

Speaking the same language?

The effects of cross-border acquisitions on targets' local alliance partners

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ABSTRACT

Cross-border acquisitions may raise uncertainty that concerns not only the two parties involved in the deals, but also other firms that have relationships with either the acquirer or the target. In this paper, we examine what happens to a firm's performance when a foreign company acquires its domestic alliance partner. Drawing insights from institutional theory, we suggest that the institutional distance between the acquirer's home country and host country can have a negative impact on the ongoing relation between the focal firm and the acquisition target, thus undermining the value that the firm gets from the alliance with the target. This negative effect is stronger if the foreign acquirer is state-owned, but weaker if it has experience in the host country.