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How Hiring Financial Advisors in Cross-Border Acquisitions in The BRICS is Driven by The Target Country Institutional Image and Home-Target Distance

Como a Contratação de Assessores Financeiros em Aquisições Internacionais nos BRICS é Influenciada pela Imagem Institucional do País Receptor e pela Distância Investidor-Receptor

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Abstract: We examine how the target country's institutional image and home-host institutional and geographic distance influence the acquirer firms' hiring financial advisors in cross-border acquisitions (CBAs) in the BRICS. Specifically, we scrutinize whether the acquirer hires financial advisor in the acquirer firm's country, the target country or a global advisor. We argue that the acquirer is more likely to hire a financial advisor the poorer the institutional image of the target country and the greater the home-host institutional and geographic distance. Using longitudinal data on 642 cross-border acquisitions during 2013-2017 in the BRICS – Brazil, Russia, China, India and South Africa, we empirically test the hypotheses. The findings have important implications for scholars, policymakers and managers. Our results confirm that: acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. And, that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

Keywords: Mergers and acquisitions, Financial advisors, Institutional distance, Emerging-market multinational company, Institutional image.

Resumo: Examinamos como a imagem institucional e as distâncias geográfica e institucional do país receptor influenciam as empresas adquirentes na contratação de assessores financeiros, em aquisições internacionais entre os países dos BRICS. Especificamente, examinamos se a adquirente contrata assessor financeiro no país de origem, no país de destino ou um assessor global. Argumentamos que é mais provável que o comprador contrate um assessor financeiro quanto pior for a imagem institucional do país de destino, maior forem as distâncias institucionais e geográficas entre os países. Usando dados longitudinais de 642 aquisições entre empresas dos BRICS - Brasil, Rússia, Índia, China, e África do Sul, entre 2013-2017, testamos empiricamente as hipóteses. As descobertas têm implicações importantes para acadêmicos, formuladores de políticas e gestores. Nossos resultados confirmam que: as empresas adquirentes têm maior probabilidade de contratar um assessor financeiro no país de origem quando a distância institucional for maior entre os países. Também é mais provável que as

empresas adquirentes contratem um assessor financeiro global quando a distância geográfica entre os países é maior.

Palavras-chave: Fusões e aquisições, Assessores financeiros, Distância institucional, Multinacional emergente, Imagem institucional.

Introduction

Despite the growing importance of acquisitions to firms' growth, and the large increase in financial advisor services throughout the world, whether acquirer firms hire financial advisors and the what drives their choices of advisors is still unclear. Notwithstanding, extant research has already examined a few facets of firms' choices regarding hiring advisors. For example, Rau (2000) found that acquirers advised by first-tier investment banks earn higher abnormal returns. Francis et al. (2014) documented that the advisors' certification roles and experience in the target countries were valuable to acquirer firms. Ismail (2010) added that higher quality advisors, with superior expertise in the M&A market, have the ability to find better targets and create greater operational and financial synergies for shareholders. In contrast, other scholars have failed to find a link between advisor quality (prestige or market share) and acquirer returns (Bowers & Miller, 1990; Michel, Shaked & Lee, 1991; Rau, 2000). Thus, albeit extant research has made substantial inroads into understanding the use of financial advisors by firms, it is unclear what types of advisors are hired and the conditions leading acquirers to hire advisors to provide support for the transactions.

Financial advisors have been shown to play an important role in reducing information asymmetry and the transaction costs involved in an acquisition (Servaes & Zenner, 1996). That is important because of the information asymmetries in acquisitions that is likely to influence several aspects of the transaction such as the premium paid and cumulative abnormal returns around the announcement date (Finnerty et al., 2012). Cross-border acquisitions are especially prone to raise additional challenges for the acquirers. These challenges include such aspects as the hazards of foreignness (Eden & Miller, 2004) and the institutional differences across home and target countries - including national culture, customer preferences and business practices -, and concerns regarding legitimacy in the target (Kostova & Zaheer, 1999). In some instances, the acquirer's lack of experience with CBAs or of operating in the target's country may inhibit the confidence of stakeholders in the transaction. Other complications may include the misidentification of asset complementarities, assessment of the target value and market, among other potentially adverse conditions for the success of the transaction (Dikova et al., 2010). Investment banks, that are the most commonly contracted financial advisors, provide information regarding the several facets of the transaction (Allen et al., 2004).

The challenges pertaining to institutional pressures and differences are likely to be greater in conducting CBAs into economies. That is because emerging economies tend to have poorer governance and systems

of accountability (Luo & Tung, 2007) and the emerging economies firms (EEFs) to lack brand names and superior technology (He et al., 2013; Wang et al., 2014). However, targeting EEFs may prove to be an opportunity for the acquirers' growth strategy. Financial advisors can provide information about target firms, which includes, for example, growth opportunities, profit margins, customer and supplier relationships, contingent liabilities, labour relations, firms' merger related experiences, existing governance practices, and the willingness of target management to be acquired (Francis et al., 2014), but also on the country's institutional profile.

In this paper, we empirically evaluate how the institutional image of the target country, and the home-host distance influences the hiring of financial advisors. Our empirical context is the five main emerging economies – the BRICS. Our results confirm that: acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the poorer the institutional image of the target country. And, that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

Countries vary across a variety of structural features relevant to factors such as history, environment, climate, legal structures, political status, demography, etc. (Berry et al., 2010). From an institutional theory lens, one of the important issues which businesses need to address when making acquisitions abroad is the institutional gap between home and host countries or acquirers and target countries. Institutional gap is the degree to which the acquirer's institutional climate varies from that of the target countries (Kostova & Zaheer, 1999). Greater institutional distance is expected to raise the cost of doing business within the foreign nation as it is correlated with greater ambiguity and instability with the local environment (Zaheer, 1995). In addition to the institutional differences across countries, geographic distance has also been seen to have an impact on a number of international business aspects and decisions such as commerce, foreign investment and other forms of economic operation between nations (Anderson, 1979; Dedorff, 1998). Geographic distance increases transport and communication costs, and makes managing at a distance more hazardous (Hamilton & Winters, 1992; Fratianni & Oh, 2009).

We contribute to the literature in two main ways. First, we contribute to enrich the literature on the countries institutional image (Kostova & Zaheer, 1999; Moeller et al., 2013; Zaheer & Zaheer, 2005) by examining its effects on hiring financial advisor (Dikova et al., 2010). This is especially interesting in the context of emerging economies studies given the well-known institutional inefficiencies and hazards entailed in operating in these countries. A second contribution to the literature on cross-border acquisitions. Using CBAs as the context we address the hazards imposed from poor institutional image and distance between the home and target countries, and how firms respond to those hazards hiring financial advisors. Moreover, we add to the stream of research

on acquisitions, which has been largely focused on post-acquisition outcomes (Dikova et al., 2010), by examining a decision in the pre-acquisition process.

Literature Review

Financial advisors in acquisitions

The role of investment banks in the market of corporate transaction has received a fair amount of attention in the literature. Most notably, it's associated with the growing "investment banking" literature, that focuses on whether or not financial advisors will improve M&A deal performance, then highlights any reasons for potential gains (Bao & Edmans, 2011). Top-level financial advisors can distinguish deals with higher total synergies. However, they are not ready to provide a bargaining advantage to capture a larger share of these synergies (Bowers & Miller, 1990). A study found that deals advised by a moderately less renowned advisor outperformed deals advised by bulge bracket investment banks in terms of bidder cumulative abnormal returns (CARs) (Michel, Shaked, and Lee, 1991).

Some studies evaluate the choice of M&As advisors showing that prior relationships with the bank, the advisor's industry expertise, and a relationship with the merging partner have a positive impact on the advisor's choice for a particular transaction (Chang et al., 2010). The performance persistence of M&A advisors were studied by Bao and Edmans (2011), identifying significant fixed effects at the bank level and further demonstrate that for the next several years, advisors in the top quintile of acquirer performance continue to provide better advice than those in the bottom quintile of acquirer performance.

For example, exploitation information from 15,344 deals created between 1998 and 2007, Bao and Edmans (2011) show that there's a big investment bank fastened impact in M&A announcement returns, and their empirical study suggests that investment banks do so create a distinction to M&A outcomes, particularly once handled by top tier advisors. Other studies made a comparison of the value created by top financial advisors in M&A deals with non - top advisors. Their empirical evidence suggests that the advisor creates more value for the acquisition of the corporate shareholders indeed (Golubov, Petmezas & Travlos, 2012). This value creation stems from their ability to identify synergistic combinations for bidders (Golubov, Petmezas & Travlos, 2012).

A research examines 6,379 American M&A deals and finds that tier-two advisors produce additional price than tier-one advisors, a result driven chiefly by massive loss deals by tier-one advisors (Ismail, 2010). The author suggests that investment bankers have completely different incentives after they advise on massive vs. tiny deals. In distinction, exploitation 2016 transactions from 1995 to 2006, Song, Wei, and Zhou dynasty (2013) realize that "boutique" advisors can do additional favourable deal outcomes compared with "full-service"

investment bankers, as a result of dress shop advisors have additional expertise and skills in advanced deals in their chosen business.

Another strand of literature examines what parts confirm the chance that a financial advisor are chosen by acquirers/ targets. It was noted that previous acquirer performance is a crucial determinant, and economic process can align advisors' and clients' interest within the deal by Sibilkov and McConnell (2014). A study examine 473 american 's M&A deals and notice that previous acquirers relationships, the name of the adviser, and deal quality are the most factors, with their results indicating the "certification role" of monetary advisors (Forte et al.,2010). Another study uses 1,792 America deals, from 1990 to 2003, to gauge whether or not and how relationships influence a bidder's alternative of financial adviser, and their proof suggests that bidders' M&A expertise and strategies of payment are vital factors to be thought-about (Francis et al., 2014).

Finally, empirical studies additionally extend the "certification role" of advisors into the initial public offering and bond-issuing markets. for instance, Fang (2005) uses quite 3000 bond problems within the US market and finds that advisors' reputation relates considerably to bond-issuing quality. In the IPO market, (Beatty & Welch, 1996; Carter, Dark, & Singh, 1998) realize that advisors' name is connected considerably to initial public offering firms' first-day returns.

The existing empirical literature is inconclusive regarding the hiring the financial advisor; however, these studies do not explore the impact of choosing financial advisor when buying a target at a BRICS country. The present paper links hiring financial advisor with the geographic and institutional distance between the counterparts.

Countries institutional images and cross-country differences

The institutional image is a part of the country image, the country which a consumer associates with a certain product or brand as being its source, regardless of where the product is produced (Diamantopoulos et al., 2017). Its effect, in the form of country of origin (COO) effect, has been discussed in marketing (Balabanis & Diamantopoulos, 2004; Diamantopoulos et al., 2017; Herz & Diamantopoulos, 2013) to, for instance, refer to the picture, reputation and stereotype that consumers link to the products of a specific country under the influence of representative products, national characteristics, political and economic background, history and traditions (Diamantopoulos et al., 2017). The concern of the COO effect is whether the foreignness of products, brands are less chosen by customers in different countries due to ethnocentrism (Balabanis & Diamantopoulos, 2004; Herz & Diamantopoulos, 2013).

The COO concept began to be used on the international context. Organizations can be pointed from its legitimacy from their COO, in other words from perceptions of the legitimacy of the institutional context in which they are inserted and of other organizations to which they are seen to be related or connected. The application of COO has been

extended from products to people and organizations in international contexts. In the context of CBAs, this relationship can reveal that buyers from certain countries might be perceived legitimate in a specific country, depending on the overall legitimacy of the COO of the CBA's acquirer in the target country (Zaheer & Zaheer, 2005; He & Zhang, 2018).

To explain the influence of home country on global strategy, the authors examine the resource-based view and its application to international business (Cuervo-Cazurra, 2011; He & Zhang, 2018). The authors also analyse the advantages and disadvantages of developing-country multinational enterprises (MNEs) in comparison with developed-country MNEs. Developing-country MNEs tend to be less competitive than their developed-country counterparts, partly because they suffer the disadvantage of operating in home countries with underdeveloped institutions (Cuervo-Cazurra & Genc, 2008). The study was extended analysing how a firm's country of origin affects its investments abroad. Integrating the resource-based view and the country-of-origin literature to view the country of origin as a resource, explaining the advantage (disadvantage) of foreignness, the relative benefit (liability) a subsidiary of a foreign firm enjoys over domestic firms when its country of origin is liked (disliked) by individuals in the host country (Cuervo-Cazurra & Un, 2015; He & Zhang, 2018). Finally a study was made to complete the analysis how emerging market firms upgrade their capabilities by focusing on "uncommoditizing strategies" that enable them to achieve levels of international competitiveness beyond the comparative advantages of their home countries and serve markets with premium pricing, quality and reputation of products (Cuervo-Cazurra et al., 2019).

The impact of institutional image is the photography, reputation and stereotype that stakeholders link to companies of a specific country that carry domestic heritage by the influence of national background, mainly institutional characteristics (Kostova & Zaheer, 1999). Institutional frameworks are the main forces which impact firms' outcomes and believes at international business and context (Peng et al., 2008). Institutional image occurs through associations as for example a positive evaluation of organizations from a certain country might be perceived as endorsement of its policies, practices, and actions. The institutional image perceptions of local entities, such as regulators, consumers, investors, and other stakeholders, form a part of the host country's institutional environment that foreign firms confront (Chattalas et al., 2008; Sharma, 2011; He & Zhang, 2018).

Countries differ in an array of institutional characteristics concerning such aspects as culture, geography, economy, legal systems, political profile, demography, and so forth (Berry et al., 2010). From an institutional theory lens, one necessary issue that firms must think about once creating acquisitions abroad is that the institutional distance between home and host countries or acquirer and target countries. Institutional distance is that the extent of the distinction between the institutional environments of the acquirer and target countries (Kostova

& Zaheer, 1999). Greater institutional distance will probably increase the costs of doing business within the foreign country, as it is associated with bigger uncertainty and strangeness with the local surroundings (Zaheer, 1995). As a result, it is troublesome for firms to transfer strategic routines and practices between affiliates and to achieve legitimacy within the foreign market (Kostova & Zaheer, 1999). Researchers have prompt and empirical proof has confirmed that company's investment in countries characterised by higher political and economic risk are additional doubtless to like lower equity possession modes in an attempt to scale back their exposure to uncertainty and preserve their flexibility (Anderson, 1979; Dedorff, 1998).

Differences between the institutional distance are shown to decrease the power of CBAs to with success complete acquisitions and will increase the time it takes to complete proclaimed deals (Dikova et al, 2010). Institutional distance has also been shown to decrease the aggressiveness and equity level taken throughout cross-border acquisitions by a lot of ancient CBAs although this might not hold true for emerging markets (Aybar & Ficici, 2009). CBAs at emerging markets suggest that the results of institutional distance could also be less negative, and in some cases positive in impact, than what's found in developed world CBAs (Luo & Tung, 2007). Specifically, bound dimensions of distance, specifically people who would facilitate complete the institutional voids same to be present in rising markets (Khanna & Palepu, 2006), such as knowledge quality protection and economic stability, could increase acquisition aggressiveness. what is more, as EMNEs look to amass strategic assets abroad, they will be at risk of additional aggressive acquisitions in institutionally distant locations (Aybar & Ficici, 2009).

As international enterprises internationalize, they encounter a host of country level variations that contribute to specific types of distance, like cultural, body and economic distance (Ghemawat, 2001). One amongst the foremost common proxies of institutional distance is additional accurately represented as cultural distance. The results of studies examining the results of cultural differences, points to the larger proposition behind institutional distance, that distance has negative effects on CBA behavior and outcomes (Barkema et al., 1996). Cultural distance has been shown to encourage entry through whole owned subsidiaries instead of acquisitions (Harzing, 2002). Some authors found that companies from countries with comparatively higher quality establishments were more probably to take a position in whole owned subsidiaries, whereas those from comparatively lower quality establishments tend to take a position through acquisitions, suggesting cross-border acquisitions are going to be a primary vehicle of internationalisation for emerging markets CBAs, which were supported by Francis et al. (2014).

Recent review of the idea of institutional distance suggests that there's a desire to arrange the research stream (Berry et al., 2010), since authors typically use disparate proxies of the institutional distance notion, most frequently within the variety of some variation of cultural

distance (Xu & Shenkar, 2002). As such, a study supplies 9 sub-dimensions of institutional distance that are on paper separate and provides an additional nuance understanding of the idea, that once utilized by researchers can additionally accurately differentiate and depict once, how, and why completely different components of institutional distance matters. These nine sub-dimensions are economic, financial, political, body, cultural, demographic, knowledge, world connectedness, and geographic (Berry et al., 2010).

Hypotheses

Generally, CBAs are risky because of target management resistance (Holl & Kyriazis, 1996), managerial ownership (O'Sullivan & Wong, 1998), deal structure (Sun et al., 2012), termination fees (Calcagno & Falconieri, 2014), and information asymmetry between acquirers and targets (Dikova et al., 2010; Muehlfeld et al., 2012). CBAs have been particularly associated with challenges due to the liability of foreignness (Eden & Miller, 2004). This challenge refers to differences in institutional forces, including national culture, customer preferences, and business practices; they are exacerbated impediments to MNC legitimacy (Kostova & Zaheer, 1999) and to successful acquisition and realization of strategic objectives (Aybar & Ficici, 2009; He & Zhang, 2018).

The acquirer's lack of experience with implementing acquisitions, organizational inertia in absorbing the target, and prior absence in the target country may inhibit the benefits of acquisition and the confidence of stakeholders in the target country. Additionally, misidentification of asset complementarities, complications in target assessment, and informational asymmetries may also have adverse effects on purchase success (Dikova et al., 2010). There are reasons that are specific to EEFs. From an internal perspective, EEFs are known to have poor governance and accountability (Luo & Tung, 2007), and they lack famous brand names and superior technology (He et al., 2013; Wang et al., 2014). Their disadvantages partly originate from EEFs and their home countries' late entry into international competition (Wang et al., 2012; He & Zhang, 2018). EEFs lack the critical international experience and managerial competence needed to organize global activities as well as professional expertise in functional areas, such as international accounting, finance, marketing, and law.

A target country's underdeveloped strategic factor markets also constrain both an EM firm's access to managerial expertise and its ability to develop sophisticated technologies, build global brands, and organize complex manufacturing operations (Tolentino, 2010; Wang et al., 2012). As a result, EEFs may find that CBAs does not readily translate into value (Aybar & Ficici, 2009). These challenges can lead acquirer firms to hire financial advisors. In the following sections we develop the hypotheses.

Institutional image of the target country and the choice of a financial advisor

Institutional frameworks are the main forces which impact firms' outcomes and beliefs at international business and context (Peng et al., 2008). Because of that we focus on the impact of institutional image, which is defined as the reputation, the picture and stereotype which stakeholders connect to companies of a certain country. The countries which originates the companies carries domestic heritage, under the influence of national background, especially institutional characteristics (Kostova & Zaheer, 1999). Institutional image has standardizing affiliations with the end goal that a positive assessment of associations from a specific nation may be underwriting of its strategies, practices, and activities (Zaheer & Zaheer, 2005; He & Zhang, 2018).

The institutional image is a part of the country image, the country which a consumer associates with a certain product or brand as being its source, regardless of where the product is produced (Diamantopoulos et al., 2017). The concern of the relevant distance is due to the target mix of products, brands are less chosen by customers in different countries due to ethnocentrism (Balabanis & Diamantopoulos, 2004; Herz & Diamantopoulos, 2013).

The institutional image perceptions of local companies, for example, financial specialists, controllers, buyers and different partners, structure a piece of the host nation's institutional condition that foreign firms must deal with (Scott, 1995; Chattalas et al., 2008; Sharma, 2011). For firms from EMs that venture into worldwide markets, one type of the risk of strangeness is the nearby stereotyped impression of their attributes as an institutional picture impact. Firm notoriety is one of the casual institutional imperatives on MNCs (Dikova et al., 2010). The institutional image is a cognitive and normative process (Scott, 1995; Chattalas et al., 2008; Sharma, 2011).

From an institutional reasoning, an institutional image impact can be because of the stereotyping of the host nation as a rearranged method in intellectual research of tending to an absence of data about the outside element by arranging dependent on psychological structures, for example, compositions and generalizations (Diamantopoulos et al., 2017). The host nation's legitimating condition frequently has less data to evaluate an outside element, bringing about doubt and examination of the last mentioned, additionally prompting the utilization of cliché appraisals that can emerge from long established, underestimated suspicions in the host condition in regard to this substance from a specific home nation (Kostova & Zaheer, 1999).

With the venture into abroad markets, the institutional image of a company's nation of origin can impact its acknowledgment by host nation partners, that is, shareholders in general, rivalry, clients, partners, (Zaheer & Zaheer, 2005). Institutional image is an identification to the contributing company's experience and history when looking for partners. This effect will influence their pre-acquisition processes also. The predisposition of a target country's constituents toward acquisitions by

foreign acquirer due to their institutional images can exert bad or good effects on takeover success (Moeller et al., 2013).

Institutional image of EEFs is often negative because of domestic institutional constraints. EEFs' corporate governance is considered for outsiders, weak because these countries generally do not have developed stock markets and they are frequent suffer from government intervention (Zhang & Ebbers, 2011). And, the EEFs have a weak brand association and poor country image. Therefore, they also suffer from suspicious accountability and transparency which can make the investors reluctant to invest in emerging market countries (Wang et al., 2014). As a result, to have a positive institutional image perception can be the key for acceptance in host countries and for CBAs.

Based on the presented arguments, we contend that a foreign acquirer prefers to hire a financial advisor in the acquirer's country due to the uncertainty and risk associated with the poor institutional image of the target's country at the BRICs. Hiring a financial advisor in the acquirer's country will allow the acquirer to alleviate some of these negative effects by reducing the information asymmetry and costs caused by the institutional differences. Hence, we hypothesize that: **Hypothesis 1a.** Acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the poorer the institutional image of the target country.

We also contend that a foreign acquirer prefers to hire a financial advisor in the target's country due to the uncertainty and risk associated with the poor institutional image of the target's country at the BRICs. Hiring a financial advisor in the target's country will allow the acquirer to alleviate some of these negative effects by reducing the information asymmetry and costs caused by the institutional differences. Hence, we hypothesize that: **Hypothesis 1b.** Acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the poorer the institutional image of the target country.

Finally, we contend that a foreign acquirer prefers to hire a global financial advisor due to the uncertainty and risk associated with the poor institutional image of the target's country at the BRICs. Hiring a global financial advisor will allow the acquirer to alleviate some of these negative effects by reducing the information asymmetry and costs caused by the institutional differences. Hence, we hypothesize that: **Hypothesis 1c.** Acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the poorer the institutional image of the target country.

Institutional distance between the acquirer and target country and the choice of a financial advisor

Institutional distance is that the extent of the distinction between the institutional environments of the acquirer and target countries (Kostova & Zaheer, 1999). Greater institutional distance will probably increase the costs of doing business within the foreign country, as it is associated with

bigger uncertainty and strangeness with the local surroundings (Zaheer, 1995). Considering a CBA transaction in the emerging market, this can enhance the institutional distance between the acquirer country and the target country.

CBA's acquirers are concerned with institutional distance because the emphasis on flows of information between the acquirer and target countries lends itself to a conceptualization based on cultural and psychic differences, which raise the uncertainty and hence the information asymmetry between acquirers and targets (Dikova et al., 2010; Muehlfeld et al., 2012). CBAs have been particularly associated with challenges due to the liability of foreignness (Eden & Miller, 2004). This challenge refers to differences in institutional forces, including national culture, customer preferences, and business practices; they are exacerbated impediments to MNC legitimacy (Kostova & Zaheer, 1999) and to successful acquisition and realization of strategic objectives (Aybar & Ficici, 2009).

Based on the presented arguments, we contend that a foreign acquirer prefers to hire financial advisor in the acquirer's country due to the uncertainty and risk associated with greater differences in terms of institutional distance between the acquirer and the target countries. Hiring a financial advisor in the acquirer's country will allow the acquirer to alleviate some of these negative effects by reducing the information asymmetry and costs caused by the institutional distance. Hence, we hypothesize that: **Hypothesis 2a.** Acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries.

We also contend that a foreign acquirer prefers to hire financial advisor in the target's country due to the uncertainty and risk associated with greater differences in terms of institutional distance between the acquirer and the target countries. Hiring a financial advisor in the target's country will allow the acquirer to alleviate some of these negative effects by reducing the information asymmetry and costs caused by the institutional distance. Hence, we hypothesize that: **Hypothesis 2b.** Acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the greater the institutional distance between the countries.

Finally, we contend that a foreign acquirer prefers to hire global financial advisor due to the uncertainty and risk associated with greater differences in terms of institutional distance between the acquirer and the target countries. Hiring a global financial advisor will allow the acquirer to alleviate some of these negative effects by reducing the information asymmetry and costs caused by the institutional distance. Hence, we hypothesize that: **Hypothesis 2c.** Acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the institutional distance between the countries.

Geographic distance between the acquirer and target country and the choice of a financial advisor

In addition to the institutional differences across countries, geographic distance has also been shown to bear an effect on a variety of international business facets and decisions such as trade, foreign investment, and other types of economic activity taking place between countries (Anderson, 1979; Deadorff, 1998). Geographic distance increases transport and communication costs, and makes managing at a distance more hazardous (Hamilton & Winters, 1992; Fratianni & Oh, 2009).

Different methods have been used to examine geographic distance between pairs of countries. For example, Chen (2004) calculated geographic distance according to the latitude and longitude of the main city in each region or country and found that geographic distance decreased international trade between pairs of countries. In order to measure geographical distance, Krishna (2003) used direct line distance.

Based on the presented arguments, we contend that a foreign acquirer prefers to hire a financial advisor in the acquirer's country due to the uncertainty and risk associated with greater differences in terms of geographic distance between the acquirer and the target countries. Hiring a financial advisor in the acquirer's country will allow the acquirer to alleviate some of these negative effects by reducing the information asymmetry and costs caused by the geographic distances. Hence, we hypothesize that: **Hypothesis 3a.** Acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the geographic distance between the countries.

We also contend that a foreign acquirer prefers to hire a financial advisor in the target's country due to the uncertainty and risk associated with greater differences in terms of geographic distance between the acquirer and the target countries. Hiring a financial advisor in the target's country will allow the acquirer to alleviate some of these negative effects by reducing the information asymmetry and costs caused by the geographic distances. Hence, we hypothesize that: **Hypothesis 3b.** Acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the greater the geographic distance between the countries.

Finally, we contend that a foreign acquirer prefers to hire a global financial advisor due to the uncertainty and risk associated with greater differences in terms of geographic distance between the acquirer and the target countries. Hiring a global financial advisor will allow the acquirer to alleviate some of these negative effects by reducing the information asymmetry and costs caused by the geographic distances. Hence, we hypothesize that: **Hypothesis 3c.** Acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

Method

Data and sample

Data for this study was collected from multiple secondary sources. Data on the cross-border acquisitions was extracted from the Thomson Financial Merger & Acquisition database (SDC). This database is the most frequently used (e.g., Capron & Guillén, 2009; Capron & Shen, 2007), and offers information about deal status, date of announcement, completion or abandonment, some characteristics on the ownership stake, industries of both firms, location, and the financial advisors employed, among others.

Data collection followed some procedures to select and delimit the sample. First, we only included CBAs in which the target firm was in the BRICS (Brazil, Russia, India, China and South Africa) and the acquiring firm was foreign to any of these countries. Second, we excluded all deals in which the current status was not completed. Third we delimited the period to the acquisitions completed between 2013 and 2017. For deals prior to 2013, information about financial advisors is much scarcer, and we would like to study recent transactions. Therefore, we start the sample period in 2013. Finally, we selected only deals which the acquirer hired a financial advisor. With these procedures, we obtained a final sample of 642 CBAs.

The details of the sample are as follows. Brazil was the target country in 115 CBAs, Russia in 40, India in 146, China 301 and South Africa in 40. The deal size was higher than US\$ 100 million in 213 CBAs; with the largest transaction being a CBA by a firm in Hong Kong acquiring a Chinese target. The year distribution reveals 156 CBAs in 2013, 142 in 2014, 146 in 2015, 89 in 2016 and 109 in 2017. Acquirers had previous CBA experience in 102 cases. And regarding ownership, 413 CBAs involved acquiring ownership in excess of 50% of the target equity. The target hired a financial advisor in only 229 cases. Finally, in most cases the industry of the acquirer was not the same of the target, which means CBAs outside of the acquirer's core business in 409 cases.

Variables

We have three dependent variables to ascertain is the decision of hiring a financial advisor to provide support for the CBA transaction. All data regarding the location or type of financial advisor was collected from SDC Thomson Financial Merger & Acquisition database. We classified all the advisors of the CBAs collected, of the acquirer's, in three main categories: acquirer country, target country and global advisor. This was made for each case depending of the headquarter location of each financial advisor.

Hiring a financial advisor in the acquirer's country and it was coded in a dichotomous variable, for hypotheses 1 were classified if the financial advisor was from the acquirer's country (1), or if not (0).

The second dependent variable assessed hiring a financial advisor in the target country. This variable was assessed dichotomously with 1 - hire – an advisor, and 0 – did not hire financial advisor in the target country. Data was extracted from Thomson Financial Merger & Acquisition database. And for the last set of hypotheses we classified if the financial advisor was global advisor (1), or if not (0).

Independent variables

We have three independent variables in this study. We use the perceived institutional quality to capture the Institutional image of the target, derived from the WGI. Institutional image stereotyping is a cognitive and normative process as a part of institutional environments (Chattalas et al., 2008; Scott, 1995). EMNCs generally carry their domestic institutional heritage into host countries (Wang et al., 2014). Thus, the institutional quality of the investing nations forms an important basis for stakeholders' perceptions and labeling of foreign firms (Luo & Tung, 2007).

The *target country's institutional image* refers to the perceived institutional quality of the target country. Data for this variable was collected from the World Governance Indicators (WGI) Index (data available in www.govindicators.org). The WGI reports aggregate and individual governance indicators for over 200 countries, in six dimensions: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption. These six indicators are based on over 30 underlying data sources reporting the perceptions of governance of a large number of survey respondents and expert assessments. Data were collected from several survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. We used the average of the six indicators, transforming in a unique index. Since the deals we investigated took place between 2013 and 2017, institutional image is a time varied variable for each target (Kaufmann et.al., 2010).

We measured *institutional distance* between the acquirer and the target firms' countries as the difference in institutional quality between the two countries. Institutional quality was measured using the mean of the six WGI indicators. The absolute difference in the countries institutional quality was used to measure distance in this study.

Geographic distance between the acquirer and the target firms' countries was measured as the great circle distance between the acquirer firm's country and the target country according to the coordinates of the geographic centre of the countries (cfr. Berry et al., 2010). The data on geographic distance is publicly available at http://lauder.wharton.upenn.edu/ciber/faculty_research.asp. We use the log value of the distance in kilometres.

Control variables

e have further included several control variables at the acquirer and target firms, transaction, industry, year and country. At the firm's level we controlled for the acquirer experience to account for the effect of learning experience. We operationalized as a dummy variable with a value of 1 if an acquirer had prior CBA experience, and 0 otherwise. Data was collected from SDC of Thomson. Control acquisition was used to control for the effect of acquiring control of the target. It is operationalized as a dummy variable with a value of 1 if an acquirer bought more than 50% of the target, and a value of 0 it was less than 50%. Data collected from SDC of Thomson. Target public indicates whether the target firm is a public company and was used to control for the effect of governance. It was operationalized as a dummy variable taking the value of 1 for target

We have further included several control variables at the acquirer and target firms, transaction, industry, year and country. At the firm's level we controlled for the *acquirer experience* to account for the effect of learning experience. We operationalized as a dummy variable with a value of 1 if an acquirer had prior CBA experience, and 0 otherwise. Data was collected from SDC of Thomson. *Control acquisition* was used to control for the effect of acquiring control of the target. It is operationalized as a dummy variable with a value of 1 if an acquirer bought more than 50% of the target, and a value of 0 it was less than 50%. Data collected from SDC of Thomson. Target public indicates whether the target firm is a public company and was used to control for the effect of governance. It was operationalized as a dummy variable taking the value of 1 for target firms that are public, and 0 otherwise. Data was collected from SDC of Thomson. *Acquirer public* indicates whether the acquirer is a public company and was used to control for the effect of governance. It was operationalized as a dummy variable with a value of 1 if an acquirer is a publicly traded firm and a value of 0 otherwise. Data collected from SDC of Thomson. Target hired financial indicates if the acquirer hired a financial advisor. It was operationalized as a dummy variable with a value of 1 if an acquirer hired a financial advisor and a value of 0 otherwise. Data collected from SDC of Thomson.

At the transaction level we accounted for the business level relatedness. *Relatedness* was used to control for the effect if the acquisition is in the same industry. We assessed relatedness as a dummy variable taking the value of 1 if an acquirer acts at the same industry (at 4 digits SIC code), of the target firms, and of 0 otherwise. We also accounted for the *deal size* since larger deals may be more complex and require firms to pool together a larger volume of capital do complete the acquisition. Although the values of a transaction may range from 1 million dollars (minimum value to be included in the database SDC) to several billion, we operationalized as a dummy variable with a value of 1 if the deal size was at least US\$ 100 million, and a value of 0 if it was less than US\$ 100 million. Data collected from SDC of Thomson.

At the country level we included two controls. The *target FDI* was used to control for the effect of the foreign direct investment, measured with the net inflows as % of GDP of the target firm's country. We use the value of the indicator of the target in the year in which the acquisition was announced, with data collected from World Bank. We also included the *target GDP* indicating the target country's GDP as a measure of attractiveness of the economy. Data refers to the year in which the acquisition was announced. We used the log value in the estimation.

Finally, we used the year the acquisition was announced as a control to account for potential economic cycles capable of influencing our model. We included a dummy variable for each year between 2013 and 2017, using 2017 as the base year.

Results

To test the hypotheses, we conducted three sets of logistic regressions, one for each dependent variable. In each case our variable is dichotomous since the acquirer firms may, or may not, hire a financial advisor. Table 1 presents the correlations matrix. The correlations are not as high as to raise multicollinearity concerns and there is no evidence of multicollinearity in the data. In all regressions, the variance inflation factor (VIF) ranged from 1.1 to 1.8.

We highlight that some of the control variables for hire financial advisor on the acquirer's country is not significant which denotes that the relation sought after is not sensitive to the acquirer experience involved in the deal. The variables on the deal size are also not significant pointing that the size of the acquisition is not related to hiring a financial advisor on the acquirer's target. Pertaining to the target, in addition to not being significant, the target FDI is not significant. The results confirm that relatedness industry influence the hire of a financial advisor on the target's country. That is, if the target and the acquirer are in the same industry, the more likely the acquirers will hire a financial advisor. Hence, we found partial evidence for the impact of control acquisition on this case. We were able to confirm significant effects for Target GDI, Target Public, Acquirer Public, which means that bigger companies tend to hire financial advisory. However, we also found that the target also hired a financial advisor has significance on the model.

Table 1.
Descriptive statistics and correlations matrix.

Correlations	Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Advisor Acquirer Home Country	.340	.474	1														
2. Advisor Acquirer Host Country	.176	.381	-.305**	1													
3. Global Financial Advisor	.489	.500	-.702**	-.452**	1												
4. WGI Target	-.324	.225	-.122**	.066	.064	1											
5. Institutional Distance	1.631	.490	.180**	-.110**	-.084*	-.635**	1										
6. Geographic Distance	8.153	.941	-.362**	.073	.291**	.473**	-.383**	1									
7. Relatedness	.363	.481	-.165**	.008	.149**	.179**	-.257**	.214**	1								
8. Acquirer Experience	.159	.366	-.006	-.123**	.095*	.012	-.029	-.027	.080*	1							
9. Deal Size	.332	.471	-.072	-.039	.105**	-.052	.049	-.085*	.025	.092*	1						
10. Control Acquisition	.643	.479	.122**	-.066	-.065	.026	-.077	-.040	-.013	-.077	-.049	1					
11. Target FDI	2.281	.972	-.036	.022	.015	.041	-.119**	.107*	.092*	.064	.097*	.075	1				
12. Target GDP	.038	.105	.089*	-.059	-.037	-.202**	.209**	-.340**	-.049	.019	-.013	-.047	-.095*	1			
13. Target Public	.192	.394	-.199**	.191**	.038	-.015	.012	.050	-.014	-.006	.187**	-.422**	-.071	-.052	1		
14. Acquirer Public	.405	.491	.072	-.098*	-.001	.109**	-.103**	.014	.189**	.240**	.052	.038	.028	.052	-.127**	1	
15. Target hired Financial Advisor	.357	.479	-.149**	-.071	.195**	.062	-.056	.148**	-.028	.059	.297**	-.118**	.135**	-.111**	.199**	-.012	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 2 includes the results of the logistic regression for the dependent variable: acquirer hires financial advisor in the acquirer's country. Model 1 includes only the control variables. Models 2 to 4 test the hypotheses. Model 5 is the complete model. In model 2 we test H1a suggesting positive relation between the target country's institutional image and hiring a financial advisor in the acquirer country. A negative and significant coefficient ($\beta = -0.875$, $p < 0.05$) denotes that the effect is contrary to our predictions. The poorer the institutional image of the target country, less acquirer firms tend to hire financial advisory services in the acquirer country. That is not reasonable when we consider that hiring a local firm may be perceived as a guarantee that it will be better able to navigate through an array of institutional inefficiencies. Model 3 tests H2a proposing an effect of institutional distance and this hypothesis was confirmed by a positive and significant coefficient ($\beta = 0.703$, $p < 0.001$). We can affirm that acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. However, we also found a negative and significant coefficient for the effect of geographic distance ($\beta = -0.798$, $p < 0.001$) and thus we fail to confirm H3a. This is prima facie evidence that acquirer firms are less likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the geographic distance between the countries.

Table 2.

Logistic regression results: Acquirer hires financial advisor in the acquirer country

Logistic regression for the acquirer hire financial advisor on the acquirer's country

	Model 1	Model 2	Model 3	Model 4	Model 5
<i>WGI Target</i>		-0.875 **			1.051
<i>Institutional Distance</i>			0.703 ***		0.588 *
<i>Geographic Distance</i>				-0.762 ***	-0.798 ***
<i>Relatedness</i>	0.864 ***	0.811 ***	0.708 ***	0.623 ***	0.553 **
<i>Acquirer Experience</i>	0.011	0.013	-0.068	0.149	0.147
<i>Deal Size</i>	0.088	0.122	0.198	0.280	0.302
<i>Control Acquisition</i>	-0.259	-0.258	-0.351 *	-0.267	-0.285
<i>Target FDI</i>	-0.067	-0.059	-0.027	-0.068	-0.037
<i>Target GDP</i>	3.358 ***	2.874 ***	2.912 **	1.148	0.659
<i>Target Public</i>	0.964 ***	0.961 ***	0.910 ***	1.034 ***	1.026 ***
<i>Acquirer Public</i>	-0.317 *	-0.363 *	-0.345 *	-0.317	-0.311
<i>Target hired Financial Advisor</i>	0.535 ***	0.498 **	0.473 **	0.254	0.253
Year dummy	Included	Included	Included	Included	Included
Constant	-0.411	-0.872	-2.268 *	5.363 ***	4.739 ***
n	642	642	642	642	642
R ²	0.16	0.17	0.19	0.27	0.28
chi-square test	80.6	84.7	93.0	127.2	131.5

Note:***p<0,01, **p<0,05, *p<0,1.

Table 3 includes the results of the logistic regression for the dependent variable: acquirer hires financial advisor in the target's country. Model 6 includes only the control variables. Models 7 to 9 test the hypotheses, and model 10 is the complete model.

In model 7 we test the effect of the target country institutional image on the likelihood the acquirer will hire financial advisors locally in the target country. A non-significant coefficient ($\beta=0.730$, ns) does not permit us to confirm H1b. A negative and significant coefficient ($\beta=-0.545$, $p<0.05$) in model 8 reveals a negative effect of institutional distance on the likelihood the acquirer will hire financial advisor in the target firm's country, which is contrary to our prediction. Hence, we fail to confirm H2b. Moreover, a non-significant coefficient in model 9 for the effect of geographic distance ($\beta=0.860$, ns) also does not allow us to confirm H3b. This is prima facie evidence that the effect of institutional and distance effects on the acquirer's decision of which financial advisory services to hire is not straightforward.

Table 3.

Logistic regression results: Acquirer hires financial advisor in the target country

Logistic regression for the acquirer hire financial advisor on the target's country

	Model 6	Model 7	Model 8	Model 9	Model 10
<i>WGI Target</i>		0.730			-0.388
<i>Institutional Distance</i>			-0.545 **		-0.563 **
<i>Geographic Distance</i>				0.086	0.051
<i>Relatedness</i>	-0.165	-0.100	-0.054	-0.152	-0.043
<i>Acquirer Experience</i>	1.116 ***	1.125 ***	1.148 ***	1.075 **	1.131 **
<i>Deal Size</i>	0.204	0.175	0.213	0.330	0.331
<i>Control Acquisition</i>	-0.056	-0.054	-0.067	-0.356	-0.310
<i>Target FDI</i>	0.197 *	0.172	0.147	0.166	0.137
<i>Target GDP</i>	-2.901 **	-2.587 **	-1.922	-2.665 *	-2.218
<i>Target Public</i>	-1.322 ***	-1.318 ***	-1.355 ***	-1.696 ***	-1.702 ***
<i>Acquirer Public</i>	0.276	0.309	0.337	0.210	0.236
<i>Target hired Financial Advisor</i>	0.667 **	0.682 ***	0.667 **	0.502 *	0.525 *
<i>Year dummy</i>	Included	Included	Included	Included	Included
<i>Constant</i>	-4.975 ***	-4.564 ***	-3.614 ***	-5.111 ***	-3.799 **
<i>n</i>	642	642	642	642	642
<i>R²</i>	0.13	0.14	0.15	0.15	0.16
<i>chi-square test</i>	53.6	55.7	59.0	55.3	59.6

Note:***p<0,01, **p<0,05, *p<0,1.

Table 4 includes the results of the logistic regression for the dependent variable: acquirer hires a global financial advisor. Model 11 includes only the control variables. Models 12 to 14 test the hypotheses. Model 15 is the complete model.

In model 12 we test H1c suggesting positive relation between the target country's institutional image and hiring a global financial advisor. A non-significant coefficient ($\beta=0.273$, ns) does not permit us to confirm H1c. Model 13 tests H2c proposing an effect of institutional distance and this hypothesis was not confirmed by a negative and non-significant coefficient ($\beta=-0.159$, ns). However, we also found a positive and significant coefficient for the effect of geographic distance ($\beta=0.661$, $p<0.001$) and thus we were able to confirm H3c. This is an evidence that the effect of geographic distance effects on the acquirer's decision of which financial advisory services to hire is straightforward.

Table 4.

Logistic regression results: Acquirer hires a global financial advisor

Logistic regression for the acquirer hire global financial advisor

	Model 11	Model 12	Model 13	Model 14	Model 15
<i>WGI Target</i>		0.273			-0.429
<i>Institutional Distance</i>			-0.159		-0.070
<i>Geographic Distance</i>				0.661 ***	0.698 ***
<i>Relatedness</i>	-0.677 ***	-0.657 ***	-0.611 ***	-0.503 **	-0.502 **
<i>Acquirer Experience</i>	-0.477 **	-0.476 **	-0.423 *	-0.600 **	-0.609 **
<i>Deal Size</i>	-0.235	-0.245	-0.307	-0.494 **	-0.491 **
<i>Control Acquisition</i>	0.245	0.246	0.346 *	0.442 **	0.440 **
<i>Target FDI</i>	-0.077	-0.080	-0.086	-0.081	-0.080
<i>Target GDP</i>	-1.241	-1.096	-1.544	0.336	0.371
<i>Target Public</i>	0.230	0.232	0.283	0.448	0.450
<i>Acquirer Public</i>	0.183	0.196	0.178	0.202	0.190
<i>Target hired Financial Advisor</i>	-0.812 ***	-0.802 ***	-0.779 ***	-0.523 **	-0.525 **
<i>Year dummy</i>	Included	Included	Included	Included	Included
<i>Constant</i>	0.939	1.082	1.434	-4.421 ***	-4.747 ***
<i>n</i>	642	642	642	642	642
<i>R²</i>	0.12	0.12	0.13	0.20	0.21
<i>chi-square test</i>	59.4	59.9	63.1	95.8	96.5

Note:***p<0,01, **p<0,05, *p<0,1.

In sum, the results do not confirm that the poorer institutional image of the target country influence the choice of the financial advisors. We were able only to confirm 2 hypotheses (H2a and H3c). That is acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. And also, that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

That is, we are able only to confirm that institutional distance and geographic distance between the countries can influence in the choice of the financial advisor when considering a CBA at the BRICS. Possibly geographic distance increases the difficulties in studying a potential distant target, in addition to the costs that arise from distance that are hard to overcome using the communication technologies. In these instances, a global financial advisor may be a viable alternative. In terms of the institutional distance is reasonable to influence when we consider that hiring a financial advisor can be perceived as a guarantee that it will be better able to navigate through an array of institutional differences.

Discussion and Final Remarks

In this study, we examined the influence of institutional image, institutional and geographic distances on the choice of financial advisors in cross-border acquisitions in the BRICS countries. We proposed that both the target firms' countries institutional image and the investor-target country distances influenced the choice of financial advisors. The choice of financial advisors is important because they can be used to

reduce institutional uncertainties and hazards. Our main findings point that acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. However, greater is the geographic distance the more the acquirer will tend to hire a global financial advisor.

Possibly geographic distance increases the difficulties in studying a potential distant target, in addition to the costs that arise from distance that are hard to overcome using the communication technologies. In these instances, a global financial advisor may be a viable alternative. That is probably the reason we were able to confirm that greater is the geographic distance the more the acquirer will tend to hire a global financial advisor. geographic distance has also been shown to bear an effect on a variety of international business facets and decisions such as trade, foreign investment, and other types of economic activity taking place between countries (Anderson, 1979; Deadorff, 1998). Geographic distance increases transport and communication costs and makes managing at a distance more hazardous (Hamilton & Winters, 1992; Fratianni & Oh, 2009). We also found that acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. This probably happens because emerging economies tend to have poorer governance and systems of accountability (Luo & Tung, 2007) and the emerging economies firms (EEFs) to lack brand names and superior technology (He et al., 2013; Wang et al., 2014).

Emerging economies tend to have poorer governance and systems of accountability (Luo & Tung, 2007) and the EEFs to lack brand names and superior technology (He et al., 2013; Wang et al., 2014). However, targeting EEFs may prove to be an opportunity for the acquirers' growth strategy. Based on the experiences of developed economy MNCs, the existing literature in the area has been established on the assumption that MNCs originate from countries where the institutional image is less positive (Dikova et al., 2010). Based on an analysis of 642 CBAs conducted by financial advisors from five major EMs, we find the following: (1) acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries; (2) acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

This study contributes to the literature on the impact of the institutional environment in the process of hiring a financial advisor and in the CBAs involving targets on emerging markets (Rau, 2000). Financial advisors have been shown to play an important role in reducing information asymmetry and the transaction costs involved in a transaction (Servaes & Zenner, 1996). Our results confirm that acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the poorer the institutional image of the target country.

Hence, there is as contribution on the perception of the importance of the exchange and transmission of information between counterparts may influence several aspects of the transaction such as the premium paid and cumulative abnormal returns around the announcement date (Finnerty et al., 2012). Also, the CBAs are especially prone to raise several challenges of foreignness (Eden & Miller, 2004). These challenges include such issues as differences in institutional forces, including national culture, customer preferences, and business practices, and legitimacy concerns (Kostova & Zaheer, 1999). Moreover, the acquirer's lack of experience with cross-border acquisitions and lack or absence of prior experience in the target country may inhibit the confidence of stakeholders in the deal. Other aspects that may raise concerns refer to the misidentification of asset complementarities, complications in target assessment, and informational asymmetries, that may have an adverse effect on the success of the transaction (Dikova et al., 2010). Our results confirm that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

This study seeks to maximize the internal validity by assuring rigorous control of the data collection, which can be replicable in other studies. It also establishes a trustworthy cause-and-effect relationship as we examine how the target country's institutional image and home-host institutional and geographic distance influence the acquirer firms' hiring financial advisors in cross-border acquisitions (CBAs) in the BRICS. On the external validity point of view, we consider that it refers to the extent to which our results can be applied (generalized) to other countries for example. Future studies in different rising economies, or economies, or with over five target countries, could offer a higher understanding of however acquirer rent their monetary advisors once increasing into institutionally less developed countries.

Research limitations and future directions

This study has limitations. First, the limitations imposed by insufficiencies in the available data that unable additional analyses. For instance, it would be relevant to consider if the acquirer had previous experience in the actual target country. We only considered previous experience. Other data potentially relevant include data on the previous experience (acquisitions) in the target country. Moreover, the acquirer's lack of experience with cross-border acquisitions and lack or absence of prior experience in the target country may inhibit the confidence of stakeholders in the deal. Other aspects that may raise concerns refer to the misidentification of asset complementarities, complications in target assessment, and informational asymmetries, that may have an adverse effects adverse effect on the success of the transaction (Dikova et al., 2010). Future research will possibly require data collect on the previous experience of the acquirer by country.

Other limitation considerations the main target on acquisitions within the BRICS. though we tend to believe that these markets cowl a spread of economic and institutional development levels, researchers are also curious about acquisitions from the massive range of EEFs apart from these 5, that are more and more actively collaborating in M&A transactions. Future studies in different rising economies, or economies, or with over five target countries, could offer a higher understanding of however acquirer rent their monetary advisors once increasing into institutionally less developed countries.

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