(2.480)		(2.528)	(2.549)		(2.570)	(2.588)
Media exposure × Cross border deals			0.575			0.797			3.056
			(2.461)			(2.528)			(2.565)

Note: *Significance levels (two-tailed): † p < .10; * p < .05; ** p < .01;*** p < .001.*

The result in Table 2 also shows that global deals have higher premium. For example, for the premium-1day measure (Model 2), global deals had 8.21 percent higher premium with p-value is 0.001 (s.e. = 2.46%) than domestic deals. The same effect existed for the other two premium measures. The effect kept the same when the interaction term was added. In addition, the effect also remained virtually the same when the deals with more than half discount were included in the analyses (Table 3). Thus, the results supported the attention-based view applied to this context (H2b), but were different from the efficient market theory (H2a).

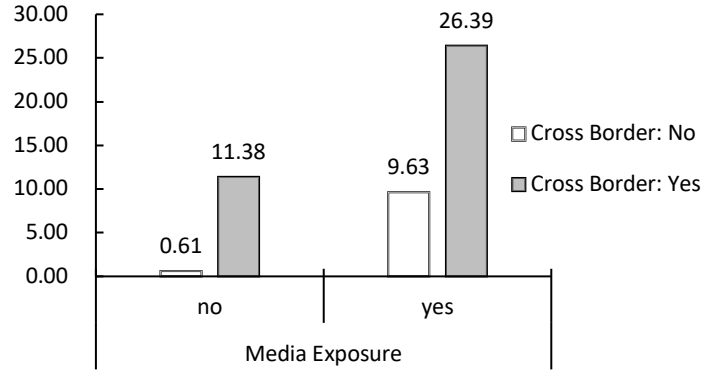
Table 3. Regression Results Testing Hypotheses (including all cases)

Variable	Premium-1 day			Premium-1 week			Premium-4 weeks		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Constant	-10.728	3.504	3.448	-5.405	10.194	10.164	-20.3	-3.781	-3.569
	(13.162)	(13.270)	(13.282)	(13.580)	(13.664)	(13.676)	(13.847)	(13.909)	(13.918)
Value of transaction	6.611**	7.209**	7.293**	6.144*	7.102**	7.147**	5.964*	7.163**	6.846*
	(2.519)	(2.544)	(2.582)	(2.599)	(2.619)	(2.659)	(2.650)	(2.666)	(2.706)
Attitude	0.422	-1.206	-1.197	-0.261	-2.093	-2.088	3.323	1.352	1.317
	(2.885)	(2.961)	(2.863)	(2.976)	(2.946)	(2.948)	(3.035)	(2.999)	(3.000)
Industry relevance	1.196	0.102	0.126	0.414	-0.777	-0.764	-0.828	-2.084	-2.173
	(2.387)	(2.361)	(2.365)	(2.463)	(2.431)	(2.436)	(2.512)	(2.474)	(2.479)
Media exposure		4.344*	3.983		3.845*	3.651		3.487†	4.844†
		(1.791)	(2.578)		(1.844)	(2.655)		(1.877)	(2.702)
Cross border deal		9.155***	9.219***		10.918***	10.952***		12.127***	11.887***
		(2.530)	(2.553)		(2.605)	(2.629)		(2.652)	(2.675)
Commercial Media × Cross Border			-0.494			-0.266			1.856
			(2.536)			(2.611)			(2.657)

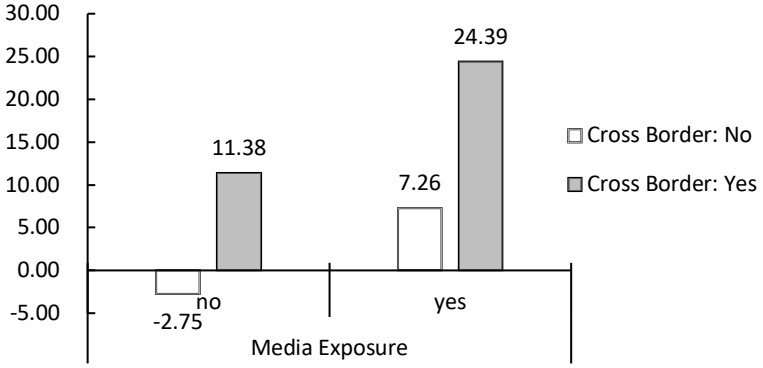
Note: *Significance levels (two-tailed): † p < .10; * p < .05; ** p < .01;*** p < .001.*

Hypothesis 3 predicts an interaction effect that the difference in premium caused by media exposure is larger for global deals than for domestic deals. This hypothesis, however, was not supported. Checking at the models at Table 3 where the extremely low premium cases were added back to analyses led to the similar conclusion.

We further tested all hypotheses and demonstrate the pattern of difference using ANOVA. Here, we deleted all the 29 transactions with extremely low premium, and used the premium-1day as our dependent variable. Results indicated that the effect of media exposure was significant, $F(1, 694) = 6.15$, $p = .013$. The effect of the location of target companies was also significant, $F(1, 694) = 8.08$, $p = .005$. The interaction effect was not significant either, $F(1, 694) = 0.38$, n.s. The means of all conditions were plotted in Figure 1 (Panel a). Although the difference caused by media exposure was different in the Figure 1, statistically, the "difference in difference" was not significant. When using the other premium measures, and adding the 29 extremely low premium transactions back to analyses, the results remained virtually the same (Panel b).



Panel a: Deleting the observations that have premium lower than -50% (N = 698)



Panel b: All observations (N = 727)

Figure 1. Premium (1 Day) Paid by Chinese Acquirer Companies under Different Conditions

CONCLUSION

Using 727 domestic and international acquisitions in which Chinese companies invested, we found that these companies paid higher premium when the deals were reported by commercial media. In addition, the Chinese companies also paid higher premium when they invested in foreign companies from the G20 countries other than China, than when they invested in Chinese companies. The difference in premium paid caused by media exposure was a little higher when they invested in foreign companies than when they invested in Chinese companies. Although the difference was not statistically significant, it still is economically important. The findings contribute to the literature as well as to practice.

We believe the reason possibly caused the results different from our H3 is our invalid assumption of the degree of information asymmetry for domestic and international acquisitions in China context. It is possible that the assumption was invalid that the information asymmetry could be more serious a problem for global acquisitions than for domestic acquisitions. China is a country with diverse institutional, economic, and cultural environments. A province in China often has its own specific policies promoting its economic and social development. Different provinces all try to take advantage of their natural resources, locations, and talents. Such diversity within a country is often described as no smaller than those between Germany and Spain [55]. Consequently, the within-China difference makes the media exposure's effect in reducing information asymmetry for

domestic Chinese deals as strong as for international deals. The "difference" in the effect caused by media exposure became not significantly different.

Findings in this paper contribute to the literature of international business in a number of aspects. First, through rigorous empirical tests, we found support for the attention-based view applied to the context of studying the effect of media exposure to acquisition premium. In fact, a large number of studies have investigated the question of "what are determinants of premium in M&As" [56]. According to our findings, decision makers of the Chinese investing companies are not as rational as the efficient market theory predicts. Decision makers' attention could be directed to the publicity or fame of their companies. Thus, the attention-based view proves to be more relevant in this context, but the efficient market theory could be over-simplified in the real-life decision making context. Our study extends the attention-based view into the field of M&A.

Second, we contribute to the literature on media exposure in the acquisition processes by identifying the different impacts on foreign and local transactions. Although the literature has long identified the differences for the locations of targets, our study extends the understanding of local-specific factors to a non-traditional stakeholder, the media, with both theoretical and empirical contributions.

Third, our study focuses on the very active investors in the current economy of the world, that is, Chinese companies. The findings demonstrate that the Chinese companies possibly are not investing rationally. Given the fact that Chinese companies are becoming more and more active in the world, the empirical findings of this paper offer important understandings to the literature [48].

This paper also has practical Implications which managers can learn from our results in different ways. First, acquiring companies are recommended to remain silent from the media to avoid paying high premium. Although we did not differentiate different types of media exposure, the overall effect of media exposure has been found to be associated with high premium in the acquisitions. Decision makers from the acquiring companies need to be aware of controlling their attention to more meaningful aspects relevant to their deals, rather the publicity of the deals.

Second, our findings can recommend leaders of the target companies differently because they could actually gain higher premium if the transactions at hand are reported by the commercial media. The media exposure makes the deal publicly known, making the acquiring companies' leaders' ego to function. These leaders could possibly become willing to pay high premium.

Third, the two aspects are especially important for Chinese companies investing globally. Global acquisitions, if reported by the media, could witness even higher premium. Even though the effect was not statistically significant, the actual difference could be about 6 percent, leading to sound practical significance [57].

Like all empirical studies, this paper also has a few limitations, calling for future research to improve incrementally. First, our data cover only transactions involving G20 countries. These transactions, though covering almost 90 percent of all transactions recorded by SDC, still do not cover all of them. Given that G20 covers about 85 percent World GDP, and 80 percent world

investment, we believe our sample could be generalized to the real world. However, it is still possible that companies from some other countries may invest mainly in countries other than G20. Future research can address this problem using a startling different context to test whether our findings still hold and can be generalized.

Second, some extreme transactions existed in our dataset, making it necessary for us to conduct multiple tests for robustness. A few dozens of transactions had extremely low premium (29 of them had more than half discount). We believe that such transactions involved factors beyond the domain of our study. Thus, we reported results using datasets including them and datasets excluding them. Future research can possibly investigate the factors leading to the extremely low premium, and test whether our findings still hold when such factors are included in analyses.

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