

When Service Characteristics Make a Double-Edged Sword for their Multinational Acquirers

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Although international business scholars have expressed the need for unique theory building for service firms vis-à-vis manufacturing firms, intricacies of services remained largely underexplored. In this paper, we attempt to build a unique theory to highlight service sector multinational acquiring companies' distinct competencies and challenges compared to those of the acquires in the manufacturing sector. Acknowledging the intangibility aspect of the services as well as its interactions with cross-national institutional factors, we propose that service acquirers (SAs) would have greater cognitive and behavioral preparedness at the organizational level to work with same-sector firms, and have a higher likelihood of completing mergers and acquisition deals. Furthermore, we argue that when SAs undertake cross-sector and culturally distant deals, the deal outcomes would be undermined by the greater demand due to the increased cognitive burden attributable to a greater need for focused attention and information processing.

We analyzed a sample of cross-border merger and acquisition deals attempted and completed during 1998-2018. The sample consisted of over 200,000 cross-national acquisition deals. Using logistic regression analyses, we find convincing evidence in support of our theory of uniqueness for acquirers offering services (vis-à-vis products). The findings contribute to extending the behavioral theory of the firm especially considering the cross-institutional factors. Finally, given important theoretical and managerial implications of this study, we identify new avenues of future research that can substantially improve our understanding of the SAs.

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