THE CONCURRENT IMPACT OF CULTURAL, POLITICAL, AND SPATIAL DISTANCES ON INTERNATIONAL MERGERS AND ACQUISITIONS

Maria Chiara Di Guardo, Emanuela Marrocu, Raffaele Paci

University of Cagliari
Department of Economics and Business; CRENoS

Abstract

The paper explores the concurrent effects of cultural, political, and spatial distances on M&A flows occurring between any two countries belonging to the whole European Union (27 States) or to the European Neighbors group (16 States) over the period 2000-2011. By employing zero-inflated negative binomial specifications, entailing both a binary and count process, we adequately model the two different mechanisms which may generate zero observations in the cross-border bilateral deals. Zeros may be due to either the lack of any transactions or unsuccessful negotiations. We find robust evidence that the multi-dimensional distance between two countries negatively affects the probability that they will engage in M&A deals, while the recurrence rate of these deals is positively related to population, gross domestic product, and technological capital and negatively related to geographical distance.