NORTH-HOLLAND

Journal of International Management
4 (1998) 267–287

THE FOX SCHOOL of Business and Management
TEMPLE UNIVERSITY

Top management departures in cross-border acquisitions: Governance issues in an international context

Jeffrey A. Krug [a,*], Douglas Nigh [b]

[a] *University of Illinois at Urbana-Champaign, Department of Business Administration, 350 Commerce West Bldg., 1206 South Sixth Street, Urbana, IL 61820, USA*
[b] *University of South Carolina, The Darla Moore School of Business, Columbia, SC 29208, USA*

Abstract

This study examined top management team departures in U.S. manufacturing firms acquired by a foreign multinational during the six-year period following acquisition. Results indicated that greater cultural distance between the United States and the home country of the foreign multinational, higher levels of international integration in the target industry, and poor preacquisition performance in the U.S. target company were related to greater postacquisition top management departures. These effects were moderated significantly by the foreign acquirer's international business and U.S. acquisition experience and showed different patterns over the short-term, intermediate-term, and long-term. Implications for future research on top management teams involved in cross-border acquisitions are discussed.

Keywords: Cross-border mergers and acquisitions; Top management teams; Turnover effects; Governance issues

Top management departures in U.S. manufacturing firms acquired by a foreign multinational were examined for six years following the acquisition. Greater cultural distance between the United States and home country of the foreign multinational, higher levels of international integration in the target industry, and poor preacquisition performance in the U.S. target company were associated with greater postacquisition top management departures. These effects were moderated by the foreign acquirer's international business and U.S. acquisition experience. Different patterns were found over the short, intermediate, and long term.

1. Introduction

Top managers depart their firm at almost twice the normal rate following an acquisition (Walsh, 1988, 1989; Walsh and Ellwood, 1991). Departures are significantly higher in U.S.

* Corresponding author. Phone: +1 217-244-7991; Fax: +1 217-244-7969; E-Mail: jakrug@uiuc.edu.

1075-4253/98/$–see front matter
PII: S1075-4253(98)00015-5

firms acquired by a foreign multinational (Krug and Hegarty, 1997; Krug and Nigh, 1998). This is an important concern, given that high rates of executive departures following an acquisition are associated with lower postacquisition performance (Cannella and Hambrick, 1993; Krishnan et al., 1997). While a growing body of knowledge has contributed to our understanding of top management departures in purely domestic U.S. mergers and acquisitions (M&As), our understanding of this phenomenon in cross-border M&As is practically nonexistent (Walsh, 1988, 1989; Walsh and Ellwood, 1991; Hambrick and Cannella, 1993; Walsh and Kosnik, 1993). This research addresses this gap in the literature by examining the main and interactive effects of national culture, international integration, international and U.S. experience of the foreign multinational, and preacquisition performance of the U.S. target firm on U.S. top management teams involved in a cross-border acquisition. In doing so, this research provides the first insight into the nature of top management changes in U.S. firms acquired by a foreign multinational and the organization-level factors that influence them. Additionally, it addresses the need in the literature for research that examines explanatory factors above the individual level of analysis (Shaw et al., 1998).

2. Theory and hypotheses of main effects

2.1. International corporate governance theory and national culture

Corporate governance theory often is associated with agency theory and the theory of the market for corporate control, wherein one of the primary motivations of acquisitions is to improve target company performance by ridding the target company of incompetent management (Berle and Means, 1932; Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983; Jensen and Ruback, 1983; Jensen, 1988; Ravenscraft, 1987; Jarrell et al., 1988; Varian, 1988). These theoretical streams have been supported by numerous studies that have found a positive association between top management departure rates and low firm profitability, poor stock performance, bankruptcy, financial distress, proxy contests, and block trades (Salancik and Pfeffer, 1980; Coughlan and Schmidt, 1985; DeAngelo and DeAngelo, 1985; Schwartz and Menon, 1985; Warner et al., 1988; Weisbach, 1988; Friedman and Singh, 1989). In addition, hostile acquisitions and contested tender offers are associated with higher executive departures in acquired companies during the 3 years following an acquisition (Hambrick and Cannella, 1993). These effects are more profound during the first year following the acquisition (Walsh, 1989).

These findings have led some to conclude that many acquisitions are motivated by corporate control contests. In reality, such contests for corporate control appear to represent a small percentage of overall U.S. acquisition activity. In an analysis of shareholder returns in 102 U.S. target firms, Walsh and Ellwood (1991) found no significant relationship between poor preacquisition performance and postacquisition top management departures. Moreover, most target companies actually outperformed the market before the acquisition. They suggested that most companies making acquisitions were motivated to acquire good performing target companies for strategic reasons rather than to benefit by acquiring underperforming firms. Davis and Stout (1992), in a study of takeover bids by Fortune 500 firms between 1980 and 1990, drew similar conclusions. They found that most acquired companies were

actually good industry performers, not poor performers that inspired takeover bids by corporate raiders. Thus, while in some cases poor performance may lead to a takeover bid, the majority of acquisitions appear to be motivated by other factors (Walsh and Kosnik, 1993).

Corporate control contests, and the culture clashes that frequently follow them, also appear to be relatively uncommon outside of the United States (Very et al., 1997). In countries such as Japan and Germany, strong national traditions, markets that are dominated by large institutional shareholders, and the existence of close ties between corporations and institutional shareholders have prevented the development of strong markets for corporate control. As a result, the development of international governance theory in the international business literature has focused more generally on foreign direct investment theory (e.g., internalization theory and transaction cost theory), the analysis of governance costs associated with alternative modes of foreign investment, and the structuring of contracts and relationships in cross-border transactions (McManus, 1972; Buckley and Casson, 1976, 1985; Buckley, 1983, 1988, 1990; Teece, 1983; Williamson, 1985; Rugman, 1986).

Governance costs are often high in direct foreign investments compared with alternative modes of investment such as licensing, because they entail the management of firm-to-firm transfers of technology and know-how and involve the risk of expropriation (Buckley, 1997). Additionally, foreign multinationals are more likely to acquire U.S. targets in R&D-intensive industries and to be motivated by a desire to transfer knowledge and know-how than U.S. acquirers (Harris and Ravenscraft, 1991; Dewenter, 1995). The integration of a foreign target into a global network of subsidiaries increases costs of coordination and adds to the complexities surrounding the management and control of geographically dispersed units that are located in markets with distinct cultures, institutions, and competitive environments (Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989; Kogut, 1989; Prahalad, 1990; Roth and Morrison, 1992; Ghoshal and Nohria, 1993; Nohria and Ghoshal, 1994; Kim and Mauborgne, 1996). Cultural differences create special problems of coordination, because they increase costs of communication and impede the efficient transfer of knowledge.

In order to overcome high costs of governance, acquirers often impose their systems and practices on the target firm with little regard to the negative human resource consequences of their actions (Jemison and Sitkin, 1986). These actions can lower target company executives' perceptions of their job status that causes them to quit (Hambrick and Cannella, 1993). As in purely domestic acquisitions, governance costs associated with cross-border acquisitions can be managed through higher long-term executive pay, greater reliance on incentive-based compensation, larger top management teams, and separate chair and CEO functions (Gomez-Mejia, 1992; Roth and O'Donnell, 1996; Sanders and Carpenter, 1998). However, the selection of appropriate governance mechanisms in foreign investments is complicated by the existence of cultural differences. Because individual attitudes, values, and behaviors differ across national boundaries, they are often reflected in the behavior of top managers (Hofstede, 1980; Adler et al., 1986; Porter, 1986). This may explain why target company executives are less committed to an acquisition when there are strong cultural differences between the two merging top management teams (Weber and Schweiger, 1989). Therefore, a foreign acquirer may decide to use its own managers to integrate the target company, in order to eliminate the harmful effects of cultural differences. Cultural differences, then, should be associated with higher departure rates in acquired U.S. firms:

H_1: Top management departures in U.S. companies acquired by a non-U.S. firm are positively associated with the cultural distance between the United States and home country of the foreign multinational.

2.2. International integration

A foreign multinational's decision to integrate an acquired firm by using its own managers may be a function of its approach to international markets. International firms often make a decision to organize on a country-by-country (multidomestic) or global basis (Porter, 1986). Firms often are forced to make such a choice because of industry and competitive pressures for local responsiveness and global integration (Doz, 1986; Prahalad and Doz, 1987). As underlying conditions in an industry become increasingly global, a firm may come under pressure to shift from multidomestic to global strategies (Leontiades, 1986; Ghoshal, 1987; Roth and Morrison, 1992). Under certain conditions, industry forces may demand a simultaneous response to both pressures, a competitive environment referred to as "multifocal" (Prahalad and Doz, 1987), "transnational" (Bartlett and Ghoshal, 1989; Ghoshal and Nohria, 1993; Nohria and Ghoshal, 1994), or "laterally centralized" (Roth and Morrison, 1992; Roth and O'Donnell, 1996).

Firms that operate on a global basis face greater pressures to integrate operations and decision making worldwide, in order to maximize worldwide efficiency and performance. For example, product offerings can be standardized worldwide, production can be rationalized, and resource flows across the firm's worldwide network of subunits can be coordinated (Hout et al., 1982; Kogut, 1984; Kobrin, 1991). This enables the firm to take advantage of homogeneous customer needs and to lower costs through greater economies of scale and learning and experience curve effects (Doz, 1986; Yip, 1989). The greater degree to which a firm integrates its operations, the greater the interdependence among the firm's individual units. Thus, integration and coordination lead to greater intrafirm flows of components, finished goods, funds, technology, skills, knowledge, and people (Bartlett and Ghoshal, 1986).

Extensive knowledge of the firm's worldwide strategy, operations, values, and philosophies is a critical managerial asset for integrating a firm, since managers with such knowledge can be used to extend the firm's global vision to newly acquired units. This knowledge can only be accumulated through experience. Because executives in newly acquired firms generally lack such knowledge and experience, global firms are more likely to depend on their existing management base to integrate a newly acquired firm. Therefore, top management departures rates are likely to be higher when the foreign multinational acquires a U.S. target in a global industry:

H_2: Top management departures in U.S. targets acquired by a non-U.S. firm are positively associated with the level of international integration among subunits of multinational firms within the target industry.

2.3. International and U.S. acquisition experience

General international business experience and acquisition experience in the U.S. market may improve the acquirer's ability to successfully integrate a foreign target and to minimize unwanted top management departures. Many of the obstacles to effective decision making

that firms face in international markets are only overcome with experience and over time (Johanson and Vahlne, 1977). As firms expand internationally, they acquire knowledge and know-how that can be leveraged in subsequent foreign investments (Davidson, 1982; Chang 1995; Li, 1995). Additionally, the cost of starting and managing subsequent investments declines as firms build internal capabilities to manage subsidiaries abroad (Davidson, 1982; Erramilli, 1996). Therefore, international experience may be an important mechanism for improving a firm's ability to manage communication problems that accompany interactions between merging top management teams. It also may help the foreign multinational minimize coordination problems and interorganizational conflicts that frequently negate the potential gains of an acquisition (Datta, 1991; Pablo, 1994).

More specific experience with acquisitions may be necessary for identifying and selecting appropriate acquisition candidates and managing structural changes that characterize the integration process (Haspeslagh and Jemison, 1991). The internal capabilities (e.g., internal structure, systems, and managerial know-how) that are required to successfully manage acquisitions are often firm specific and are only developed over time (Teece, 1983). Therefore, previous acquisitions in the United States may be critical for the foreign multinational in that they help it develop internal capabilities that apply specifically to the U.S. acquisitions market. The establishment of U.S.-based operations resulting from prior acquisitions also can serve as a communications conduit with the foreign headquarters that can be used in subsequent U.S. acquisitions.

The foreign acquirer's international and U.S. acquisition experiences are likely to have opposing effects on the rate of top management departures in acquired U.S. firms. International experience should be associated with fewer U.S. top management departures, because it should help the foreign acquirer more effectively deal with human resource problems that typify cross-cultural interactions (Hennart and Reddy, 1997). However, unless the foreign firm's historical mode of entry into foreign markets is through acquisition rather than greenfield or collaborative arrangements (e.g., joint venture), greater international experience should not be associated with the development of internal capabilities to make and integrate U.S. acquisitions. Once a firm has developed these capabilities, it is more likely to have the experience and know-how necessary to integrate U.S. target companies without existing U.S. top managers. Therefore, acquisition experience in the United States should be associated with greater target company top management departures:

> H_{3a}: Top management departures in U.S. targets acquired by a non-U.S. firm are negatively associated with the foreign acquirer's international experience outside of the United States.
>
> H_{3b}: Top management departures in U.S. targets acquired by a non-U.S. firm are positively associated with the foreign acquirer's U.S. acquisition experience.

2.4. Preacquisition performance

Researchers have long debated whether target executives improve or impede merger success (Lowenstein, 1983; Yunker, 1983; Walsh, 1988; Cannella and Hambrick, 1993). In instances where the acquiring firm participates in the same industry as the target firm, target

managers' tacit knowledge of the firm may help the foreign multinational integrate the U.S. target company (Kitching, 1967; Parsons and Baumgartner, 1970; Pitts, 1976). This may be particularly important in the short-run, as the acquiring firm attempts to learn the technology and operations of the company it has acquired (Krug and Hegarty, 1997). The ability of top managers to influence their firm's long-term direction is often constrained by industry characteristics and environmental conditions; however, it is generally accepted that the actions of a firm's top management team play an important role in determining an organization's long-term success (Lieberson and O'Connor, 1972; Salancik and Pfeffer, 1980; Finkelstein and Hambrick, 1996). Therefore, top management generally is held accountable for poor firm growth and performance. Indeed, Hambrick and Cannella (1993) found that poor target company performance in the 3 years leading up to the acquisition was associated with higher top management departures during the first two years following the acquisition in purely domestic acquisitions. Given the strong link between size, growth, and net income found in many studies, it is not surprising that declining organizational size or growth often stimulates the same governance mechanisms as declining organizational profits (Hofer, 1980). Similar associations should be expected in cross-border acquisitions. Poor preacquisition performance in U.S. target companies should increase the likelihood that a foreign acquirer will replace U.S. managers with its own:

> H_4: Top management departures in U.S. targets acquired by non-U.S. firms are negatively associated with preacquisition performance in the U.S. target company.

3. Moderated relationships

The relationship between top management departures and these five explanatory variables also may be moderated by the value of other explanatory variables. Therefore, the interaction of two explanatory variables may have effects on top management departures in addition to their independent effects. The rationale for several hypothesized interactions is explained in this section.

3.1. Interaction between cultural distance and acquirer experience

We hypothesized a direct positive relationship between cultural distance and top management departures: the greater the cultural distance, the greater the top management departures. It is possible that this relationship is moderated by the foreign multinational's international experience. The positive effect of cultural distance on top management departures should be lower when the U.S. target is acquired by a foreign multinational with significant international experience, since the experience of doing business internationally improves the firm's ability to effectively manage operations across different cultures (Hennart, 1991). Therefore, the likelihood of poor communications, misunderstandings, and distrust resulting from cultural differences should be lower for acquiring firms with international experience. In other words, the negative association of this interaction should reduce the magnitude of the positive effect of cultural distance on top management departures for acquiring firms with international experience:

H_{5a}: Top management departures in U.S. targets acquired by a non-U.S. firm are negatively associated with the interaction between the U.S.-foreign country cultural distance and the international experience of the foreign acquirer.

The positive effect of cultural distance on top management departures also should be reduced when the foreign acquirer has acquisition experience in the United States. Acquisition experience improves a firm's knowledge of local conditions and management practices (Hennart and Larimo, 1998). Therefore, foreign multinationals with previous acquisitions in the United States are more likely to be able to minimize the harmful effects of cross-cultural differences in the U.S. acquisition. Therefore, the negative association of this interaction should reduce the magnitude of the positive effect of cultural distance when the foreign acquirer has U.S. acquisition experience:

H_{5b}: Top management departures in U.S. targets acquired by a non-U.S. firm are negatively associated with the interaction between the U.S.-foreign country cultural distance and the U.S. acquisition experience of the foreign acquirer.

3.2. Interaction between preacquisition performance and acquirer experience

We hypothesized that preacquisition performance is negatively associated with top management departures. This negative relationship may be different for acquirers with international experience outside of the United States compared with those with no such experience. While lower growth and performance should still be associated with higher top management departures in all acquisitions, the effect should be smaller in U.S. firms acquired by foreign multinationals with significant international experience. The ability of an acquiring firm to minimize disruptions among acquired target company executives is largely a function of the institutional and interpersonal leadership that it provides to the newly merged company (Haspeslagh and Jemison, 1991). Acquirers with international experience are more likely to have developed internal capabilities that lead to more effective communications and interactions among subsidiaries located in countries with different cultures, political systems, and competitive environments. Therefore, international experience should diminish the magnitude of the negative relationship between preacquisition performance and top management departures. For foreign acquirers with greater international experience, the positive association of this interaction should reduce the negative effect of preaquisition performance on departures:

H_{6a}: Top management departures in U.S. targets acquired by a non-U.S. firm are positively associated with the interaction between target company preacquisition performance and international experience of the foreign acquirer.

The U.S. acquisition experience of the foreign acquirer also should moderate the relationship between preacquisition performance and top management departures, but in the opposite direction. Poor performance should still be associated with higher top management departures. However, the effect of poor performance should be greater for firms with U.S. acquisition experience. Experienced acquirers are more likely to have managers within the firm with U.S. acquisition and operating experience. This experience manifests itself in internal capabilities for integrating acquisitions and helps the acquirer overcome process-related integration problems (Haspeslagh and Jemison, 1991). A supply of managers with

tacit knowledge of acquisition integration and U.S. operating procedures makes it more likely that the experienced multinational firm will take action to correct for poor target company performance by replacing U.S. executives with its own. Therefore, the negative relationship between preacquisition performance and top management departures should be intensified when the foreign acquirer has significant U.S. acquisition experience:

> H_{6b}: Top management departures in U.S. targets acquired by non-U.S. firms are negatively associated with the interaction between target company preacquisition performance and the U.S. acquisition experience of the foreign acquirer.

4. Methodology

4.1. Sample and procedure

A pooled sample of 210 U.S. target companies acquired by a non-U.S. (foreign) acquirer between 1986 and 1989 was drawn from *Mergers & Acquisitions* (1998). This time frame was chosen because it allowed us to follow the careers of target company executives for a sufficient number of years following the acquisition to examine the research hypotheses. *Standard & Poor's Register of Corporations, Executives, and Directors* (1991) was used to identify a top management team listing for each U.S. target just prior to the acquisition. If a top management team could not be identified in the *Standard & Poor's Register of Corporations, Directors, and Executives* (1996), it was identified in Dun & Bradstreet's *Million Dollar Directory* (1996).The career of each executive was then followed in the reference source through the sixth year following the acquisition. Annual reports, *Directory of Corporate Affiliations* (1989), and *International Directory of Corporate Affiliations* (1989) were used to verify the accuracy of the data found in these two primary sources.

The term "top management team" has generally been used to refer to those executives with "overall responsibility for the organization" (Mintzberg, 1979:24) or the "group of most influential executives at the apex of an organization" (Finkelstein and Hambrick, 1996:8). Therefore, no limitations were placed on the job titles included in this definition. Instead, we made the assumption that the list of executives provided to the *Standard and Poor's Register of Corpoations, Directors, and Executives* (1996) or *Million Dollar Directory* (1996) by the U.S. target company was the best measure of that firm's top management team. The exact job titles making up each top management team differed from one firm to another and included chairman, CEO, president, vice president, controller, treasurer, and corporate secretary, among others.

In numerous cases, the *Standard and Poor's Register of Corporations, Directors, and Executives* (1996) stopped reporting information for the U.S. target company during the six-year postacquisition period. An analysis of *Standard & Poor's Directory of Corporate Changes* (1991) identified 54 target companies whose name changed after the acquisition. This new information enabled us collect complete information for all 54 companies. Complete data were found for 175 (83 percent) of the 210 companies. Analysis of the annual *Mergers & Acquisitions* (1998) almanacs identified 12 companies that were acquired more than once during the four-year period surrounding the acquisition in our sample. These cases were excluded from the sample. Finally, data for measuring the level of international integra-

tion within service industries were unavailable. Therefore, the 53 service firms also were excluded. An accurate industry classification could not be made for two additional acquisitions. These acquisitions also were eliminated. The final sample comprised 108 U.S. target companies in 17 industries at the two-digit level. Complete and usable data on all the independent variables were available for 103 companies.

4.2. The timing of top management departures

Existing research indicates that the most significant number of executives depart within one year of an acquisition (Walsh, 1988, 1989). Executives continue to depart at a significantly higher rate than normal through the third year. First-year departures are generally uncorrelated with departures in later years, indicating that executives who leave after the first year may be motivated by different phenomena than executives who leave immediately after the acquisition (Walsh and Ellwood, 1991). Subsequent studies on the topic recognized these early and intermediate-term effects (Cannella and Hambrick, 1993; Hambrick and Cannella, 1993; Krishnan et al., 1997). In addition, there appear to be significant long-term effects in cross-border acquisitions that do not manifest themselves until a much later date. Executive departure rates in U.S. target companies rise at about the same rate through the third year in both domestic and foreign acquisitions. Thereafter, rates in domestic acquisitions return to normal. In the case of foreign acquisitions, rates continue at an abnormally high rate through the sixth year (Krug and Hegarty, 1997; Krug and Nigh, 1998). In order to examine the cumulative effects of the acquisition over each of these periods, cumulative departure rates were measured for the first (short-term), third (intermediate-term), and sixth (long-term) years after the acquisition.

5. Operationalizations

5.1. Top management departure rates

Departure rates were calculated by dividing the number of executives who had departed the acquired U.S. firm at the end of the first, third, and sixth years following the acquisition by the number of executives employed just prior to the acquisition. The objective of this research was to examine the effect of the acquisition on the original top management team. Therefore, departures of executives joining the firm after the acquisition were excluded.

5.2. Cross-national cultural differences

Kogut and Singh (1988) developed a composite index to measure cultural differences at the country level by using Hofstede's (Hofstede, 1980) measures of cultural distance along four dimensions (individuality, uncertainty avoidance, power distance, and masculinity). The index was calculated by taking each country's deviation from the United States's score on each of Hostede's four dimensions and averaging them. This measure has been used in numerous studies (Benido and Gripsrud, 1992; Gomez-Mejia and Palich, 1997; Morosini et al., 1998). Despite criticisms of Hofstede's indices, alternative measures of cultural distance have generally yielded results that are highly correlated (Gomez-Mejia, 1984; Harris and Moran, 1992). Consequently, Hofstede's data continue to be recognized as the most compre-

hensive and reliable data for measuring cultural distance (Agarwal, 1986; Shane, 1995; Erramilli, 1996; Gomez-Mejia and Palich, 1997). Kogut and Singh's (Kogut and Singh, 1998) measure was employed in this study.

5.3 International integration

Integration was measured using the methodology developed by Kobrin (1991). Kobrin defined integration as the intrafirm flow of resources across a firm's subunits. The higher the level of intrafirm trade as a percentage of the firm's overall international trade, the higher the level of the international integration. Because data on nonproduct intrafirm flows (e.g., funds, knowledge, information, and personnel) were difficult to quantify, Kobrin used intrafirm product flows as a proxy for integration. Using U.S. Department of Commerce data (Bureau of Economic Analysis, 1985) and internal data from the Federal Trade Commission, Kobrin calculated an index of integration for 56 manufacturing industries. The index, which represented the percentage of a firm's international sales that were intrafirm, ranged from a low of 4.6 percent in the most locally responsive industries to 43.5 percent in the most highly integrated industries. The least integrated industries included paper boxes, leather products, ferrous metals, fabricated metals, and preserved fruits and vegetables. Examples of highly integrated industries included motor vehicles, communications equipment, electronic components, computers, and farm machinery.

5.4. International and U.S. acquisition experience

The international experience of the foreign acquirer was determined by examining whether it operated foreign subsidiaries outside of the United States. Information on each acquiring firm's organizational structure, including all of its foreign subsidiaries, was located in the *International Directory of Corporation Affiliations* (1989). If the foreign acquirer had at least one foreign subsidiary outside of the United States before the U.S. acquisition in our sample, it was labeled "experienced" and coded 1. Otherwise, it was coded 0. The U.S. acquisition experience of the foreign acquirer was determined by examining whether it made at least one acquisition in the United States before the acquisition in the sample. The annual *Merger and Acquisitions* (1998) almanacs were used to identify acquisitions in the United States during the five-year period leading up to the acquisition in the sample. If there was at least one acquisition, the acquirer was labeled "experienced" and coded 1. Otherwise, it was coded 0.

5.5. Preacquisition performance of the U.S. target company

Because the random sample of target firms included privately held firms and subsidiaries or divisions of other firms, as well as publicly traded targets, traditional measures of performance such as profit after tax and return on assets were unavailable for a large portion of the sample. Therefore, preacquisition performance was measured using growth in target firm employees during the five-year period leading up to the acquisition. Reliable employee data were available for all the target firms in *Standard & Poor's Register of Corporations, Directors, and Executives* (1996). An analysis of Compustat data for the publicly traded target companies in the sample revealed a significant positive correlation between growth in em-

ployees and return on assets during the five-year preacquisition period ($r = 0.45$, $p < 0.006$). This provided strong evidence that growth in employees was a good measure of performance for the research sample, as well as a general measure of organizational growth. We considered this measure to be superior to growth in assets or revenues, because it provided a more realistic basis for making predictions on both the need and availability of managers to manage the acquired firm after the acquisition.

6. Method of analysis

The research hypotheses were tested using regression analysis. Hypotheses 1 through 4 posit direct relationships that were tested by the main effects model shown in Eq. (1):

$$\text{DEPART} = b_0 + b_1\text{CD} + b_2\text{INT} + b_3\text{IEXP} + b_4\text{AEXP} + b_3\text{PERF} + e \quad (1)$$

where DEPART is the top management departure rate, CD is cultural distance, INT is international integration, IEXP is international experience, AEXP is U.S. acquisition experience, and PERF is preacquisition performance of U.S. target firm. The b's are the regression parameters to be estimated and e is the stochastic disturbance. All t-tests are one-tail, since the alternative hypotheses for hypotheses 1 through 4 are one-sided. We expected to reject the null hypothesis that $b_1 = 0$ and accept the alternative hypothesis that $b_1 > 0$. The same expectation existed for b_2 and b_4. We expected to reject the null hypothesis that $b_3 = 0$ and accept the alternative hypothesis that $b_3 < 0$. The same expectation existed for b_5. Hypotheses 5 and 6 involved moderated relationships and were tested with regression models by using interaction terms (Jaccard et al., 1990). For each hypothesis, the appropriate interactive variable was created and added to the main effects model. If the interaction term was not significant, we defaulted to the main effects models and concluded that there was no support for the moderated relationship. We used collinearity diagnostics to test the extent to which the estimates of the regression coefficients were degraded by ill-conditioned data (Belsley, 1990).

7. Results

Table 1 shows the descriptive statistics and correlations for all the variables. Approximately 20 percent of the target company managers departed their firm within one year of the acquisition. More than 82 percent of the original top management team was gone by the end of the sixth year. Table 2 shows the results of the regression analysis of the main effects of the variables. The coefficient for cultural distance is positive and significant in years 1 and 3 ($p < 0.01$). This supports hypothesis 1, that greater cultural distance is associated with higher top management team departures following the acquisition. Hypothesis 2, that higher levels of international integration among subunits of multinational firms in the target industry leads to greater departures, also is supported. The coefficient is positive and significant for years 1 and 3 ($p < 0.05$) and year 6 ($p < 0.01$). The coefficient for international experience is not significant in any year, and the results provide no support for hypothesis 3a. International experience does not appear to have any direct effect on the rate at which U.S. managers depart following the acquisition. The coefficient for U.S. acquisition experience is positive and significant in year 1 ($p < 0.05$). This supports hypothesis 3b, that a greater num-

Table 1
Descriptive statistics and correlations

		Mean	s.d.	A	B	C	D	E	F	G	H
Cumulative departures year 1	A	20.25	30.20	—							
Cumulative departures year 3	B	61.54	29.68	0.33***	—						
Cumulative departures year 6	C	82.38	21.33	0.13	0.62***	—					
Cultural distance	D	0.98	1.04	0.21*	0.22*	−0.03	—				
International integration	E	0.18	0.10	0.12	0.16	0.28**	−0.02	—			
International experience	F	0.76	0.43	−0.11	−0.05	0.14	−0.12	−0.03	—		
Acquisition experience	G	0.45	0.50	0.07	−0.03	−0.02	−0.25***	−0.11	0.33***	—	
Preacquisition performance	H	0.00	0.09	−0.14	−0.08	−0.08	−0.06	0.19*	0.02	0.06	—

Cumulative departures represent percentage of original top management team departed by end of period.
* $p < 0.05$;
** $p < 0.01$;
*** $p < 0.001$.

ber of U.S. managers depart the acquired U.S. company when the foreign multinational has made previous acquisitions in the United States. The coefficient for preacquisition performance is negative and significant in year 1 ($p < 0.05$). This provides support for hypothesis 4, that poor preacquisition performance in the U.S. target company is associated with greater postacquisition executive departures.

Tables 3 and 4 show the results of the regression analysis of the interactive effects of the variables. Table 3 shows the interactive effects between cultural distance and experience of the foreign acquirer. The interaction between cultural distance and international experience of the foreign multinational is negative and significant in year 1 ($p < 0.05$) only. This supports hypothesis 5a, that international experience moderates the relationship between cul-

Table 2
Results of regression analysis: effect of variables on postacquisition top management departures

Variables	Year 1	Year 3	Year 6
Cultural distance	6.89** (2.82)	6.47** (2.86)	−0.45 (2.02)
International integration	46.62* (28.18)	50.95* (28.58)	59.19** (20.23)
International experience	−10.14 (7.00)	−2.65 (7.10)	7.75 (5.02)
U.S. acquisition experience	12.21* (6.23)	3.94 (6.32)	−1.92 (4.47)
Preacquisition performance	−67.75* (31.77)	−25.67 (32.22)	−23.60 (22.81)
Intercept	6.93 (8.86)	45.97*** (8.98)	66.85*** (6.36)
R^2	0.14	0.08	0.11
F	3.11**	1.74	2.39*

n = 103; unstandardized regression coefficients are shown with standard errors in parentheses. Hypotheses were one-tailed.
* $p < 0.05$;
** $p < 0.01$;
*** $p < 0.001$.

Table 3
Results of regression analysis: interactions between culture and experience

Variables	Year 1	Year 3	Year 6	Year 1	Year 3	Year 6
Cultural distance	15.98** (5.63)	2.42 (5.79)	0.51 (4.11)	10.04** (3.73)	13.72*** (3.64)	5.60** (2.53)
International integration	40.74 (28.01)	53.56* (28.82)	58.57** (20.46)	50.35* (28.23)	59.52* (27.59)	66.33*** (19.17)
International experience	3.67 (10.15)	−8.80 (10.44)	9.20 (7.42)	−10.06 (6.97)	−2.45 (6.81)	7.91* (4.73)
U. S. acquisition experience	11.47* (6.17)	4.27 (6.34)	−2.00 (4.50)	19.01** (8.15)	19.59** (7.96)	11.11* (5.53)
Preacquisition performance	−71.27** (31.43)	−24.11* (32.34)	−23.97 (22.96)	−66.06* (31.69)	−21.77 (30.97)	−20.35 (21.51)
Cultural dist. × int'l experience	−12.00* (6.46)	5.34 (6.65)	−1.27 (4.72)			
Cultural dist. U.S. acq. exper.				−7.35 (5.71)	−16.91** (5.58)	−14.08*** (3.87)
Intercept	−2.76 (10.18)	50.28*** (10.48)	65.82*** (7.44)	2.33 (9.52)	35.39*** (9.30)	58.04*** (6.46)
R^2	0.17	1.09	0.11	0.15	0.16	0.22
F	3.23**	1.56	1.98*	2.89**	3.11**	4.44***

n = 103; unstandardized regression coefficients are shown with standard errors in parentheses. Hypotheses were one tailed.
* $p < 0.05$;
** $p < 0.01$;
*** $p < 0.001$.

Table 4
Results of regression analysis: interactions between preacquisition performance and experience

Variables	Year 1	Year 3	Year 6	Year 1	Year 3	Year 6
Cultural distance	7.21** (2.80)	6.80** (2.83)	−0.30 (2.03)	6.92** (2.84)	6.71** (2.84)	−.25 (2.00)
International integration	37.23 (28.40)	41.06 (28.77)	54.90* (20.58)	46.51* (28.33)	49.99* (28.32)	58.44** (19.98)
International experience	−9.68 (6.93)	−2.17 (7.02)	7.96 (5.02)	−10.15 (7.03)	−2.70 (7.03)	7.71 (4.96)
U.S. acquisition experience	12.20* (6.16)	3.93 (6.24)	−1.93 (4.47)	12.19* (6.26)	3.82 (6.26)	−2.02 (4.42)
Preacquisition performance	−170.47** (66.64)	−133.76* (67.50)	−70.49 (48.29)	−61.62 (45.21)	27.89 (45.21)	18.47 (31.89)
Preacq. perf. × int'l experience	133.75* (76.51)	140.74* (77.50)	61.06 (55.44)			
Preacq. perf. × U.S. acq. exper.				−12.21 (63.75)	−106.67* (63.74)	−83.79* (44.96)
Intercept	7.97 (8.79)	47.07*** (8.90)	67.33*** (9.41)	6.96 (8.90)	46.23*** (8.90)	67.06*** (6.28)
R^2	0.17	0.11	0.12	0.14	0.11	0.14
F	3.16**	2.04*	2.19*	2.57**	1.95*	2.62**

n = 103; unstandardized regression coefficients are shown with standard errors in parentheses. Hypotheses were one tailed.
* $p < 0.05$;
** $p < 0.01$;
*** $p < 0.001$.

tural distance and top management departures. However, this effect appears only during a short period following the acquisition. The coefficient for the interaction between cultural distance and U.S. acquisition experience is negative and significant as hypothesized for years 3 ($p < 0.01$) and 6 ($p < 0.001$), indicating that U.S. acquisition experience moderates the relationship between cultural distance and departures over the long-term.

Table 4 shows the interactive effects of preacquisition performance and experience of the foreign acquirer. The interaction between preacquisition performance and international experience is positive and significant for years 1 and 3 ($p < 0.05$). This provides support for hypothesis 6a over the short- and intermediate-terms. The interaction is not significant in year 6. Therefore, international experience moderates the relationship between preacquisition performance and top management departures during the three-year period after the acquisition. The interaction between preacquisition performance and U.S. acquisition experience is negative and significant for years 3 and 6 ($p < 0.05$). This provides support for hypothesis 6b, that U.S. acquisition experience moderates the relationship between preacquisition performance and departures. No support was found for hypothesis 6b in year 1. Therefore, U.S. acquisition experience appears to moderate the relationship between preacquisition performance and top management departures over the intermediate- and long-term.

8. Discussion

This research provides the first insight into the various factors that influence the rate at which U.S. top managers depart their firm when acquired by a foreign multinational. We were interested in examining that part of governance theory in the international business literature that deals with the problems of integration, the structuring of relationships in foreign direct investments, and the variables that influence the governance structure of the firm (Buckley, 1997). The results confirm the findings of previous studies of U.S. acquisitions, that the first year following the acquisition is tumultuous (Walsh, 1988, 1989). Cultural differences, high levels of international integration in the target industry, prior acquisitions in the United States by the foreign acquirer, and poor preacquisition performance of the U.S. target company were associated with significantly higher U.S. top management departure rates immediately following the acquisition.

The finding that greater cultural distance leads to greater numbers of executive departures is consistent with Weber and Schweiger's (Weber and Schweiger, D.M., 1989. Implementing mergers and acquisitions: the role of cultural differences and the level of integration. Working Paper, University of South Carolina, Columbia.) finding that cultural differences undermine communications and the level of cooperation between merging top management teams. The negative effect of culture is, however, significantly reduced when the foreign multinational has international experience. As shown in Table 3, the coefficient for culture for foreign acquirers with no international experience in year 1 is 15.98. For acquirers with international experience, the coefficient is 3.98 (15.98–12.00). It is probable that international experience improves the MNCs ability to minimize conflicts that lead to the voluntary departure of acquired U.S. executives over the short-term. However, these moderating effects disappear beyond year 1. Over the intermediate- and long-term, the negative effect of cultural distance is reduced when the foreign multinational has made previous acquisitions in

the United States. For example, in year 3, the coefficient of culture for foreign multinationals with no U.S. acquisition experience is 13.72. For acquirers with U.S. acquisition experience, the effect of culture is reduced so dramatically that the coefficient becomes negative ($-3.19 = 13.72–16.91$). This effect continues over the long-term. This finding is consistent with Haspeslagh and Jemison's (1991) reasoning that the successful transfer and integration of capabilities between merging firms is rarely achieved without the willing participation of acquired target company managers. An atmosphere that creates uncertainty often induces defensive behavior and a lack of cooperation on the part of acquired company managers. Some managers may choose to leave. Acquisition experience helps the acquirer to accumulate organizational and individual experiences that manifest themselves in internal capabilities and more effective institutional and interpersonal leadership. This aids in developing commitment to the acquisition and affecting successful integration.

The research findings indicated that higher levels of international integration in the target industry are associated with greater top management departures immediately following the acquisition. This effect intensifies over the long-term. Cannella and Hambrick (1993) argued that target company executives are critical resources that provide leadership continuity and stability to the newly merged firm. Therefore, they argue, retention, especially when accompanied by status bestowal, is better than departure. However, our findings suggest that the replacement of target company executives may be a desirable outcome for multinational firms that integrate their operations globally. Global firms depend on a cadre of experienced managers with intrinsic knowledge of the firm's global operations to integrate acquired firms. Target company managers are unlikely to have this knowledge. Krug and Hegarty (1997) found that departure rates between purely domestic and cross-border acquisitions were not significantly different until the fifth year following the acquisition, when cumulative top management departures rates became significantly higher in foreign acquisitions. We suspect that international integration within the target industry may explain these differences. Cannella and Hambrick (1993) found that higher departures during the first four years following the acquisition were associated with lower postacquisition performance. Perhaps management continuity is an important element in determining positive outcomes during this early postacquisition period, especially while the foreign acquirer is learning the technology and operations it has acquired. It may take several years before an acquired firm can be fully integrated with the multinational's other worldwide units. Therefore, retention of target company managers may be important over the short-term. Over the long-term, the multinational's existing management base may take on increasing importance. Future research that measures these performance–departure relationships over longer time frames may answer these questions.

The results also showed that poor preacquisition performance in the U.S. target company is associated with higher departure rates during the first year following the acquisition. Experience has a significant moderating effect on this relationship. In the first year following the acquisition, international experience reduces the magnitude of the negative effect of poor performance. For acquirers with no international experience, the coefficient for performance is -170.47. For acquirers with international experience, the coefficient is -36.72 ($-170.47 + 133.75$). Poor performance is associated with higher departures for all acquirers, but the effect is greater for acquirers with no international experience. U.S. acquisition experience also has a significant moderating effect beginning in year 3. For acquirers with U.S. acquisition experi-

ence, poor performance is associated with greater top management departures. The coefficient of preacquisition performance is −78.78 (27.89 − 106.67). This is not the case, however, for acquirers with no U.S. acquisition experience. Therefore, the negative effect of preacquisition performance is intensified for acquirers with no international experience and those acquirers with U.S. acquisition experience.

The finding that poor preacquisition performance is associated with greater postacquisition top management team departures should be interpreted with care in light of previous studies showing weak support for this relationship (Walsh and Ellwood, 1991; Hambrick and Cannella, 1993; Walsh and Kosnik, 1993). Our measure of preacquisition performance was based on growth in employees rather than on more traditional accounting data such as return on assets. Our random sample of firms included privately held target companies and subsidiaries or divisions of other firms and did not allow us to collect reliable data for more traditional performance measures. However, our measure was highly correlated with return on assets for the publicly traded target companies in our sample. This provided some evidence that our measure was a reasonable proxy for preacquisition performance for the firms in our sample.

An alternative interpretation for this performance–departure relationship is possible. Growing companies have greater needs for well-trained managers to manage higher growth. Therefore, acquiring companies may have difficulties managing rapidly growing target firms by using their existing management bases. This interpretation is consistent with the findings of early studies on this topic (Kitching, 1967; Pitts, 1976; Walsh, 1988). Thus, high growth may be an incentive for acquiring companies to take actions to retain acquired executives. Conversely, slower growing or declining companies may provide managers with fewer career opportunities that eventually cause them to look for employment elsewhere. Some firms also may attempt to improve performance by reducing employees as a cost cutting measure or by consolidating functions, in order to eliminate redundancies. As a number of researchers have warned, research on corporate governance is problematic because of the complexities involved in disentangling the multidimensional issues involved in agency relationships (Roth and O'Donnell, 1996; Lane et al., 1998).

9. Conclusion

Top executives depart for a host of idiosyncratic, individual reasons such as outside opportunities, voluntary or mandatory retirement, illness, and death. The objective of this research was to explain top management departures by examining factors at a higher level of analysis—factors related to organizations, their countries, and their industries. We found that these explanatory factors, sometimes directly and independently and sometimes in interaction, were significantly related to top management departures over the short-, intermediate-, and long-run. The international dimension of cross-border mergers and acquisitions introduces additional explanatory factors such as cultural distance, international integration, and international-related experiences that play a role in taking the explanation of top management departures beyond the usual domestic-context considerations of firm performance and other strategic variables. This study is a good example of how our understanding of business

phenomena can be enhanced by extending the investigation to include the international dimension.

References

Adler, N.J., Doktor, R., Redding, S.G., 1986. From the Atlantic to the Pacific century: cross-cultural management reviewed. J Manage 12, 295–318.

Agarwal, S., 1986. Socio-cultural distance and the choice of joint ventures: a contingency perspective. J Int Marketing 2, 63–80.

Bartlett, C.A., Ghoshal, S., 1986. Tap your subsidiaries for global reach. Harvard Business Rev November-December, 87–94.

Bartlett, C.A., Ghoshal, S., 1989. Managing across borders: the transnational solution. Harvard Business School Press, Boston.

Belsley, D.A., 1990. Conditioning diagnostics: collinearity and weak data in regression. John Wiley and Sons, New York.

Benido, G.R.G., Gripsrud, G., 1992. The expansion of foreign direct investments: discrete rational location choices or a cultural learning process? J Int Business Stud 23, 461–476.

Berle, A.A. Jr., Means, G.C., 1932. The modern corporation and private property. Macmillan, New York.

Buckley, P.J., 1983. New theories of international business: some unresolved issues. In: Casein, M. (Ed.), The growth of international business. George Allen and Unwin, London.

Buckley, P.J., 1988. The limits of explanation: testing the internalisation theory of the multinational enterprise. J Int Business Stud 19, 181–193.

Buckley, P.J., 1990. Problems and developments in the core theory of international business. J Int Business Stud 21, 657–665.

Buckley, P.J., 1997. Cross-border governance in multinational enterprises. In: Keasey, K., Thompson, S., Wright, M. (Eds.), Corporate governance: economic and financial issues. Oxford University Press, Oxford.

Buckley, P.J., Casson, M., 1976. The future of the multinational enterprise. Macmillan, London.

Buckley, P.J., Casson, M., 1985. The economic theory of the multinational enterprise. Macmillan, London.

Bureau of Economic Analysis, 1985. U.S. direct investment abroad: 1982 benchmark survey data. U.S. Department of Commerce, Washington, D.C.

Cannella, A.A., Jr., Hambrick, D.C., 1993. Effects of executive departures on the performance of acquired firms. Strategic Manag J 14, 137–152.

Chang, S.J., 1995. International expansion strategy of Japanese firms: capability building through sequential entry. Acad Manage J 38, 383–407.

Coughlan, A.T., Schmidt, R.M., 1985. Executive compensation, managerial turnover, and firm performance: an empirical investigation. J Accounting Econ 7, 43–66.

Datta, D.K., 1991. Organizational fit and acquisition performance: effects of post-acquisition integration. Strategic Manag J 12, 281–297.

Davidson, W.H., 1982. Global strategic management. John Wiley & Sons, New York.

Davidson, W.H., 1980. The location of foreign direct investment activity: country characteristics and experience effects. J Int Business Stud 11, 9–22.

Davis, G.F., Stout, S.K., 1992. Organization theory and the market for corporate control: a dynamic analysis of the characteristics of large takeover targets, 1980–1990. Administrative Sci Q 37, 605–633.

DeAngelo, H., DeAngelo, L., 1985. Managerial ownership of voting rights: a study of public corporations with dual classes of common stock. J Finance 14, 33–70.

Dewenter, K., 1995. Are intra-industry investment patterns consistent with cost disadvantages to cross border investing? Evidence from the U.S. chemical industry. J Int Business Stud 26, 843–858.

Directory of Corporation Affiliations, 1985–1989. National Register Publishing Co., Wilmette, IL.

Doz, Y., 1986. Strategic management in multinational corporations. Pergamon Press, Oxford.

Erramilli, M.K., 1996. Nationality and subsidiary ownership patterns in multinational corporations. J Int Business Stud 27, 225–249.

Fama, E.F., 1980. Agency problems and the theory of the firm. J Political Econ 88, 288–307.
Fama, E.F., Jensen, M.C., 1983. Separation of ownership and control. J Law and Econ 26, 301–325.
Finkelstein, S., Hambrick, D.C., 1996. Strategic leadership: top executives and their effects on organizations. West Publishing Company, Minneapolis/St. Paul.
Friedman, S.D., Singh, H., 1989. CEO succession and stockholder reaction: the influence of organizational context and event content. Acad Manage J 32, 718–744.
Ghoshal, S., 1987. Global strategy: an organizing framework. Strategic Manage J 8, 425–440.
Ghoshal, S., Nohria, N., 1993. Horses for courses: organizational forms for multinational corporations. Sloan Manage Rev Winter, 23–35.
Gomez-Mejia, L., 1984. Effects of occupation on task related, contextual and jobs involvement orientation: a cross-cultural perspective. Acad Manage J 27, 706–720.
Gomez-Mejia, L., 1992. Structure and process of diversification, compensation strategy, and firm performance. Strategic Manage J 13, 381–397.
Gomez-Mejia, L., Palich, L.E., 1997. Cultural diversity and the performance of multinational firms. J Int Business Stud 28, 309–335.
Hambrick, D.C., Cannella, A.A., Jr., 1993. Relative standing: a framework for understanding departures of acquired executives. Acad Manage J 36, 733–762.
Haspeslagh, P., Jemison, D., 1991. Managing acquisitions. Free Press, New York.
Harris, P.R., Moran, R.T., 1992. Managing cultural differences. Gulf, Houston.
Harris, R.S., Ravenscraft, D., 1991. The role of acquisitions in foreign direct investment: evidence from the U.S. stock market. J Finance, 46, 825–844.
Hennart, J.F., 1991. The transaction costs theory of joint ventures: an empirical study of Japanese subsidiaries in the United States. Manage Sci 37, 483–497.
Hennart, J.F., Larimo, J., 1998. The impact of culture on the strategy of multinational enterprises: does national origin affect ownership decisions? J Int Business Stud 29, 515–538.
Hennart, J.F., Reddy, S., 1997. The choice between mergers/acquisitions and joint ventures: the case of Japanese investors in the United States. Strategic Manage J 18, 1–12.
Hofer, C.W., 1980. Turnaround strategies. In: Glueck W.F. (Ed.), Business policy and management. McGraw-Hill, New York.
Hofstede, G., 1980. Culture's consequences: international differences in work-related values. Sage Publications, Beverly Hills, CA.
Hout, T.E., Porter, M.E., Rudden, E., 1982. How global companies win out. Harvard Business Rev September-October, 98–108.
International Directory of Corporation Affiliations, 1985–1989. Dun & Bradstreet, New York.
Jaccard, J., Turrisi, R., Wan, C.K., 1990. Interaction effects in multiple regression. Sage Publications, Newbury Park, CA.
Jarrell, G.A., Brickley, J.A., Netter, J.M., 1988. The market for corporate control: the empirical evidence since 1980. J Econ Perspect 2, 49–68.
Jemison, D.B., Sitkin, S.B., 1986. Corporate acquisitions: a process perspective. Acad Manage Rev 11, 145–163.
Jensen, M.C., 1988. The takeover controversy: analysis and evidence. In: Coffee, J.C., Lowenstein, L, Rose-Ackerman, S. (Eds.), Knights, raiders, and targets. Oxford University Press, New York.
Jensen, M.C., Meckling, W.H., 1976. Theory of the firm: managerial behavior, agency costs and ownership structure. J Financial Econ 3, 305–360.
Jensen, M.C., Ruback, R., 1983. The market for corporate control: the scientific evidence. J Financial Econ 11, 5–50.
Johanson, J., Vahlne, J., 1977. The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. J Int Business Stud 8, 22–32.
Kim, W., Mauborgne, R., 1996. Procedural justice and managers' in-role and extra-role behavior: the case of the multinational. Manage Sci 42, 499–515.
Kitching, J., 1967. Why do mergers miscarry? Harvard Business Rev 45, 84–101.
Kobrin, S.J., 1991. An empirical analysis of the determinants of global integration. Strategic Manage J 12, 17–31.
Kogut, B., 1984. Normative observations on the value added chain and strategic groups. J Int Business Stud 15, 151–168.
Kogut, B., 1989. A note on global strategies. Strategic Manage J 10, 383–390.

Kogut, S.J., Singh, H., 1988. The effect of national culture on the choice of entry mode. J Int Business Stud 19, 411–432.

Krishnan, H.A., Miller, A., Judge, W.Q., 1997. Diversification and top management team complementarity: Is performance improved by merging similar or dissimilar teams? Strategic Manage J 18, 361–374.

Krug, J.A., Hegarty, W.H., 1997. Postacquisition turnover among U.S. top management teams: an analysis of the effects of foreign vs. domestic acquisitions of U.S. targets. Strategic Manage J 18, 667–675.

Krug, J.A., Nigh, D., 1998. Top management turnover: a comparative analysis of the effects of foreign versus domestic acquisitions of U.S. firms. In: Woodward, D., Nigh, D. (Eds.), Foreign investment in the United States: beyond us and them. Quorum Books, New York.

Lane, P.J., Cannella, A.A., Jr., Lubatkin, M.H., 1998. Agency problems as antecedents to unrelated mergers and diversification: Amihud and Lev reconsidered. Strategic Manage J 19, 555–578.

Leontiades, J., 1986. Going global—global strategies vs. national strategies. Long Range Planning 19, 96–103.

Li, J., 1995. Foreign entry and survival: effects of strategic choices on performance in international markets. Strategic Manage J 16, 333–351.

Lieberson, S., O'Connor, J.F., 1972. Leadership and organizational performance: a study of large corporations. Am Sociol Rev 37, 117–130.

Lowenstein, L., 1983. Pruning deadwood in hostile takeovers: a proposal for legislation. Columbia Law Rev 83, 249–270.

McManus, J.C., 1972. The theory of the international firm. Collier-MacMillan, Toronto.

Mergers & Acquisitions, May/June 1998, 1998. Securities Data Co., New York.

Million Dollar Directory, 1985–1996, 1996. Dun & Bradstreet, New York.

Mintzberg, H., 1979. The structuring of organizations. Prentice-Hall, Englewood Cliffs, NJ.

Morosini, P., Shane, S., Singh, H., 1998. National cultural distance and cross-border acquisition performance. J Int Business Stud 29, 137–158.

Nohria, N., Ghoshal, S., 1994. Differentiated fit and shared values: alternatives for managing headquarters-subsidiary relations. Strategic Manage J 15, 491–502.

Pablo, A.L., 1994. Determinants of acquisition integration level: a decision-making perspective. Acad Manage J 37, 803–836.

Parsons, R.Q., Baumgartner, J.S., 1970. Anatomy of a merger: how to sell your company. Prentice-Hall, Englewood Cliffs, NJ.

Pitts, R.A., 1976. Diversification strategies and organizational policies of large diversified firms. J Econ Business 28, 181–188.

Porter, M.E., 1986. Competition in global industries. Harvard Business School Press, Boston.

Prahalad, C.K., 1990. Globalization—the intellectual and managerial challenges. Hum Resource Manage 29, 27–38.

Prahalad, C.K., Doz, Y.L., 1987. The multinational mission. The Free Press, New York.

Ravenscraft, D.J., 1987. The 1980s merger wave: an industrial organization perspective. In: Browne, L.D., Rosengren, E.S. (Eds.), The merger boom. Federal Reserve Bank of Boston, Boston.

Roth, K., Morrison, A., 1992. Implementing global strategy: characteristics of global subsidiary mandates. J Int Business Stud 23, 715–735.

Roth, K., O'Donnell, S., 1996. Foreign subsidiary compensation strategy: an agency theory perspective. Acad Manage J 39, 678–703.

Rugman, A.M., 1986. New theories of the multinational enterprise: an assessment of internationalization theory. Bull Econ Res 38, 101–118.

Salancik, G.R., Pfeffer, J., 1980. Effects of ownership and performance on executive tenure in U.S. corporations. Acad Manage J 23, 653–664.

Sanders, W.G., Carpenter, M.A., 1998. Internationalization and firm governance: the roles of CEO compensation, top team composition, and board structure. Acad Manage J 41, 158–178.

Schwartz, K.B., Menon, K., 1985. Executive succession in failing firms. Acad Manage J 23, 680–686.

Shane, S., 1995. Uncertainty avoidance and preference for innovation championing roles. J Int Business Stud 26, 47–68.

Shaw, J.D., Delery, J.E., Jenkins, G.D., Jr., Gupta, N., 1998. An organization-level analysis of voluntary and involuntary turnover. Acad Manage J 41, 511–525.

Standard & Poor's Directory of Corporate Changes, 1983–1991, 1991. Standard & Poor's Corporation, New York.

Standard & Poor's Register of Corporations, Directors, and Executives, 1985–1996, 1996. Standard & Poor's Corporation, New York.

Teece, D., 1983. Technological and organisational factors in the theory of the multinational enterprise. In: Casson, M. (Ed.), The growth of international business. George Allen & Unwin, London.

Varian, H.R., 1988. Symposium on takeovers. J Econ Perspect 2, 3–5.

Very, P., Lubatkin, M., Calori, R., Veiga, J., 1997. Relative standing and the performance of recently acquired European firms. Strategic Manage J 18, 593–614.

Walsh, J.P., 1988. Top management turnover following mergers and acquisitions. Strategic Manage J 9, 173–183.

Walsh, J.P., 1989. Doing a deal: merger and acquisition negotiations and their impact upon target company top management turnover. Strategic Manage J 10, 307–322.

Walsh, J.P., Ellwood, J.W., 1991. Mergers, acquisitions, and the pruning of managerial deadwood. Strategic Manage J 12, 201–217.

Walsh, J.P., Kosnik, R.D., 1993. Corporate raiders and their disciplinary role in the market for corporate control. Acad Manage J 36, 671–700.

Warner, J.B., Watts, R.L., Wruck, K.H., 1988. Stock prices and top management changes. J Financial Econ 20, 461–492.

Weisbach, M.S., 1988. Outside directors and CEO turnover. J Financial Econ 20, 431–460.

Williamson, O.E., 1985. The economic institution of capitalism. Free Press, New York.

Yip, G.S., 1989. Global strategy . . . in a world of nations? Sloan Manage Rev Fall, 29–41.

Yunker, J.A., 1983. Integrating acquisitions: making corporate marriages work. Praeger Publishers, New York.