



# Returnee managers as an asset for emerging market multinational enterprises: Chinese cross-border acquisitions (2008–2017)

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## ABSTRACT

Returnee managers, a scarce human resource for emerging market multinational enterprises in the past, are becoming increasingly abundant, and their value is at risk of diminishing. The analysis of Chinese cross-border acquisitions (2008–2017) reveals that only returnee managers from the same country in which an acquisition is targeted facilitate the acquisition, whereas the others fail to make a difference. The impacts are stronger when the acquiring company has less international experience and when the target country has a weak institutional environment. Thus, returnee managers as an asset should be deployed where they are most needed and least substitutable.

## 1. Introduction

Human resources, particularly managers who are experienced in overseas markets, are a critical resource for the global expansion of emerging market multinational enterprises (EMNEs) (Bai, Johanson, & Martín, 2017; Cooke, Wu, & Zhou, 2018; Cui, Li, Meyer, & Li, 2015). As latecomers in a “catch-up game” in global competition, EMNEs need foreign knowledge and connections (Hadjikhani, Hadjikhani, & Thilenius, 2014; Hsu, Chen, & Cheng, 2013; Kunisch, Menz, & Cannella, 2019) to venture overseas. These talent needs of EMNEs have been supplied by returnee managers, i.e., those who have gathered work and/or education experience abroad prior to returning to their home country (Tzeng, 2018). It has been posited that returnee managers help EMNEs sense opportunities overseas (Carpenter & Fredrickson, 2001), tackle uncertainties in foreign markets (Nielsen & Nielsen, 2011), and manage their foreign direct investment (FDI) (Cui et al., 2015).

According to the resource-based view (RBV) (Barney, 1991), returnee managers represent a strategic human resource (Colbert, 2004) for the global expansion of EMNEs. Such a resource can lead to a sustainable competitive advantage as long as it is valuable, rare, inimitable and nonsubstitutable (Barney, 2016; Richard, 2000). However, as the rapid economic growth in emerging markets attracts an increasing number of overseas professionals to return home, returnee managers are becoming a less scarce human resource compared to previous years (Giannetti, Liao, & Yu, 2015; Harvey, 2009). For example, in recent

years, China has been witnessing a “brain gain”, i.e., an increasing number of its citizens have returned to China after being trained and/or educated abroad (Giannetti et al., 2015). At the same time, returnee managers also face increasing competition and substitution threats from their domestic counterparts, as domestic education systems rapidly enhance the quality of their curriculums to produce well-trained domestic talent. In a sense, the potential of returnee managers contributing to EMNEs’ global expansion is at risk of diminishing and cannot be taken for granted. In fact, empirical studies on the impacts of returnee managers on a firm’s international expansion have generated mixed results. Although most literature has documented a positive and significant link between returnee managers and international business (Giannetti et al., 2015), others found a nonlinear or statistically nonsignificant relationship (Masulis, Wang, & Xie, 2012; Mohr & Batsakis, 2019).

The switch from brain drain to brain gain, along with the mixed empirical results, demonstrates two gaps in the literature. First, scholars have called for incorporating the RBV temporal component into analysis (e.g., how resources’ relative values are affected by external changes over time) (Bridoux, Smith, & Grimm, 2013; Priem & Butler, 2001). The switch from brain drain to brain gain represents a temporal change in the supply of returnee managers and, as such, provides an empirical context to examine how the relative values of returnee managers might be different once the supply becomes abundant. Second, the literature has posited that the deployment of resource, i.e., how a firm fits its human resources with its strategy (Colbert, 2004; Costa, Cool, &

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Dierickx, 2013), also affects the realization of a resource's value. This implies that the value of returnee managers is likely contingent upon where it is deployed, but this possibility has been sidestepped in the literature. Overall, whereas returnee managers were typically discussed in a general sense in prior studies, the literature overlooks the potential changes in their capabilities and values that affect a firm's international behavior when they become abundant. In addition, how returnee managers can be appropriately deployed to better leverage their foreign expertise to firm's management practice has attracted less attention. With the sizable growth in returnee managers and the substitution threats they face from domestic managers, it is timely and important to reexamine their role in contributing to an EMNE's foreign investment outcome.

To fill in the gaps and shed light on the mixed results in the literature, this study focuses on CBAs, which are the primary entry mode by which EMNEs invest overseas (US-CHINA Investment Hub, 2019), and asks the following question: *whether, and under which conditions, do returnee managers increase an EMNE's likelihood to complete a CBA given that returnee managers have become more prevalent over in recent years?* Our research thus distinguishes itself from the literature and provides a finer-grained understanding of the role of returnee managers by extending the RBV on its temporal effect and resource deployment. Specifically, this study focuses on returnee managers from the CBA target country (hereafter referred to as target country returnees), a human resource that is more relevant and valuable to a firm's CBA practice, and explores how they affect a firm's completion of a CBA deal and the possible conditioning effect.

We test our hypotheses on a sample of Chinese listed companies that undertook CBAs from 2008 to 2017. The context is appropriate, as China is the biggest emerging market economy, and CBAs by Chinese firms have increased dramatically in both the number and amount of transactions in the past few years (Guo & Clougherty, 2020). In addition, the Chinese context allows us to statistically examine the hypothesized effects, since it provides a variety of firms that have returnee managers from a diverse set of countries.

Our research found no impact of returnee managers on CBA completion; however, we found that a Chinese company will have a higher chance of completing a CBA deal if the company has more returnee managers from the CBA target country, particularly those who have work experience in the CBA target country and those who serve as executive directors in the Chinese company. Moreover, the impact of a target country returnee is stronger when the acquirer lacks international experience, as measured by being listed overseas, and when the target country has a weak institutional environment.

The findings extend the literature by revealing that not all returnee managers make a difference when returnees are no longer a scarce resource. More importantly, this study reveals that returnee managers contribute to the completion of CBAs and thus facilitate the global expansion of an EMNE only when the target country of the CBA deal happens to be the place where they have studied and/or worked. This more nuanced finding, plus the moderating effect of a firm's international experience and the institutional environment, sheds light on the conditions under which returnee managers contribute to the global expansion of EMNEs when returnee managers overall become a commodity.

## 2. Theory and hypotheses

### 2.1. Returnee managers as a human resource

According to the RBV (Barney, 1991; Mahoney & Pandian, 1992; Peteraf, 1993), valuable, rare, inimitable and nonsubstitutable resources are the foundation of a firm's competitive advantage, i.e., "when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors" (Barney, 1991: 102). In particular, the successful pursuit of an international expansion

strategy requires critical resources, including financial resources (Westhead, Wright, & Ucbasaran, 2001), government support (Pinto, Ferreira, & Falaster, 2017), social capital (Jhl, Lyc, & Ssc, 2019), and more importantly, human resources (Liu & Meyer, 2020; Tarba et al., 2020), e.g., professionals who evaluate the host country of investment, facilitate transaction negotiations, and manage the foreign investment.

For EMNEs, returnee managers are a critical human resource who bring with them not only cutting-edge technology (Liu, Lu, & Filatotchev, 2010), but also international knowledge (Cui et al., 2015), managerial experience (Lin, Lu, & Liu, 2016), and foreign social connections (Dai & Liu, 2009). Recent studies have found that returnee managers can enhance EMNEs' innovative capabilities (Luo, Lovely, & Popp, 2017), corporate governance (Giannetti et al., 2015), corporate social responsibility practices (Han, Jennings, Liu, & Jennings, 2019), and ultimately, financial performance (Li, Zhang, Li, Zhou, & Zhang, 2012).

With the rapid economic growth of emerging markets that has attracted an increasing number of returnee individuals in recent years (Harvey, 2009; Lin, Zheng, Lu, Liu, & Wright, 2019; Zweig, Chen, & Rosen, 2004), this human resource tends to become a commodity, particularly in China, and its potential to contribute to a firm's competitive advantages is at risk of diminishing. The RBV prescribes that resources that contribute to sustainable competitive advantages should be rare and inimitable (Barney, 1991; Barney & Wright, 1998; Mahoney & Pandian, 1992; Peteraf, 1993); however, as returnee managers become less of a scarce resource among EMNEs, it can be easily imitated by other rivals to hire returnee managers with similar credentials and thus replicate their value and compete away the benefits. For example, although the impact of returnee managers on the global expansion of EMNEs has been well documented in the literature (e.g., Azam, Boari, & Bertolotti, 2018; Lee & Park, 2008), our data did not demonstrate an increase in the CBA completion rate when the number of returnee managers in Chinese companies recently surged.

We argue that returnee managers would still matter to an EMNE's global expansion when this human resource becomes abundant; but the strength of the impact depends on the context, and the impact is most noticeable when the EMNE expands into a foreign country from which returnee managers have returned. Fig. 1 summarizes the theoretical framework.

### 2.2. The impact of target country returnees on CBA completion

CBA is a time-consuming activity with high risks (Lewis & Bozos, 2019; Officer, 2003). As latecomers in the global "catch-up game" (Cui, Li, & Li, 2013), EMNEs suffer extra liabilities of both foreignness and emergingness (Li, Bruton, & Filatotchev, 2016; Madhok & Keyhani, 2012). Returnee managers' first-hand experience and knowledge provide EMNEs with tacit knowledge to respond to foreign institutional pressures (Meyer, 2014), avoid potential risks (Herrmann & Datta, 2002), and establish legitimacy in the target country (Kostova & Zaheer, 1999; Li, Xia, & Lin, 2017; Slangen, 2013; Zhang, Michael, Justin, & Sun, 2018). In addition, their personal network in the host country helps EMNEs better connect with key stakeholders (e.g., suppliers, government agencies, trade unions, clients) that are essential to the success of foreign operations. Their experience in building and maintaining relationships in a foreign culture also helps a firm connect with foreign stakeholders (Alon, Misati, & Warnecke, 2011). Overall, returnee managers' overseas knowledge and connections are critical for an EMNE to establish local connections, obtain acceptance (Greenwood, Suddaby, & Hinings, 2002) and support (Dana, 2001; Xie, Lin, Mi, & Li, 2019; Zhang et al., 2018), and consequently reduce the liabilities of foreignness and emergingness (Li et al., 2016; Madhok & Keyhani, 2012).

As mentioned above, as a scarce human resource in the past, returnee managers have now become sizeable in number in emerging economies (Han et al., 2019). According to the RBV, whether a human resource creates competitive advantages depends on the effective deployment of

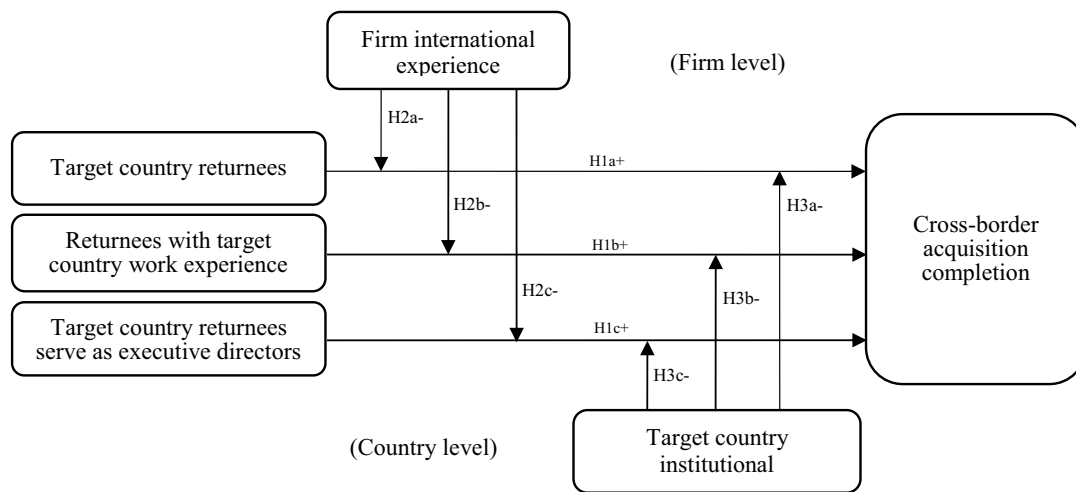


Fig. 1. Theoretical framework of this research.

the resource, i.e., skills become more productive when they match the needs of tasks (Hatch & Dyer, 2004; Tomer, 1987). In the case of foreign expansion, the foreign knowledge and social network brought by returnee managers are more valuable when the overseas investment targets a country from which the returnees have returned (Meyer, Estrin, & Bhaumik, 2009). For example, for a company to invest in Japan, returnee managers from Japan are more valuable and relevant than those from other countries, whose foreign knowledge and connections are less valuable and relevant to an expansion into Japan (Shaver, Mitchell, & Yeung, 1997). Therefore, whereas returnee managers in general and from the other countries likely have a limited impact on the completion of CBAs, the impact can hold when the EMNE's returnee managers happen to come from the target country of the CBA deal. In other words, the value of a returnee manager is most noticeable when his/her knowledge and connections match the destination of an EMNE's international expansion (Hatch & Dyer, 2004). Assuming that a returnee manager who spent more time in a CBA target country is likely to have more in-depth knowledge of the target market and more social connections, we propose the following:

**H1a.** : The likelihood of completing a CBA is higher for a firm whose returnee managers have stayed for a longer time in the CBA target country.

Returnee managers vary in their capabilities of contributing to an EMNE's global expansion (Yuan & Wen, 2018). Among target country returnees, those who acquired work experience before returning home are more valuable and scarcer. For example, most Chinese returnees have only foreign education experience, not foreign work experience (Zweig et al., 2004). Work experience can equip a returnee with a much deeper understanding of a foreign market and professional connections, both of which are critical for an EMNE to reduce potential uncertainties and risks (Herrmann & Datta, 2002). Moreover, returnee managers who worked in the CBA target country have directly interacted with local foreign partners and developed a business network while conducting business operations (Cui et al., 2015), and their experience in building relationships in the target country also helps the firm in better dealing with local stakeholders and obtaining legitimacy.

**H1b.** : The likelihood of completing a CBA is higher for a company with a higher ratio of returnee managers who acquired work experience in the CBA target country.

In addition, target country returnees who hold the position of executive directors represent a well-deployed human resource for an EMNE's global expansion. While prior studies have documented that returnee managers have the potential to promote a firm's foreign business (Cui

et al., 2015; Kunisch, Menz, & Cannella, 2019), this potential will not be realized unless returnee managers are put in a position that can directly affect the process. As noted by Hatch and Dyer (2004), a firm that deploys its employees in the most appropriate position can better leverage and apply their skills, knowledge and capabilities in the firm's management practice and increase the value of the firm. Compared to other returnees, those in executive director positions have more power and control over firms' decision-making and organizational operations (Leduc & Block, 1985). Consequently, they are in the position to utilize their target country-specific knowledge and connections and directly facilitate the EMNE's expansion into the CBA target country.

**H1c.** : The likelihood of completing a CBA is higher for a company with a higher ratio of target country returnees who serve as executive directors.

### 2.3. The conditioning effect of an EMNE's international experience

International experience refers to the "experience that firms accrue from operating internationally" (Clarke, Tamaschke, & Liesch, 2013: 265). EMNEs have been rapidly accruing international experience as they have increased overseas operation. Among EMNEs, some have raised capital internationally and have been publicly listed in stock markets overseas (Siegel, 2005). An EMNE listed overseas is subject to stringent supervision and must comply with the regulations in foreign markets (Karolyi, 2006). Accordingly, a foreign-listed EMNE becomes familiar with the foreign business environment and learns how to cope with constant monitoring by foreign regulatory authorities (e.g., the Securities and Exchange Commission (SEC)) (Lang, Raedy, & Wilson, 2006; Li et al., 2017). A foreign-listed EMNE also accumulates experience in addressing relationships with foreign shareholders and regulators. Compared to domestically listed companies, foreign-listed EMNEs are more capable of handling external uncertainties and addressing legitimacy concerns in foreign markets (Eaton, Nofsinger, & Weaver, 2007). As such, an EMNE's status of being a publicly listed firm in a foreign stock market indicates that the EMNE has more international experience.

According to the RBV, a resource that leads to a sustainable competitive advantage must be nonsubstitutable so that rivals cannot neutralize the advantage by deploying substitute resources (Barney, 1991; Peteraf, 1993). When an internationally experienced firm has built the capability to deal with CBAs, the role of target country returnees suffers from a substitution effect, and thus, they contribute less to the EMNE. For example, Li, Li and Wang (2018) found that emerging market companies that are publicly listed in a developed economy are more likely to complete a CBA because being listed helps an acquirer

circumvent some institutional voids at home. The knowledge and capabilities an EMNE accumulates in the process of being listed overseas can be further applied to a new institutional context, which reduces the firm's need for target country returnees when making an international investment. In particular, this impact is applicable to returnees with target country work experience who hold potential to help the firm better connect with foreign partnership and obtain a deep understanding of the foreign business market. In addition, an EMNE with profound international experience is probably capable of training internal domestic managers and utilizing them for successful global expansion; thus, the role of target country returnees who serve as executive directors, at least in part, can be substituted by those managers for assisting the firm's CBA practice.

The substitution effect of firms listed overseas limits the impact of the knowledge and social network assets contributed by target country returnees. In other words, being listed overseas indicates that an EMNE has developed international experience, which facilitates overseas investment and substitutes for the potential contribution of returnees.

**H2a.** : The positive effect of returnee managers who stayed longer in the target country on CBA completion is weaker if the firm has more international experience.

**H2b.** : The positive effect of returnee managers with target country work experience on CBA completion is weaker if the firm has more international experience.

**H2c.** : The positive effect of target country returnees who serve as executive directors on CBA completion is weaker if the firm has more international experience.

#### 2.4. The conditioning effect of the target country's institutional environment

Countries differ in their institutional environment. In advanced economies with a strong institutional environment, there are transparent regulatory systems, open and stable capital markets, and specialized intermediaries, which collectively encourage and empower foreign investments (Peng & Heath, 1996). Conversely, underdeveloped countries typically suffer from institutional voids (Marano, Tashman, & Kostova, 2017) and, therefore, a smaller, more volatile, less liquid, and less transparent financial market (Meyer et al., 2009).

In completing and managing CBAs, a target country with a strong institutional environment provides EMNEs with alternatives other than personal knowledge and/or connections from target country returnees. First, the abundance of public information can greatly decrease information asymmetry (Zhang, Zhou, & Ebberts, 2011). Second, a more transparent financial market allows EMNEs to enhance their communications and cooperation with target country stakeholders (Meyer et al., 2009). Furthermore, developed financial intermediaries offer firms consulting services that can help avoid acquisition risks. These alternatives, therefore, impose a substitution effect on the experiential knowledge contributed by target country returnees. In other words, EMNEs would rely less on the role of returnee managers' international experience gained from a target country, as the firms are more likely to succeed in an overseas acquisition if the target country has a higher institutional quality and open environment (Zhang et al., 2011). In contrast, an EMNE investing in a country with a weak institutional context will suffer the disadvantage of information opacity due to the country's poor regulatory framework.

The shortage of specialized intermediaries also limits firms' understanding of the target country situation. Returnee managers with target country work experience and those serving as executive directors are more capable of not only helping provide firms with access to local necessary knowledge and social network assets, but also applying their skills and capabilities to directly affect the firm's CBA process. In this

vein, under such conditions, these target country returnees can be a more nonsubstitutable resource to promote a firm's CBA completion.

**H3a.** : The positive effect of returnee managers who stayed longer in the target country on CBA completion is weaker if the firm invests in a target country with a stronger institutional environment.

**H3b.** : The positive effect of returnee managers with target country work experience on CBA completion is weaker if the firm invests in a target country with a stronger institutional environment.

**H3c.** : The positive effect of target country returnees who serve as executive directors on CBA completion is weaker if the firm invests in a target country with a stronger institutional environment.

### 3. Methods

#### 3.1. Samples and data sources

We took publicly listed Chinese companies that completed CBAs from 2008 to 2017 as research samples. This time period is regarded as one in which the number of returnee managers in Chinese companies surged, having a great influence on firms' international activities, such as CBAs (Xie et al., 2019). We collected data on CBA transactions from the WIND database, which has been widely used in Chinese acquisition studies (Chen, Hua, & Boateng, 2017; Greve & Man Zhang, 2017). This database includes data on the dates of announcement, the deal status, and the acquisition industry, etc. We manually collected information on acquisition target countries from firms' annual reports and official websites. In addition, we eliminated samples that met the following conditions: (1) samples in which overseas subsidiaries or branches are mainly owned by the acquirer, and (2) samples in which the acquired company is from the British Virgin Islands or the Cayman Islands.

For our sample firms, we screened the biographies of executives, which we obtained from the China Stock Market & Accounting Research (CSMAR) database and firms' annual reports. From these sources, we collected data on executives' overseas background and the countries in which they received their foreign experience, the type of foreign experience (work vs. education), their management positions in their companies and so on. Firms' financial data, IPO data and industry information were obtained from the CSMAR database. We also collected country-level data from the World Bank database and centre d'Études Prospectives et d'Informations Internationales (CEPII) database. After deleting samples with missing data, our sample comprised 1153 deals announced by 788 firms, among which 599 CBA deals were completed. Only 153 firms out of 788 firms that announced CBAs had at least one returnee from the CBA target country. In total, there were 386 target country returnees in our sample, among whom 138 had work experience in the target country (35.7%) and 193 served as executive directors

**Table 1**  
Distribution of target locations and% of CBAs completed.

Country/ Region	Announced acquisitions	Completed acquisitions	% completed
United States	266	121	45.49
Hong Kong	161	91	56.52
Germany	73	42	57.53
Australia	59	41	69.49
Italy	52	32	61.54
Canada	44	21	47.73
South Korea	43	23	53.49
Singapore	43	19	44.19
United Kingdom	39	21	53.85
Japan	30	18	60.00
Other	343	170	49.56
<b>In total</b>	<b>1153</b>	<b>599</b>	<b>51.95</b>

(50%).

Table 1 shows the sample distribution by target location and completion rate. The results show only the top 10 target locations; Chinese enterprises tend to conduct CBAs in developed economies, which is consistent with the findings of Buckley et al. (2007). The most popular target location is the United States, followed by Hong Kong, Germany, and Australia. Hong Kong is a special place; compared to the political and economic policies of other countries, the political and economic policies of Hong Kong are more subject to those of Mainland China. Thus, following the research of Li et al. (2018), we controlled the Hong Kong samples in the robustness test. There is a large variation in the completion rate by target location. The target locations with the highest completion rates are Australia, Italy and Japan, all of which have completion rates above 60%. In total, there were 599 completed CBA deals, for a completion rate of 51.95%, suggesting that the rapid growth of Chinese CBAs has not been accompanied by higher completion rates, as expected.

### 3.2. Variables

#### 3.2.1. Dependent variable

The likelihood of CBA completion was represented by a dummy variable taking the value of “1” if a deal was completed and “0” otherwise, which is consistent with the method adopted by Dikova, Sahib, and Van Witteloostuijn (2010) and Fuad and Gaur (2019).

#### 3.2.2. Independent variables

We examined the role of target country returnees by measuring the length of time (in years) a returnee manager spent in a CBA target country for his/her work and/or higher education. Prior studies measuring managers' foreign experience based on the number of years spent overseas have typically used survey data or US data provided by Dun & Bradstreet's Reference Book of Corporate Managements (Filatotchev, Liu, Buck, & Wright, 2009; Herrmann & Datta, 2002; Sambharya, 1996). Considering the lack of detailed biographical information for some managers in our dataset and Chinese companies' annual reports (Cui et al., 2015), we cross-verified and supplemented the biographical information using various news and internet searches for these uncertain samples, and we used the following criteria to identify the duration of their target country experience: (1) 1, 2, and 5 year(s) were used to proxy for executives' education experience as a visiting scholar, a master's degree student, or a Ph.D. student, respectively. (2) If the record showed that a returnee had worked for a certain position in the target country but did not specify the exact years, we coded the work experience as 3 years, which is the average length of stay of returnees in a foreign country; if it was still unclear but the returnee had worked in the target country for quite a long time, we regarded it as 20 years. (3) Otherwise, we comprehensively identified their length of time in the target country based on their age and tenure and the situation of their work and/or education abroad. We measured this variable by calculating the sum of years that returnee managers spent in the CBA target country.

Furthermore, the variable *returnees with target country work experience* was measured by the ratio of returnee managers who obtained only target country work experience to the total number of target country returnees. We excluded the returnees who obtained both work and education experience from the CBA target country to eliminate the potential effect produced by the educational experience. Additionally, the variable *target country returnees serve as executive directors* was measured by the ratio of target country returnees who hold the position of executive directors in the company to the total number of target country returnees. All independent variables were measured based on data from the end of the year prior to the CBA announcement.

#### 3.2.3. Moderating variable

We measured a firm's international experience by its status of being

listed overseas. We measured it by a dummy variable taking the value of “1” if the firm completed its IPO in the overseas market prior to the CBA announcement and “0” otherwise. We measured the variable *target country's institutional environment* using the average value of the World Bank's Worldwide Governance Index (WGI), which provides six items about governance quality for over 200 countries.

### 3.2.4. Control variables

**3.2.4.1. Firm level.** We controlled for *firm size* in considering the effect on a firm's decision-making and risk-taking behavior (Audia & Greve, 2006), and we measured this variable by the logarithm of a firm's total assets. We also controlled for the *debt-to-asset ratio* to capture the effect (if any) of a firm's financial leverage on CBA completion. Considering the effect of firm ownership on the likelihood of completing an acquisition (Cuervo-Cazurra & Li, 2020; Jory & Ngo, 2014; Li et al., 2018), we controlled for whether a firm was a *state-owned enterprise* using a dummy variable taking the value of “1” if the firm was ultimately controlled by any level of the Chinese government and “0” otherwise. In addition, a firm's prior performance may affect its CBA capability; we thus controlled for the firm's return on equity (ROE) in the previous year (Fuad & Gaur, 2019).

**3.2.4.2. Industry level.** Considering that firms in the high-tech industry may face more legitimacy concerns (such as national security and technology leakage) from the target country, we controlled for the *high-tech industry* using a dummy variable taking the value of “1” if the acquiring firm belonged to the high-tech industry, according to the China High-tech Industry Statistical Yearbook and the Industry Classification Guideline by the China Securities Regulatory Commission (CSRC) and “0” otherwise. Additionally, we controlled for a *same industry acquisition*, in which there may be less information asymmetry, and which has a positive impact on a firm's deal completion (Lim & Lee, 2016). We measured this phenomenon using a dummy variable taking the value of “1” if the acquiring firm and target firm were in the same industry and “0” otherwise.

**3.2.4.3. Deal level.** We controlled for the possible effect of *deal value* on the firm's completion of a CBA and measured this variable by the logarithm of the firm's announced deal value.

**3.2.4.4. Target country level.** Considering the influence of the target country's economic development on firm CBAs, we controlled for *target country GDP* (measured by the logarithm of the GDP value) and *GDP growth rate* (Li et al., 2018).

**3.2.4.5. Bilateral country distance level.** We controlled for the *geographic distance* between the home country and target country, which may cause difficulties for firms in accessing target country information and resources. In addition, we controlled for *cultural distance* to consider its effect on a firm's understanding of the target situation. We measured this variable by Hofstede, (2004) six cultural indexes, which include power distance, individualism, masculinity, uncertainty avoidance, long-term orientation and indulgence. The formula is as follows:

$$\text{Cultural distance} = \sum_{i=1}^6 \left\{ \frac{(I_{i\text{host}} - I_{i\text{home}})^2}{V_i} \right\} / 6$$

where  $i$  equals each dimension of the cultural index;  $I_{i\text{host}}$  and  $I_{i\text{home}}$  refer to the cultural index from the host country and the home country (here, China), respectively; and  $V_i$  refers to the variance in each cultural dimension.

We also controlled for linguistic distance to capture its effect on a firm's CBA completion. We measured this variable by calculating the language similarity between two countries based on their major national

languages (Fearon & Laitin, 2003). The data were obtained from the CEPII database. Finally, we controlled for the time effect using a *year dummy*.

### 3.3. Modeling

To test the proposed hypotheses with the dependent variable as a dummy variable, we used the following logistic regression model in our analysis:

$$P(cba\_completion = 1) = \Lambda(\alpha + \beta^T X_i + \varepsilon_i)$$

where  $P(cba\_completion = 1)$  refers to the probability of completing a CBA.  $\Lambda(z)$  indicates the logistic response function  $e^z / (1 + e^z)$ .  $X_i$  and  $\varepsilon_i$  represent the independent variables and standard errors, respectively (Cameron & Trivedi, 2009). In addition,  $\alpha$  and  $\beta$  are the model parameters. The same modeling strategy was adopted by Li et al. (2018) to analyze CBAs by Chinese state-owned enterprises and by Muehlfeld, Sahib, and Van Witteloostuijn (2012) to analyze acquisitions in the global newspaper industry.

Given the longitudinal nature of the data, we also need to address the presence of unobserved heterogeneity. The unit of analysis was the acquisition, and a firm can complete multiple acquisitions or no acquisitions each year during the observation window (2008–2017). With panel data such as these, we created a “time” variable that labels each deal uniquely and sequentially, i.e., “firm 1 deal 1”, “firm 1 deal 2”, “firm 2 deal 1”, etc. Then, we deployed random effects regression and added calendar year dummies to account for the year as a fixed effect (Seltman, 2009). We chose a random effects model over a fixed effects model because the independent and moderating variables do not vary or vary very little over time and because in this situation, fixed effects estimators pick up only measurement errors and thus should not be computed. Our choice of a random effects model is consistent with empirical studies using similar data (e.g., Barthélemy, 2017; Bloom & Milkovich, 1998; Yin & Zajac, 2004).

## 4. Results

Table 2 reports the descriptive statistics and correlation coefficients of the variables. On average, the returnee managers stayed 2.5 years in the CBA target country, with a standard deviation of 9.15, suggesting a large variance among returnee managers in terms of the length of their stay in the target countries. In addition, we examine the variance inflation factor (VIF) of the variables, and a value below 10 is generally accepted as an indication that no significant impact of multicollinearity exists. The results show that all the variables have values that range from 1.02 to 3.17. We also perform the correlation coefficient test, and each of the variables has a value under 0.6. Thus, multicollinearity is not a problem in the regression analyses.

The results of the logistic regressions are shown in Table 3; column 1 is the baseline model with all control variables. The results show that acquiring a target company with a larger deal value has a positive impact on a firm’s CBA completion, which is consistent with (Dikova and Sahib, 2013). The results also show that deals in which the acquirer undertook a CBA in the same industry or in a country with language similarity were more likely to be completed.

Models 1–5 report the results of the relationship between returnee managers and CBA completion. First, we considered the overall effect of returnee managers, which was measured by the ratio of general returnee managers without differentiating their country of origin. Model 1 shows that there is a positive but not significant effect, which supports our argument that as the number of returnee managers in Chinese companies increases, their value to firms’ CBAs diminishes. Furthermore, our data in Fig. 2 do not show a clear correlation between the completion rate of the CBAs of Chinese multinationals and the rapidly increasing number of returnee managers.

Model 2 considers the effect of returnee managers who acquired foreign experience in other countries (not the CBA target country). The results show that returnee managers from other countries could not significantly promote a firm’s CBA completion. Furthermore, we examined the effect of target country returnees. The results in Model 3 show that the coefficient for target country returnees is 0.026, with a  $p$  value less than 0.05, and the loglikelihood is greater than those in Models 1 and 2, suggesting that Model 3 is significantly improved. Therefore, this result supports H1a, i.e., target country returnees can significantly increase a firm’s likelihood of CBA completion. In addition, Models 4 and 5 show that returnees with target country work experience and target country returnees who serve as executive directors, respectively, are positively related to a firm’s CBA completion. Thus, H1b and H1c are also supported.

Table 4 reports the regression results from testing the moderating effects. As shown in Models 6 to 8, a firm’s international experience negatively moderates the effect of target country returnees ( $-0.038, p < 0.1$ ) and the effect of returnees with target country work experience ( $-1.651, p < 0.1$ ) and target country returnees serving as executive directors ( $-1.952, p < 0.05$ ). These results support our arguments that a firm with more international experience develops a substitution effect on the need for target country returnees; thus, H2a, H2b and H2c are supported. Furthermore, Models 9 to 11 show that when firms are conducting a CBA, a strong institutional environment in the target country negatively moderates the effect of target country returnees on firms’ CBA completion ( $-0.079, p < 0.1$ ). As expected, this negative moderating effect is also shown in the case of returnees with target country work experience ( $-4.137, p < 0.05$ ) and target country returnees who serve as executive directors ( $-4.516, p < 0.01$ ). Therefore, H3a, H3b and H3c are also supported.

Figs. 3 and 4 plot the moderating effects of a firm’s international experience and the institutional environment of the target country on the effect of target country returnees on a firm’s CBA completion. As shown in Fig. 3, the smoother regression line suggests a weaker effect of target country returnees when a firm has completed an IPO in the overseas market versus when a firm is not listed overseas. Moreover, the results in Fig. 4 show that an increase in the level of target country institutional quality is associated with a reduction in the positive effect of target country returnees.

Table 5 reports the results of some robustness tests. First, we measure target country returnees using a dummy variable taking the value of “1” if returnee managers had work and/or education experience in the target country and “0” otherwise. Model 1 shows that the dummy-coded target country returnees have a positive significant effect on a firm’s CBA completion. We also measure target country returnees using the total number of returnee managers from the CBA target country and the ratios of target country returnees to the total numbers of top management team (TMT) members. The results in Models 2 and 3 also show that number-measured and ratio-measured target country returnees positively promote the firm’s CBA completion. Second, we alternatively examine the effect of target country returnees by considering the regency of the foreign experience that returnee managers acquired in the target country. Over time, not only can one’s knowledge about a target country context become obsolete, but social ties may also decay unless they are renewed (Benkart, 2000). We measure this variable using the total number of years between returnee managers’ latest acquisition of target country experience and the CBA announcement in the company, which is then reverse coded. As shown in Model 4, the regency of target country experience has a positive effect on a firm’s CBA completion.

To consider returnee managers who come from a country with an institutional environment similar to that of the target country, we also examine this effect by measuring the institutional distance between the country where returnee managers obtained their foreign experience and the acquisition target country (reverse coded). Model 5 shows that returnee managers from a target-similar country have no significant effect on a firm’s CBA completion. This finding supports our argument

**Table 2**  
Descriptive statistics, correlation coefficients, and VIFs.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Mean	0.52	2.50	0.07	0.09	0.10	1.12	22.96	0.48	0.08	0.22	0.12	0.65	5.33	27.98	2.44	2.51	0.73
Std.Dev	0.50	9.15	0.24	0.28	0.30	0.62	1.63	0.20	0.12	0.41	0.33	0.47	1.70	1.78	2.12	1.43	0.40
VIF	—	1.34	1.67	1.87	1.56	1.19	2.27	1.75	1.03	1.32	1.04	1.08	1.02	1.75	1.12	2.95	3.17
1 Cba_completion	1																
2 Target country returnees	0.06*	1															
3 Returnees with target country work experience	0.02	0.37***	1														
4 Target country returnees serve as executive directors	0.01	0.47***	0.57***	1													
5 Firm's international experience	0.00	0.07**	0.07**	0.06**	1												
6 Target country institutional environment	0.05*	0.04	-0.03	-0.00	0.00	1											
7 Firm size	0.02	-0.01	0.04	-0.02	0.53***	-0.03	1										
8 Debt-to-asset ratio	0.02	-0.07***	-0.01	-0.08***	0.21***	-0.07***	0.60***	1									
9 ROE	0.03	0.02	0.01	0.01	0.06**	0.08***	0.06**	-0.01	1								
10 State-owned enterprise	0.04	-0.03	-0.03	-0.06**	0.35***	-0.06**	0.41***	0.32***	-0.08***	1							
11 High-tech industry	0.01	-0.02	0.007	-0.02	-0.12***	0.01	-0.10***	-0.08***	-0.04	-0.02	1						
12 Same industry acquisition	0.06**	0.06**	0.07***	0.09***	0.12***	-0.07**	0.03	-0.06**	0.05*	0.07***	-0.01	1					
13 Deal value	0.14***	0.03	0.05*	0.01	-0.01	0.06**	0.02	-0.00	-0.01	-0.01	0.02	0.03	1				
14 Target GDP	-0.02	0.17***	0.17***	0.20***	-0.04	0.24***	-0.10***	-0.14***	0.04	-0.15***	0.02	0.09***	0.00	1			
15 Target GDP growth	-0.01	-0.01	0.00	-0.01	-0.00	-0.20***	0.05*	0.08***	-0.04	0.02	-0.03	-0.03	-0.01	-0.21***	1		
16 Cultural distance	-0.03	0.10***	0.10***	0.12***	0.04	0.08***	-0.11***	-0.19***	-0.02	-0.08***	0.02	0.09***	-0.01	0.53***	-0.07**	1	
17 Geographic distance	-0.03	0.09***	0.07***	0.09***	0.08***	0.01	-0.04	-0.12***	0.00	-0.03	-0.03	0.05*	-0.03	0.54***	-0.17***	0.77***	1
18 Language similarity	0.00	0.04	0.04	0.04	0.03	-0.22***	-0.04	-0.06**	-0.05	-0.03	-0.01	0.07**	-0.06**	0.33***	-0.06**	0.57***	0.59***

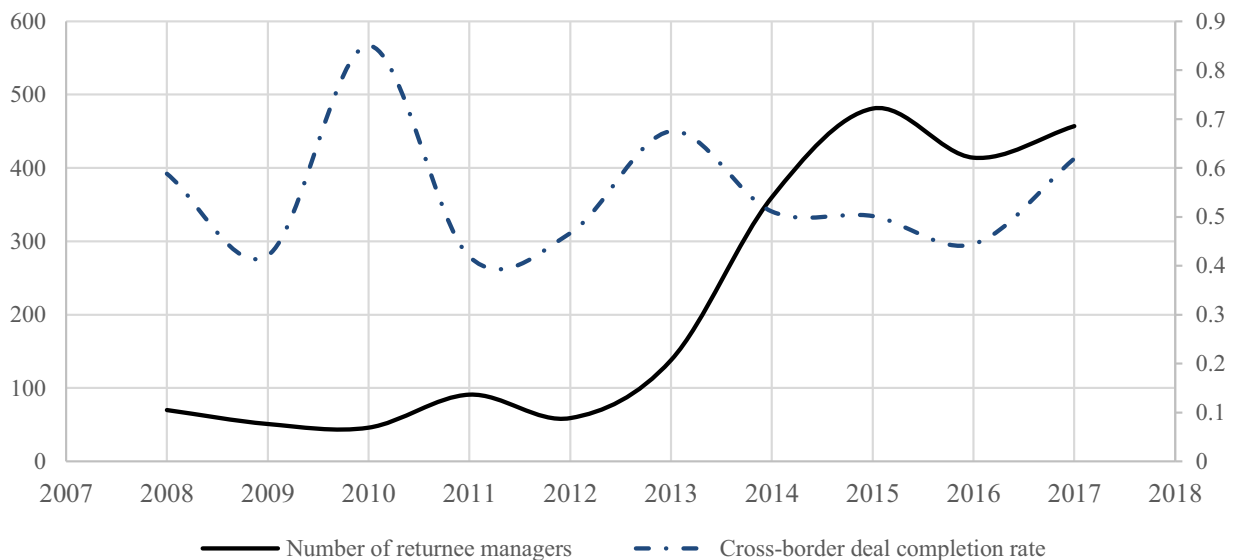
Note:  $N = 1153$ .

\*  $p < 0.1$ , \*\*  $p < 0.05$ , and \*\*\*  $p < 0.01$ .

**Table 3**  
Effects of returnee managers on CBA completion.

Variables	Base Model 0	Main effect Model 1	Model 2	Model 3	Model 4	Model 5
<b>Firm level</b>						
Firm size	-0.071 (0.079)	-0.082 (0.080)	-0.068 (0.080)	-0.079 (0.080)	-0.081 (0.080)	-0.078 (0.081)
Debt-to-asset ratio	0.975 (0.607)	0.998 (0.608)	0.978 (0.608)	1.087* (0.613)	1.010* (0.610)	1.061* (0.618)
ROE	1.084 (0.918)	1.040 (0.915)	1.099 (0.921)	1.043 (0.919)	1.042 (0.917)	1.073 (0.930)
State-owned enterprise	0.088 (0.273)	0.119 (0.275)	0.078 (0.275)	0.085 (0.275)	0.090 (0.274)	0.093 (0.277)
<b>Industry level</b>						
High-tech industry	-0.012 (0.299)	-0.023 (0.300)	-0.004 (0.300)	0.004 (0.302)	-0.013 (0.300)	0.002 (0.304)
Same industry acquisition	0.342* (0.186)	0.330* (0.187)	0.345* (0.187)	0.327* (0.187)	0.330* (0.187)	0.330* (0.189)
<b>Deal level</b>						
Deal value	0.247*** (0.054)	0.245*** (0.054)	0.248*** (0.054)	0.245*** (0.054)	0.245*** (0.054)	0.251*** (0.054)
<b>Target country level</b>						
Target GDP	-0.093 (0.064)	-0.095 (0.064)	-0.096 (0.065)	-0.112* (0.065)	-0.123* (0.067)	-0.127* (0.068)
Target GDP growth	0.023 (0.047)	0.024 (0.047)	0.022 (0.047)	0.023 (0.048)	0.021 (0.047)	0.023 (0.048)
<b>Bilateral country distance level</b>						
Cultural distance	-0.020 (0.097)	-0.022 (0.097)	-0.019 (0.097)	-0.027 (0.098)	-0.019 (0.097)	-0.023 (0.098)
Geographic distance	-0.169 (0.371)	-0.147 (0.372)	-0.177 (0.372)	-0.159 (0.373)	-0.176 (0.372)	-0.169 (0.375)
Language similarity	1.100* (0.561)	1.094* (0.562)	1.114** (0.564)	1.106* (0.566)	1.148** (0.565)	1.188** (0.572)
General returnee managers		0.492 (0.392)				
Returnee managers from other countries			-0.187 (0.570)			
Target country returnees				0.026** (0.011)		
Returnees with target country work experience					0.680* (0.383)	
Target country returnees serve as executive directors						0.644* (0.346)
Year Dummy	Control	Control	Control	Control	Control	Control
Constant	4.225 (2.731)	4.512 (2.750)	4.253 (2.736)	4.870* (2.759)	5.222* (2.801)	5.204* (2.829)
Log likelihood	-713.342	-712.834	-713.288	-710.492	-711.716	-711.539
Wald chi <sup>2</sup>	47.58***	47.96***	47.57	50.22***	49.25***	48.59***

Note: The numbers in parentheses are standard errors. \*  $p < 0.1$ , \*\*  $p < 0.05$ , and \*\*\*  $p < 0.01$ .



**Fig. 2.** Returnee managers in Chinese CBA firms and the CBA completion rate.



**Table 4**  
Moderating effect of firm's international experience and target country institutional environment.

Variables	Moderating effect test					
	Firm's international experience			Target country institutional environment		
	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
<b>Firm level</b>						
Firm size	-0.024 (0.086)	-0.061 (0.092)	-0.066 (0.092)	-0.051 (0.051)	-0.082 (0.081)	-0.084 (0.082)
Debt-to-asset ratio	0.992* (0.593)	1.003 (0.621)	1.076* (0.624)	0.642 (0.403)	1.034* (0.616)	1.163* (0.627)
ROE	0.949 (0.863)	1.080 (0.925)	1.192 (0.951)	0.458 (0.605)	1.055 (0.930)	1.084 (0.947)
State-owned enterprise	0.181 (0.264)	0.139 (0.281)	0.130 (0.281)	0.142 (0.174)	0.115 (0.277)	0.097 (0.281)
<b>Industry level</b>						
High-tech industry	0.033 (0.290)	-0.0245 (0.304)	-0.005 (0.305)	0.040 (0.190)	0.0105 (0.303)	0.009 (0.308)
Same industry acquisition	0.390** (0.178)	0.346* (0.189)	0.329* (0.189)	0.290** (0.138)	0.359* (0.190)	0.345* (0.192)
<b>Deal level</b>						
Deal value	0.253*** (0.052)	0.248*** (0.054)	0.252*** (0.054)	0.166*** (0.038)	0.239*** (0.054)	0.247*** (0.055)
<b>Target country level</b>						
Target GDP	-0.115* (0.063)	-0.124* (0.067)	-0.124* (0.068)	-0.090* (0.049)	-0.133* (0.068)	-0.141** (0.069)
Target GDP growth	0.039 (0.046)	0.022 (0.048)	0.024 (0.048)	0.005 (0.038)	0.033 (0.048)	0.036 (0.049)
<b>Bilateral country distance level</b>						
Cultural distance	-0.036 (0.094)	-0.025 (0.098)	-0.035 (0.098)	-0.046 (0.075)	-0.075 (0.102)	-0.088 (0.104)
Geographic distance	-0.103 (0.359)	-0.167 (0.375)	-0.165 (0.375)	-0.276 (0.281)	-0.049 (0.381)	-0.023 (0.385)
Language similarity	1.066* (0.545)	1.170** (0.569)	1.240** (0.572)	1.136*** (0.437)	1.394** (0.591)	1.487** (0.601)
Target country returnees	0.037*** (0.013)			0.115* (0.061)		
Returnees with target country work experience		1.039** (0.440)			5.824** (2.390)	
Target country returnees serve as executive directors			0.991** (0.385)			6.402*** (2.214)
Firm's international experience	-0.194 (0.431)	-0.078 (0.460)	0.006 (0.470)			
Target country returnees × Firm's international experience	-0.038* (0.023)					
Returnees with target country work experience × Firm's international experience		-1.651* (0.921)				
Target country returnees serve as executive directors × Firm's international experience			-1.952** (0.885)			
Target country institutional environment				0.242* (0.129)	0.309* (0.175)	0.328* (0.177)
Target country returnees × Target country institutional environment				-0.079* (0.047)		
Returnees with target country work experience × Target country institutional environment					-4.137** (1.866)	
Target country returnees serve as executive directors × Target country institutional environment						-4.516*** (1.681)
Year Dummy	Control	Control	Control	Control	Control	Control
Constant	1.490 (2.492)	4.804 (2.921)	4.707 (2.932)	3.637* (2.016)	5.186* (2.832)	5.193* (2.867)
Log likelihood	-709.456	-709.917	-708.823	-708.524	-707.691	-706.047
Wald chi <sup>2</sup>	50.79***	50.75***	51.42***	53.38***	53.05***	53.73***

Note: The numbers in parentheses are standard errors. \*  $p < 0.1$ , \*\*  $p < 0.05$ , and \*\*\*  $p < 0.01$ .

that only target country returnees who provide locally necessary information and resources can promote a firm's CBA completion.

Additionally, Model 6 shows the results of a probit model, indicating that target country returnees have a positive effect on a firm's CBA completion. Furthermore, we use a dummy variable and control the samples that conducted CBAs in Hong Kong. Model 7 shows that target country returnees are also positively associated with a firm completing a CBA. Our results thus remain robust.

## 5. Discussion and conclusions

### 5.1. Key findings of this research

Returnee managers have been viewed as a critical human resource that facilitates the global expansion of EMNEs (Cui et al., 2015), even though the literature has documented mixed empirical evidence (e.g., Masulis et al., 2012; Mohr & Batsakis, 2019). From the RBV perspective, as returnee managers have become a less scarce resource in emerging markets (Zweig et al., 2004), their potential to contribute to a firm's competitive advantage in global expansion is at risk of diminishing and

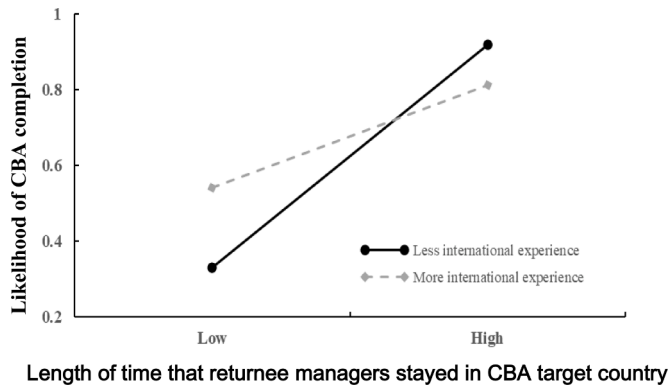


Fig. 3. Moderating effect of firm's international experience.

cannot be taken for granted. Aiming to explore this possibility, this study takes 1153 publicly listed firms in China (2008–2017) and examines the impact of returnee managers on the completion of CBA deals. This research reveals some important findings.

First, unlike previous studies in the IB literature that demonstrate a positive relationship between returnee managers and a firm's internationalization level, our result found no impact of returnee managers on CBA completion; however, returnee managers from the CBA target country appeared to enhance a firm's likelihood of completing a CBA. The findings deepen current understanding of returnee managers as a human resource for EMNEs (Giannetti et al., 2015) by revealing that not all returnee managers make a difference when they become abundant as resources. Our further research found that returnee managers' target country work experience and their positions as executive directors are positively related to CBA completion. These nuances also extend the existing literature, which has identified the role of returnee managers only in a more general sense (Athanassiou & Nigh, 2002; Lee & Park, 2008; Nielsen & Nielsen, 2011).

Second, our findings provide new insights by revealing that alternative resources in the form of both firm-level international experience and the country-level institutional environment can be substituted for a human resource, i.e., returnee managers. In a way, an EMNE with profound international experience is probably capable of achieving successful global expansion, rather than relying on returnee managers. Similarly, returnee managers can potentially be substituted by professional services in a country with a strong institutional environment. Therefore, as a human resource, returnee managers are more valuable when they are deployed where they are most needed and where substitute resources are least available.

5.2. Theoretical contributions

Our study makes two contributions to the RBV research. On the one hand, this study responds to the call issued by Bridoux et al. (2013); Priem and Butler (2001), and Sirmon, Hitt, and Ireland (2007) to incorporate the temporal component of RBV into analysis. We introduce the time dimension into human resources by focusing on a key group, returnee managers, who were regarded as scarce resources previously but have now become more abundant in emerging markets. We assume that as rapid economic growth of emerging markets has increasingly attracted overseas citizens to return home (Harvey, 2009), returnee managers have grown more prevalent and their features of rareness, value, nonsubstitutability, and inimitability might not be salient for many EMNEs, especially in terms of their global expansion. As evidence, our findings show no significant overall effect of returnee managers on firms' CBA completion. Our study thus departs from much of the literature, which focused on the value of resources to add to a firm's competitive advantage and neglected that resources' relative values may be affected by market changes (Miller & Shamsie, 1996). We advance the RBV theory in IB research by considering its temporal effect and take an important step to draw upon this insight to explain a more detailed relationship between returnee managers and EMNE cross-border acquisition.

The findings have implications for other emerging markets that have also undergone a process from "brain drain" to "brain gain", such as India and Pakistan (Azam et al., 2018; Kenney, Breznitz, & Murphree, 2013), while prior studies on emerging markets paid less attention to this dynamic process of the variation of returnee managers.

On the other hand, we extend the RBV by highlighting the deployment of resources, in which the resource should be deployed where it is most needed. Prior RBV-based studies did not pay enough attention to the competitive implications of the deployment of resources in a firm's international strategy (Costa et al., 2013). Our research fills this gap by distinguishing the places in which returnee managers acquired foreign experience and argues that as returnee managers' value to EMNEs' international business is being attenuated, they can make contributions only when their foreign experience matches the target of the investment. Therefore, an EMNE that aims to carry out CBAs should consider the fit between its internal resources and the target country environment to optimize its resource configuration. In addition, human resources should be deployed into the most appropriate position to make best use of their skills to improve a firm's competitiveness (Hatch & Dyer, 2004). Our study found out that target country returnees serving as executive directors have a positive effect on a firm's completing CBA deals. This finding also extends our understanding of returnee managers, who can better realize their potential when deployed in a leadership position that can directly shape a firm's investment process. Finally, as resources that contribute to a firm's value should not be easily substituted, our findings

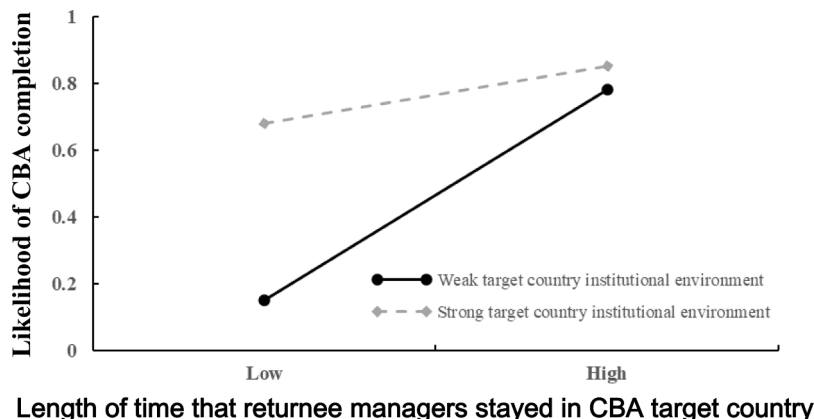


Fig. 4. Moderating effect of the target country institutional environment.

**Table 5**  
Robustness test.

variables	Target country returnees dummy-coded	Target country returnees number-measured	Target country returnees ratio-measured	Recency of target country experience	Returnee managers from a target-similar country	Probit Model	HK Control	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	
<b>Firm level</b>								
Firm size	-0.089 (0.082)	-0.086 (0.081)	-0.087 (0.082)	-0.079 (0.080)		0.005 (0.109)	-0.047 (0.047)	-0.080 (0.080)
Debt-to-asset ratio	1.079* (0.622)	1.090* (0.619)	1.138* (0.625)	1.077* (0.614)		0.244 (0.869)	0.640* (0.363)	1.077* (0.614)
ROE	1.086 (0.937)	1.050 (0.929)	1.071 (0.939)	1.033 (0.914)		1.603 (1.383)	0.615 (0.543)	1.069 (0.931)
State-owned enterprise	0.088 (0.280)	0.094 (0.277)	0.101 (0.280)	0.086 (0.276)		0.108 (0.392)	0.049 (0.163)	0.089 (0.275)
<b>Industry level</b>								
High-tech industry	0.0193 (0.307)	0.0120 (0.304)	0.023 (0.307)	0.0143 (0.303)		-0.132 (0.375)	0.001 (0.179)	0.017 (0.302)
Same industry acquisition	0.329* (0.190)	0.332* (0.189)	0.327* (0.190)	0.339* (0.188)		0.0175 (0.271)	0.193* (0.111)	0.334* (0.188)
<b>Deal level</b>								
Deal value	0.248*** (0.054)	0.249*** (0.054)	0.251*** (0.055)	0.246*** (0.054)		0.216*** (0.076)	0.146*** (0.031)	0.246*** (0.054)
<b>Target country level</b>								
Target GDP	-0.148** (0.070)	-0.141** (0.069)	-0.152** (0.070)	-0.104 (0.065)		-0.062 (0.098)	-0.068* (0.039)	-0.108 (0.066)
Target GDP growth	0.023 (0.048)	0.022 (0.048)	0.022 (0.048)	0.024 (0.048)		-0.160* (0.083)	0.013 (0.028)	0.025 (0.048)
<b>Bilateral country distance level</b>								
Cultural distance	-0.029 (0.099)	-0.026 (0.098)	-0.027 (0.099)	-0.025 (0.098)		-0.039 (0.127)	-0.018 (0.058)	-0.007 (0.102)
Geographic distance	-0.152 (0.377)	-0.174 (0.375)	-0.170 (0.377)	-0.145 (0.374)		-0.177 (0.500)	-0.088 (0.221)	-0.131 (0.376)
Language similarity	1.256** (0.577)	1.219** (0.574)	1.257** (0.578)	1.177** (0.568)		1.591** (0.754)	0.660** (0.335)	1.211** (0.587)
Hong Kong								0.233 (0.338)
Target country returnees dummy-coded	0.532** (0.243)							
Target country returnees number-measure		0.257** (0.122)						
Target country returnees ratio-measure			2.734** (1.064)					
Recency of target country experience				1.160** (0.512)				
Returnee managers from a target-similar country					0.002 (0.004)			
Target country returnees							0.015** (0.006)	0.025** (0.011)
Year Dummy	Control	Control	Control	Control	Control	Control	Control	Control
Constant	6.017** (2.913)	5.792** (2.872)	6.059** (2.885)	4.596* (2.759)		1.708 (3.786)	2.841* (1.605)	4.619* (2.786)
Log likelihood	-710.832	-710.963	-709.699	-710.613		-708.425	-710.507	-710.253
Wald chi <sup>2</sup>	49.05***	49.10***	49.83***	50.80***		50.43***	53.70***	50.51***

Note: The numbers in parentheses are standard errors. \*  $p < 0.1$ , \*\*  $p < 0.05$ , and \*\*\*  $p < 0.01$ .

provide the first empirical evidence on emphasizing that returnee managers, as human resources, should be properly deployed where the company has less international experience and the target country lacks a strong institutional environment.

### 5.3. Managerial implications

The findings of this study also have important practical implications for corporate managers. First, when conducting CBA practice, managers should value the role of returnees who have obtained experience from the country where the CBA is targeted. If the company concentrates on

enhancing the ratio of returnee managers (as most studies suggested) without identifying and distinguishing the place where they acquired foreign experience, it may prevent returnees' skills from being properly utilized and contributing to a firm's international strategy. Second, returnee managers should be deployed into appropriate positions to maximize their foreign know-how and values applied in the firm's CBA activity. Compared to nonexecutives, returnee managers serving as executive directors are more familiar with a firm's internal affairs and have more control over the firm's decision-making, which can better combine their knowledge to address specific issues in the firm's CBA process.

Moreover, considering that most emerging markets are at the initial stage of internationalization and suffer from the liability of foreignness, EMNEs that aim to carry out CBAs should attach importance to target market knowledge and resources (Meyer et al., 2009). Especially when the EMNE has less international experience and the target country is characterized by low quality of institutional environment, recruiting or cultivating returnees from the target country could greatly reduce information asymmetry and transaction costs and benefit its CBA outcome. Since Chinese multinationals are advancing the “One Belt One Road” initiative and eyeing most developing countries in Asia and Africa for investment, establishing connections between the TMT and the target market is an effective way for companies to gain competitive advantages in their overseas expansion.

## 6. Limitations and future research directions

This study includes several limitations that invite future research. First, whereas this study confirmed that returnee managers are an asset for the global expansion of EMNEs, our measure of the asset is only a proxy of the returnee managers’ international experience. Thus, it remains to be uncovered what exact knowledge, skills, abilities and competencies that returnee managers gained from their international experiences – not country-specific, and generally global – are particularly valuable and thus should be prioritized. Additionally, we should also investigate the circumstances under which this valuable development was gained. Only by doing so can the literature better advise future returnee managers regarding what they should focus on developing during the years they spend overseas, and advise EMNEs on how they can better deploy and support returnee managers in advancing their global expansion.

Second, additional data and samples can be useful for validating and extending the findings of the study. There are a myriad of factors that may explain whether a CBA is ultimately completed, including the attributes of the target company, such as the public status, and deal attributes, such as cash offers. However, we could not examine these factors due to data limitations. Future research can examine more target-specific characteristics and other factors that may affect firms’ CBA completion. Additionally, our research samples contained data only on the listed Chinese companies, but in recent years, many unlisted companies such as Huawei and State Grid have also conducted CBAs and played important roles in the international acquisition market. Thus, the inclusion of more unlisted CBA companies could extend both our theory development and empirical design.

Third, our study did not test the effect of returnee managers on CBA completion over time. Since a company may develop experience and capability during several CBA practices (Collins, Holcomb, & Certo, 2009), it would be interesting to determine whether the results hold for the same hypotheses over a longer period. In particular, the relationship between the target country returnee and CBA completion may turn out to be negative due to path dependence, and the company may become capable over time to deal with global businesses and rely less on region-specific experience. Further research can engage in longitudinal study to dig deeper into this relationship.

Lastly, this research discussed only the role of target country returnees in promoting the likelihood of CBA completion; however, how they shape and affect a firm’s acquisition behavior might be subject to their interaction with other top managers and the internal organization environment. Further research can combine primary data obtained via survey or interview to develop a finer-grained understanding of the returnee manager’s micro decision process.

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