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Article

Does negative political coverage affect the completion of cross-border mergers and acquisitions—Evidence from BRICS in the US market

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Abstract: High-quality implementation of cross-border mergers and acquisitions (cross-border M&As) is an important pathway for emerging-market multinational enterprises (EMNEs) to enhance their international competitiveness. However, in comparison to developed countries, cross-border M&As by EMNEs are often prohibited by the liability of origin caused by negative political coverage. How and why negative political coverage affect the completion of cross-border M&As by EMNEs? What are the contextual constraints that moderate the impact of negative political coverage on cross-border M&As completion? Based on the "liability of origin" theory, this paper addresses these questions using data from the Zephyr database on cross-border M&As by EMNEs in the United States from 2016 to June 2021 and employing a logit model for estimation. The research findings are as follows: (1) Negative political coverage leads to negative perceptions of emerging market countries by host country stakeholders, creating the liability of origin and stigmatizing the corporate nationality, thereby reducing the success rate of cross-border M&As by EMNEs. (2) Increasing geographical distance leads to information asymmetry, reinforcing the negative impact of negative political coverage on the completion of cross-border M&As by EMNEs. (3) Relevant mergers and acquisitions exacerbate the negative effect of negative political coverage on the success rate of cross-border M&As by EMNEs. (4) Being a publicly traded firm and having successful experience in cross-border M&As both intensify the negative impact of negative political coverage on the success rate of cross-border M&As by EMNEs.

Keywords: negative political coverage; liability of origin; completion of cross-border mergers and acquisitions; emerging-market multinational enterprises

1. Introduction

In recent years, emerging-market multinational enterprises (EMNEs) have exerted an increasing influence on the world's economy. In the 2022 Fortune Global 500 list, the number of multinational firms from China is as high as 145, accounting for 29% of the total. According to the data from the International Monetary Fund (IMF), compared to the year 2001, the emerging markets of the G20 countries have doubled their share in the world trade and foreign direct investment, and now account for one-third of the global GDP. As EMNEs have becoming increasingly prominent in the global economy, their internationalization strategies have attracted the attention of an increasing number of scholars (Deng et al., 2020). Cross-border mergers and acquisitions (cross-border M&As) are a strategic measure designed to help EMNEs enhance their international competitiveness and raise their international status. Due to their late come in international arena, together with the constraints by imperfect home country institutions and the scarcity of strategic resources, cross-border M&As can help EMNEs effectively acquire strategic resources over a short period of time and achieve rapid catch-up as compared to greenfield investment. Therefore, how to successfully complete cross-border M&As is an important issue faced by EMNEs (Lebedev et al., 2015). Whether a cross-border M&A can be successfully completed not only affects whether the M&A can enter the integration stage and achieve synergy but also reflects the ability of the acquiring M&A party to collect information and conduct comprehensive operations, thus improving the confidence of both parties in late integration and influencing post-merger integration performance. In addition, in the pre-overseas M&A stage, activities such as due diligence, M&A negotiations, and host country reviews conducted by the acquiring party generate a large amount of sunk costs. Once a M&A fails, it not only leads to enormous economic losses but also affects corporate reputation (Jia and Meng, 2022; Jia and Li, 2016). Therefore, the successful completion of cross-border M&As indicates the effective use of scarce resources, which is very important for EMNEs. However, the completion rate of M&As (i.e., the rate of acquisitions that are completed in pre-acquisition stage) by EMNEs is not satisfactory. Taking Chinese firms as an example, according to estimates from the SDC M&A database, the failure rate of cross-border M&As of Chinese firms is as high as 49%, which is much higher than the global average of 30% (Jia et al., 2015). This begs the question of what factors are key to the completion of cross-border M&As by EMNEs. How to effectively improve the success rate of the cross-border M&As of EMNEs is currently a problem that merits our attention and urgently requires a solution (Jia and Meng, 2022; Jia and Li, 2015, 2016).

With the rapid development of information technology, the power of news media has quickly risen, and the influence and guiding force of public opinion have continued to grow. Reporting has increasingly become a crucial avenue for host country governments, investors, and the public to obtaining information about and shaping images on emerging market countries which may influence the performance of international business by EMNEs. Among reporting, negative political coverage plays a particularly crucial role in shaping the image of emerging market countries. First, most of the information that the public receives is filtered through the media (Burke, 2008). Additionally, reporting has the characteristic of “good news doesn’t travel far, but bad news spreads widely”, making the dissemination power and image-shaping ability of negative news even more potent (Alsem et al., 2008; Zhang et al., 2021). Second, due to the significant differences between developed and emerging market countries in terms of politics, culture, and institutions, Western mainstream media outlets tend to report negatively on some of the emerging market countries for political reasons, with politically biased negative reports being particularly evident. According to calculations based on the Google GDELT Global News Database, the global media coverage of China surged from fewer than 20,000 articles in 1979 to 765,000 articles in 2018. However, the tone of such media reporting has consistently remained negative (Cheng et al., 2021). Extensive and long-term negative political coverages gradually ingrain the negative image of emerging market countries in the minds of host country governments and stakeholders, which leads to societal biases and even normative beliefs that have a sustained negative impact on cross-border business activities by firms from emerging markets. Related empirical research has indicated that negative reporting damages a country's image, thereby impacting its bilateral economic and trade relations and reducing both bilateral trade and investment (Cheng et al., 2021; Jia and Wan, 2019; Li and Meng, 2019). Would the negative political coverage also affect the completion of cross-border M&A activities? Why and how? Are there any contextual factors that may influence the impact of negative political coverage on the completion of cross-border?

We tend to explain these questions based on "liability of origin" theory. Bartlett and Ghoshal (2000), Ramachandran and Pant (2010), Marano et al. (2017), and Amankwah-Amoah and Debrah (2017) defined the "liability of origin" as the negative impact on multinational firms caused by home country and literature have proved that this has become a unique and significant challenge for the internationalization of EMNEs (Wei and Yang, 2017, 2018). A country's international image is always shaped and further strengthened by host countries' news medias. Through reporting, government decision-makers and consumers in host countries can enhance their understanding of emerging markets' institutions, cultures, and levels of economic development, thus subtly influencing the public's emotional perceptions of emerging markets and affecting their behavioural decisions (Ramirez and Rong, 2012). Some scholars have also pointed out that if the audience lacks direct experience with a particular issue, then their understanding of the issue relies heavily on news media. Therefore, reporting acts as a "promoter", "catalyst" or "shaper" of a nation's image (Zhang and Wan, 2017), making it a crucial force for shaping a country's international image. This is especially true in the case of information asymmetry, where host country citizens have limited knowledge about emerging market countries, and thus their perceptions of that country's image become even more reliant on reporting.

However, due to their home country institutional deficiencies such as imperfect market mechanisms, insufficient protection of intellectual property rights, and weak legal enforcement, EMNEs often suffer from negative political coverage, which shape negative stereotypes and perceptions on emerging market countries among governments and stakeholders in host countries. For instance, media in some developed countries frequently use terms such as "threatening national security" to publicize the cross-border M&As activities of Chinese firms, creating negative stereotypes such as "stealing advanced technology from other countries" in the minds of the governments and populations of these countries. They further associate negative labels such as "government intervention", "unfair competition", "technological lag" (Du et al., 2015; Wei and Yang, 2018), "weak innovation capabilities", and "poor corporate governance" with multinational firms from emerging markets. This raises doubts about whether such EMNEs can execute M&As and carry out integration, which can ultimately lead to the failure of their cross-border M&As. Therefore, negative political coverage by media on emerging market countries may serve as a significant mechanism in the formation of the liability of origin, which in turn may affect the completion of cross-border M&As. However, previous research has paid little attention to the role of news media plays in influencing the completion of cross-border M&As. Hence, based on "liability of origin" theory, this study explores how and why negative political coverage influence the completion of cross-border M&As, as well as the situational constraints that may affect the impact of negative political coverage on the completion of cross-border M&As.

We contribute to the literature regarding the following three aspects. First, drawing on the "liability of origin" theory, the study enriches the literature on drivers of the completion of cross-border M&A. Various insights have been provided in the literature regarding the factors affecting cross-border M&As completion, including formal and informal institutional distance, national differences, experience, and government. As the rapid development of information technology, the power of news media has quickly risen which may exert significant influence on cross-border M&As completion. We incorporate this factor and provide an alternative perspective to existing literature to understand the drivers of cross-border M&As completion.

Second, this research enriches our understanding on how "soft institutions" influence cross-border M&As performance thus make contributions to institutional theory. Institutions consist of both "hard" and "soft" elements. Previous research has focused on the impact of "hard" institutions on the completion of firms' cross-border M&As, which includes formal institutions such as laws, regulations, and rules. Focusing on how negative political coverage affect cross-border M&As completion, our study provides evidence that soft institution may be quite important for EMNEs to fulfill cross-border M&As.

Third, it identifies the important boundary conditions that moderate the influence of negative political coverage on the completion of cross-border M&As.

2. Theory and hypothesis development

2.1. Negative political coverage and the completion of cross-border M&As

1) Liability of origin, organizational identity stigmatization, and the completion of cross-border M&As

The liability of origin is a significant challenge faced by EMNEs in cross-border M&As. The stigmatization of organization's nationality identity that results from this phenomenon can have a negative impact on firm's M&A activities. Organizational identity is the shared understanding among organizational members and external stakeholders of the core, unique, and enduring culture, values, and other characteristics of the organization (Albert and Whetten, 1985). It defines who the organization is and reflects how others perceive and evaluate the organization. An important aspect of the organizational identity for multinational firms is their "national identity" (Edman, 2016), which is how the host country's social groups define and evaluate the organization based on its country of origin and subsequently make behavioral decisions. Clearly, an organization's national identity can influence the host society's trust and legitimacy evaluation of the organization, and the national image of its country of origin plays a crucial role in these evaluations.

National image refers to the collective perception of a country's political, economic, social, and cultural factors in the minds of people from other countries. It reflects how people from other countries assess and view a nation (Jia and Zhang, 2019). These subjective perceptions can influence the level of mutual trust between countries and, consequently, affect the assessment of a company's national identity by other countries. A positive national image makes a country more likely to be trusted and recognized, which assists its companies in establishing a positive reputation and legitimacy for their national identity. Negative national image can lead to the stigmatization of a firm's national identity, where social groups attach labels to firms from specific countries or regions, thus creating stereotypes. Ultimately, this can result in the isolation and discrimination of firms holding a particular national identity in the host country, which can negatively impact their international performance. For EMNEs, the phenomenon of national identity stigmatization is particularly severe. The liability of origin theory suggests that host countries often have negative perceptions and stereotypes of emerging market countries (Amankwah-Amoah and Debrah, 2017). These negative perceptions and stereotypes contribute to a negative image of emerging market countries and lead the host country's society to make unfavourable assessments of the national identity of these EMNEs. For example, developed countries often hold negative perceptions on China about its imperfect market mechanisms, lax legal enforcement, inadequate intellectual property protection, and technological lag. These lead Chinese firms investing overseas to be frequently labelled as "government intervention", "lack of innovation", and "noncompliance with market rules", which results in a stigmatized national identity and causes overseas investments to face severe challenges (Cui and Jiang, 2012; Du et al., 2015). Thus, the liability of the origin is an important factor underlying the "stigmatization" of the national identity of firms in emerging markets, and the "stigmatized" of national identity, in turn, exerts a negative impact on the completion of their cross-border M&As.

Affirmation by the host country government, identification of the acquirer by stakeholders, and support of the host country's social groups are all crucial factors that influence the completion of cross-border M&As. The stigmatization of the acquirer's national identity can affect the trust and legitimacy perception of stakeholders towards the acquirer, thereby reducing the success rate of M&As. First, the stigmatization of national identity diminishes the trust that host country stakeholders place in the acquirer, thus lowering the success rate of M&As. Trust serves as a critical link in the success of cross-border M&As (Wang and Li, 2017). The stages of target identification, due diligence, and merger negotiations in the early phases of cross-border M&As rely heavily on effective communication and ample information. On the one hand, trust helps the acquirer gain access to more abundant and reliable information, which reduces information asymmetry and transaction uncertainty in cross-border M&As. On the other hand, trust can enhance the mutual goodwill between the acquirer and stakeholders, improving the negotiation quality. Stakeholders of M&As include shareholders, management, employees, unions and customers of target firms, and the local community in which the target firm is located (Hawn, 2021). These stakeholders learn about the acquisition from the media and then form trust on the buyer. If there are negative reports on the acquirer, these stakeholders may express their concerns and raise suspicions, or even organize a strike which may lead to the failure of the acquisition

(Meglio, 2016). For example, through negative news reports on the buyer, customers of the target firm may lose trust on the acquirer and may threaten not to buy products of the target firm any more if the deal is completed (Zhang et al., 2021). This may lead the target firm to think twice and may reject the deal at last. Therefore, the stronger the level of trust perception that host country society and stakeholders have in the acquirer is, the more likely that cross-border M&As will be successful, and the lower that it is, the more that the success rate will be reduced. For example, in the case of the Wanda Group's acquisition of a Spanish Building, even though Wanda had stated that they would not alter the exterior of the building, due to a lack of trust in Chinese firms among the Spanish people, a joint petition opposing the acquisition was filed, which ultimately led to the failure of the merger. Therefore, for EMNEs, the stigmatization of their national identity that results from the liability of origin can reduce the trust perception of host country society and stakeholders, thus lowering the success rate of M&As.

Second, the stigmatization of national identity affects the host country government's recognition of the legitimacy of the acquirer, thereby influencing the completion of cross-border M&As. Legitimacy reflects the process by which an organization is acknowledged and accepted by internal and external stakeholders (Cheng et al., 2017). For firms engaged in cross-border M&As, whether their M&A activities are considered legal by the host country government exerts a significant impact on the outcome of these M&As. The less aligned a firm's motivations and actions for cross-border M&As with the host country's legal norms are, the stronger the concerns of government institutions in the host country about the legitimacy of the transaction will be, thus leading to greater uncertainty in the review process and a higher likelihood of failure (Jia and Meng, 2022). Due to the stigmatization of their national identity resulting from the liability of origin, cross-border M&As initiated by EMNEs are often interpreted by the host country government as "technology theft", "endangering energy security", "threatening national security", or other concerns. EMNEs are also frequently labelled as "government intervention", "unfair competition", "lag in technology" (Du et al., 2015; Wei and Yang, 2018), "insufficient management capabilities", "weak innovation capabilities", and "poor corporate governance". These labels raise concerns and doubts within the host country regarding the legitimacy of cross-border M&As by EMNEs, ultimately leading to their failure. Therefore, the stigmatization of national identity resulting from the liability of origin increases host country governments' concerns about the legitimacy of cross-border M&As initiated by EMNEs and reduces the success rate of mergers and acquisitions.

2) Negative political coverage and the formation of the liability of origin

The negative political coverage of mainstream media in the host country serves as a significant channel for the liability of origin of EMNEs. News media are the "promoters" and "catalysis" of a country's image (Zhang and Wan, 2017). Local mainstream media in the host country provide information to the public, especially in situations of information asymmetry. The local public's perception of other countries is largely influenced by the reporting of the news media. Zhang et al. (2021) categorized the public in the host country into "cognitive groups" and "rational groups". The former, due to their cognitive pre-set psychology, believe that media reports are authentic, objective, and authoritative (You and Wu, 2012). Their understanding and knowledge of other countries primarily rely on the reporting of their own country's mainstream media. In contrast, the latter group, although capable of critically evaluating relevant reports, fears social isolation resulting from going against the mainstream. As a result, they choose to remain silent. The mainstream media, leveraging their influence and shaping power, facilitate the formation of "majority opinions", gradually increasing the ranks of "cognitive groups". Therefore, a country's national image is disseminated within the host country's society and recognized by the host country's society through the local mainstream media. The content and nature of news media reports significantly impact whether the national image is perceived positively or negatively.

The nature of reporting can be categorized into positive reports, negative reports, and neutral reports based on emotional bias. Negative reporting primarily involves describing and evaluating issues using words or statements that carry a negative emotional tone. Entman pointed out that if the audience lacks rich direct experience with a particular issue, their understanding of the issue or event heavily relies on the nature of the news media and their news narratives. The selection of news topics and the nature of their reporting often determine how the host country's society perceives the national image associated with the news, which influences the formation of a positive or negative national image (Zhang and Wan, 2017). Therefore, when the media tends to report negatively about a country, it can result in a negative home country image, which further triggers the liability of origin.

EMNEs engaged in cross-border M&As often face negative political coverage from the mainstream media in the host country, which triggers the liability of origin. On the one hand, compared to other types of reporting, cross-border M&As have the strongest association with political reporting and are more significantly influenced by it. First, the cross-border M&A activities of EMNEs in developed countries are often motivated by technological or strategic resource seeking (Jia and Meng, 2022). Consequently, these acquisitions are often perceived as carrying implications for the host country's national and technological security, thus becoming intertwined with political issues. Second, their acquisitions are typically led by state-owned firms (Jia and Li, 2016; Lebedev et al., 2015), which are seen as having certain political motivations, thus leading to their portrayal in reporting as political stories. For instance, when Lenovo acquired IBM, The New York Times reported, "Buying Lenovo-made personal computers would help China monitor and eavesdrop on the US embassy, collecting critical intelligence", thus displaying a clear political bias.

On the other hand, negative political coverage has a particularly significant impact on the formation of a negative image of emerging market countries. First, most of the information received by the public is filtered through the media (Burke, 2008), and reporting has the characteristic of "good news doesn't travel far, but bad news spreads widely". Therefore, negative news has a more powerful influence on information dissemination and image shaping than positive reports (Alsem et al., 2008; Zhang et al., 2021). Second, due to the significant differences between developed countries and emerging market countries in the areas of politics, culture, and institutions, Western mainstream media outlets often tend to report negatively on emerging market countries, particularly in cases where politically biased negative reporting is evident. Taking two media outlets as an example, namely, CNN in the United States and the BBC in the United Kingdom, one can see that both media outlets focus heavily on political and diplomatic topics in their reporting. BBC's political reporting accounts for 35.5% of its total reporting, while CNN's is as high as 46.7%. Within the realm of political reporting, both media outlets exhibit a noticeable negative bias, with BBC's negative political coverage comprising 41% of its total political reporting and CNN's being even higher at 52% (Zhang and Wan, 2017). Since host country societies often have a limited comprehensive and in-depth exposure to emerging market countries, their reliance on negative political coverage becomes more pronounced. Extensive and long-term negative political coverage solidifies the negative image of emerging market countries in the minds of host country governments and stakeholders, thus forming societal biases and even normative beliefs that gradually evolve into the liability of origin, resulting in ongoing negative effects on cross-border M&As initiated by EMNEs.

In conclusion, negative political coverage by mainstream media in the host country plays a significant role in the formation of the liability of origin for EMNEs, and this further leads to the stigmatization of the national identity of them, thus reducing their success rate of cross-border M&As. Based on this, we propose the following hypothesis:

Hypothesis 1: Negative political coverage is negatively correlated with the completion of cross-border M&As by EMNEs. In other words, the more the number of negative political coverage, the lower the completion rate of cross-border M&As by EMNEs.

2.2. The moderating effect of geographical distance on negative political coverage

Geographical distance refers to the actual spatial distance between countries and is a significant source of the differences between nations. Geographical distance can result in information asymmetry, thus intensifying the negative impact of negative political coverage on the success rate of cross-border M&As initiated by EMNEs. Information asymmetry refers to the varying degrees to which both parties involved in market activities acquire and understand information due to differences in their environments and positions, resulting in information disparities that hinder the smooth progress of business activities. Geographical distance is an important source of information asymmetry (Ragozzion, 2009).

Based on the theory of information asymmetry, as geographical distance increases, the interaction between the companies involved in M&As and other stakeholders becomes more challenging, which increases the difficulty of obtaining effective information and hinders the transmission of information. In such cases, the home country media becomes the primary source of information for the host country stakeholders. When the home country mainstream media generates a substantial amount of negative political coverage regarding emerging market countries, it continuously deepens the negative perception of these stakeholders regarding the national image of the emerging market firm's home country. This enhances the negative impact of negative political coverage on the success rate of cross-border

M&As initiated by EMNEs. Specifically, on the one hand, the parties involved in M&As and other stakeholders primarily rely on two channels to obtain information. One is the formal channel, which includes media reports in their home country, professional consulting firms, and official means of communication and exchanges. The other is the informal channel, which involves obtaining information through relevant communities. Researchers found that information obtained through informal channels tends to be more reliable (Zhang et al., 2017). However, an increase in geographical distance increases the difficulty of accessing information through informal channels because obtaining such information requires day-to-day and face-to-face communication among the acquiring party, the target parties, and the relevant stakeholders. In contrast, advanced networking technologies can effectively mitigate the impact of geographical distance on obtaining information through formal channels. Therefore, in the context of considerable geographical distance, host country stakeholders are more likely to rely on their home country media for information. On the other hand, geographical distance can reduce the efficiency of communication, leading to a lag in the communication and exchanges between the parties involved in such M&As. Acquiring firms may be unable to promptly provide explanations and feedback to host country stakeholders regarding negative information. Therefore, as geographical distance increases, the degree of information asymmetry intensifies, and host country stakeholders are more likely to rely on formal channels such as their home country media to obtain information about EMNEs. Additionally, the communication efficiency issues arising from excessive geographical distance prevent EMNEs from offering timely explanations to mitigate negative information. This deepens the negative national image shaped by negative political coverage of host country stakeholders, which ultimately reduces the success rate of M&As. Based on this, we propose the following hypothesis:

Hypothesis 2: Geographical distance negatively moderates the relationship between negative political coverage and the success rate of cross-border M&As by EMNEs. In other words, other things being equal, when the geographical distance increases, the negative impact of negative political coverage on the success rate of cross-border M&As also increases.

2.3. The moderating effect of relevant M&As on negative political coverage

Relevant M&As refer to M&As with the acquirer and the target highly correlated in main businesses (Liu and Li, 2021). When the product or service produced by both parties are sufficiently similar, such mergers tend to be horizontal mergers. For the host country government and stakeholders, horizontal mergers are more likely lead to monopolies, which may exert adverse effects on the host country's market. This raises concerns among host country stakeholders about the legitimacy of the M&A and ultimately leads to its failure. Therefore, the higher the relevance of the industries in which the merging parties operate is, the greater the negative impact of negative political coverage on the success rate of cross-border M&As by EMNEs.

First, for the host country government, horizontal mergers reduce the number of relevant domestic firms, making it easier to establish a high degree of monopoly in the host country and thereby undermining market competition. Second, for local businesses in the host country, when EMNEs engage in horizontal acquisitions, the expansion of their market size can lead to a decrease in the market share of other local firms, which harms the interests of such firms. Finally, from the perspective of the host country, horizontal mergers increase the market power of EMNEs in the home country, especially after they have established a certain level of monopoly. After completing the merger, these firms may raise prices for their products or services to increase their profits, which can harm the interests of the public. For example, Western media often use negative terms such as “China threat arguments” or “China expansion arguments” when reporting on horizontal mergers involving China. Therefore, the emergence of relevant M&As are more likely to cause panic among host country stakeholders because potential monopoly exacerbates the negative impression of emerging markets and affects the success or failure of M&As. Based on this, we propose the following hypothesis:

Hypothesis 3: Relevant M&As negatively moderate the relationship between negative political coverage and the success rate of cross-border M&As initiated by EMNEs. In other words, other things being equal, the higher degree of the relevance of the industries in which the merging parties operate is, the stronger the negative impact of negative political coverage on the success rate of cross-border M&As.

2.4. The moderating effect of the acquirer’s listing status on negative political coverage

Being a publicly listed firm negatively moderates the relationship between negative political coverage and the success rate of cross-border M&As initiated by EMNEs. When a publicly listed firm conducts cross-border M&As, on the one hand, host country stakeholders pay more attention to it, and relevant departments impose stricter regulatory scrutiny on it (Jia and Meng, 2022). On the other hand, the M&As initiated by publicly listed firms require compliance with local or relevant international laws and regulations, which reduces chances for informal communication between the merging parties (Jia and Li, 2016). This makes it difficult for EMNEs to provide timely feedback on related issues. Therefore, compared to unlisted firms, publicly listed EMNEs face more scrutiny from host country stakeholders when conducting cross-border M&As. Additionally, publicly listed firms are subject to stricter regulations in the target country, thus limiting their ability to engage in informal communication and flexible negotiations with other stakeholders (Jia et al., 2015). This increases the difficulty of obtaining effective information, and both parties are forced to rely on more formal channels for merger negotiations. Target firms and other stakeholders predominantly obtain information about the acquiring firm from their own country’s mainstream media and other formal sources. The combined effect of these factors intensifies the perception of a negative national image formed by negative political coverage among host country stakeholders, thereby deepening the negative impact of negative political coverage on the success rate of cross-border M&As initiated by EMNEs. Based on this, we propose the following hypothesis:

Hypothesis 4: Compared with unlisted acquirers, the negative impact of negative political coverage on the completion of cross-border M&As will be higher in publicly listed acquires groups.

2.5. The moderating effect of cross-border M&A experience on negative political coverage

The overconfidence theory of management posits that management tends to be overly confident due to their various advantages, such as rich work experience and access to more corporate information, leading them to perceive themselves as better than average. This overconfidence can make them arrogant and complacent, which can prevent them from translating their experience into effective learning. Overconfident management may overestimate the accuracy of their judgement regarding certain events and overlook potential adverse factors, which can have a negative impact on corporate activities. Successful experience in cross-border M&As is more likely to lead to management overconfidence and amplify the negative impact of negative political coverage on the success rate of cross-border M&As initiated by EMNEs.

Experience with cross-border M&A refers to the relevant practices that EMNE have accumulated from their previous cross-border M&As activities. In this paper, this is defined as the knowledge gained by firms through successfully completed acquisitions in countries other than the host country. Cross-border M&As are complex decision-making activities for firms, and each transaction may have different characteristics and issues due to the differences between the countries and industries of the acquiring and target firms. Previous successful M&A experience may not necessarily apply to current M&As. Therefore, only by converting successful experience into valuable knowledge, then formulating appropriate solutions and combining them with characteristics of each transaction can experience have a positive impact on the success rate of M&As. However, successful experience can lead management to believe that they are superior to the average, which may form an implicit assumption that their previous actions were responsible for their success, even if they are not clear about what exactly led to that success (Miller and Ross, 1975; Van de Ven and Polley, 1992). Successful experience can lead management to become complacent, reducing their capacity for effective learning. They may directly apply solutions derived from experience to new M&A transactions while overlooking the unique challenges posed by the liability of origin resulting from the negative political coverage regarding EMNEs in their cross-border M&As. Therefore, we propose that the acquiring party having a wealth of successful experience may ironically lead to management overconfidence. This overconfidence could cause them to overlook the new issues and challenges brought by negative political coverage in the mainstream media of the host country to cross-border M&As by EMNEs. Consequently, they may struggle to perform case-specific analyses and rather resort to applying their unmodified, inappropriate M&A experience directly. This, in turn, amplifies the negative impact of negative political coverage on the success rate of cross-border M&As by EMNEs. Based on this, we propose the following hypothesis:

Hypothesis 5: Cross-border M&A experience negatively moderates the relationship between negative political coverage and the success rate of cross-border M&As initiated by EMNEs. That is, other things being equal, the greater the cross-border M&A experience the acquiring party possesses is, the greater the negative impact of negative political coverage on the success rate of cross-border M&As.

3. Methods

3.1. Sample

Our data come from the Zephyr Global Mergers and Acquisitions Transactions Database. We focus on the impact of negative political coverage on the completion of cross-border M&As by EMNEs. Emerging markets refer to market economies that are gradually maturing and exhibiting an increasing degree of marketization, significant market development potential, and relatively high economic growth rates. Among these, China, Russia, India, Brazil, and South Africa (hereinafter referred to as BRICS) are the typical representatives. According to the data, cross-border M&As initiated by EMNEs primarily originate from the above five countries. Considering the representiveness and availability of the data, we selected acquisition cases in the United States conducted by "BRICS" firms from January 2016 to June 2021 as our sample. We process the initial sample as follows. First, cross-border M&A transactions conducted by investment groups and individuals are excluded. Because the acquisition party of the investment group includes multiple enterprises, it is not possible to determine which enterprise is the main acquisition party; at the same time, the acquisition party of individual investment is an individual, which does not belong to corporate acquisition. Second, financial investment-related cross-border M&As deals are excluded. Third, transactions with acquisition statuses marked as "completed" and "withdrawn" are retained since this study is focused on whether acquisitions were completed. This process resulted in a final sample of 437 cross-border M&As. Among them, 37.5% of the acquiring enterprises are from China, 14.2% of the acquisition parties are from Russia, 27.7% of the acquisition parties are from India, 16.2% of the acquiring enterprises are from Brazil, and 4.4% of the acquisition parties are from South Africa.

3.2. Measurements

1) Dependent variable

The dependent variable in this study is the completion of cross-border M&As (Yan, 2011; Zhang et al., 2010). This is a binary variable that takes the value of 1 if the acquisition was completed and 0 otherwise.

2) Independent variable

This study focuses on the impact of negative political coverage on the completion of cross-border M&As initiated by EMNEs. Therefore, we take the annual quantity of negative political coverage by the host country regarding emerging market countries as the independent variable.

First, political reporting refers to reports in the host country's mainstream media that describe and comment on domestic and international political issues of the home countries of foreign firms based on the host country's values and ideologies (The key terms in political reporting including: the refugee crisis, European unity, weaponization of migration, bureaucrats, policies, country's larger interests, annexation by Russia, repression, political prosecutions, state-supported effort to cheat, street protests, Authoritarian, intolerant of dissent and free speech, make steady progress toward anti-Western, anti-democratic objectives, nationalist sentiment, sovereignty, intervene in the internal politics of numerous, etc. (see Appendix). This also includes reports that politicize certain issues related to the home country's economy, culture, society, and other areas. Domestic political issues involve the behaviour of the home country's national leaders, government policies, etc. International political issues mainly encompass the topics related to cooperation and conflicts between nations, major international conferences, such as China's South China Sea issue or Russia's interference in the U.S. elections, etc. Political reporting at a higher level involves the description of topics that relate to the home country but are not directly political but rather framed with politically biased language. For example, in reporting the COVID-19 pandemic in China, Western media referred to this issue as China turning a public health crisis into a human rights disaster under authoritarianism. Second, based on the emotional tone of political reporting, such reporting can be categorized into positive, negative, and neutral reporting. Negative reporting refers to news that describes and evaluates political issues using words or phrases that carry a negative emotional connotation (Huang, 2013). These reports may include terms such as "authoritarian", "dictatorial", "repression", and "persecution" (Key terms in negative reporting include: scandals, backroom deals, related-party transactions, improper, illegal, disciplinary violations, overpriced, illegal production, illegal trade, illegal transactions, tax evasion, forgery, quality issues, official corruption, embezzlement, bribery, bribes, dismissal, expulsion, deception, fraud, swindlers, counterfeit and substandard products, chemicals, exceeding standards, deliberately exacerbating, threatens, outmoded, illegal, political prosecutions, legal and physical attacks, crackdown, tortured, etc. (see Appendix)). Third, the United States is selected as the host country in this study for several reasons. On the one hand, the United States is the world's largest destination for foreign direct investment and a major choice for cross-border M&As by emerging market countries. At the same time, the American media's high level of attention to emerging markets significantly surpasses that of other countries. According to the Google GDELT database, from 2015 to 2018, the United States ranked first in terms of the average annual number of news coverage on China among the top five countries, with an average of 282,490 reports per year, whereas the second-ranked India had only 37,467 reports. Therefore, selecting American media as the research target is reasonable. What's more, in recent years, there has been a tightening of national security reviews in the United States, and cross-border M&A transactions are often closely scrutinized due to their potential political implications, thus leading to political reporting. For example, in 2017, the Committee on Foreign Investment in the United States (CFIUS) rejected Canyon Bridge Capital's acquisition of lattice semiconductors. In 2018, CFIUS blocked Ant Financial's acquisition of MoneyGram, and in 2019, CFIUS forced the Kunlun Group to sell its stake in the dating app firm Grindr. On the other hand, accessing data from foreign media can be challenging, while accessing data from major US media outlets is relatively easy. Therefore, we ultimately chose the United States as the host country for this study. Finally, the political reporting data used in this study were sourced from The Washington Post. Theoretically, selecting all American newspapers as data sources would be ideal; however, this is impractical due to data availability. Therefore, this study primarily uses The Washington Post as the data source for news report, for the following reasons: on the one hand, the mainstream media is considered to exert a significant impact on various social groups, and The Washington Post, as the largest and oldest newspaper in Washington D.C., ranks just below The New York Times in terms of reputation and is often referred to as the second-largest newspaper in the United States. On the other hand, while political reporting can be found in mainstream media outlets such as The New York Times, USA Today, and The Los Angeles Times, The Washington Post maintains a particular focus on political reporting and accounts for a significant proportion of such reporting (Su and Qin, 2023; Xiao, 2024).

In summary, the annual count of negative political coverage published in The Washington Post is used as the independent variable in this study. Considering that the impact of news reporting on overseas direct investment might exhibit lags, we lagged the variable for one year.

3) Moderating variables

The first moderating variable is geographic distance. This refers to the distance between the capitals of the acquirer's and target firm's countries. Geographic distance reflects the physical distance between the two parties. The data for this variable are sourced from the French CPEII database.

The second moderating variable is related M&As which indicates the degree of relevance between the industries of the acquirer and those of the target. It is determined based on whether the first two digits of the SIC codes of the acquirer and target are the same (Chen and Guo, 2018). This is a binary variable that takes a value of 1 if this is the case and 0 otherwise. The data for this variable are obtained from the Zephyr M&A database.

The third variable is cross-border M&A experience. This variable refers to the number of successful cross-border M&As initiated by the acquirer in countries other than the host and home countries. Since cross-border M&A transactions involve two different countries, successful cross-border M&A experience is more relevant than domestic M&A experience. Therefore, the number of successfully completed acquisitions in countries other than the host country and home country before the year that the focal transactions was initiated is measured as cross-border M&A experience. The data for this variable are obtained from the Zephyr M&A database.

The final moderating variable is the listed acquirer, i.e., whether the acquiring firm is publicly listed. This is a binary variable that takes a value of 1 if the acquiring firm is publicly listed and 0 otherwise. The data for this variable are obtained from the Zephyr M&As database.

4) Control variables

In this study, control variables are introduced at the country, industry, firm, and transaction levels. At the country level, economic distance is an important factor influencing cross-border M&As. This variable is measured through the difference in per capita GDP between the two countries. Additionally, institutional differences also play a significant role in the success or failure of EMNEs' M&As in developed economies. To measure institutional distance, we use the World Bank's Worldwide Governance Indicators (WGI). The WGI includes six indicators, namely, voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption. We refer to Kogut and Singh (1988) for the calculation formula of institutional distance:

$$\text{Insdis} = \sum\nolimits_{j=1}^{6} [\frac{(I_{jm} - I_{jn})^2}{V_j}]/6$$

where I_{jm} represents the j-th dimension index score of country m where the acquiring firm is located, I_{jn} represents the j-th dimension index score of country n where the acquiring firm is located, and V_j is the variance of the j-th dimension index score.

At the industry level, whether the target belongs to sensitive industry is an important factor affecting the completion of M&As. When M&As involve industries such as natural resources, national defence, finance, and telecommunication, they are more likely to undergo scrutiny by the host country's government, leading to M&A failure. Here, we take whether the target firm belongs to a sensitive industry as a control variable. This variable is a binary variable that takes a value of 1 to indicate a sensitive industry and 0 otherwise.

At the firm level, we consider domestic M&A experience and host country M&A experience as control variables. Domestic M&A experience refers to the number of successful domestic M&As that had been completed by the EMNEs prior to the focal M&A. In contrast, host country M&A experience refers to the number of successful M&As completed by the EMNEs in the host country prior to the focal M&A.

Finally, at the transaction level, we use whether M&A consultants were hired and whether these consultants come from the host country as control variables. Both variables are binary variables, with the former taking a value of 1 if the M&A consultant is hired and 0 otherwise and the later taking a value of 1 if the M&A consultant is from the host country and of otherwise. **Table 1** summarizes the variable names, definitions, and data sources.

Table 1. Definition of the variables.

Variable name (abbr)	**Variable definition**	**Variable data source**
Completion of cross-border M&As (Com)	Whether the cross-border M&A is completed	Zephyr M&A database
Number of negative political coverage (Nnr)	Number of negative political coverages on home countries by host country's mainstream media	The Washington Post
Geographic distance (Gd)	The distance between the emerging market countries and the capital of host country	Frech CPEII database
Relevant M&A (Ri)	Whether the acquirer and the target belong to the same industry based on the two SIC codes	Zephyr M&A database
Cross-border M&A experience (Ie)	The number of cross-border acquisitions completed in countries other than home and host country prior to the focal M&A	Zephyr M&A database
Listed acquirer (Al)	Whether the acquiring firm is a publicly listed firm	Zephyr M&A database
Economic distance (Ed)	The difference in per capita GDP between the home and host country	World Bank database

Table 1. (*Continued*).

Variable name (abbr)	Variable definition	Variable data source
Institutional distance (Id)	The institutional gap between the home and host country	World Bank database
Sensitive industry (Si)	Whether the target firm belongs to a sensitive industry	Zephyr M&A database
Listed target (Tl)	Whether the target firm is a publicly listed firm	Zephyr M&A database
Domestic M&A experience (De)	The number of successful domestic acquisitions completed by the firm prior to the focal M&A	Zephyr M&A database
Host country M&A experience (He)	The number of successful acquisitions completed by the firm in the host country prior to this M&A	Zephyr M&A database
M&A consultant (Con)	Whether the acquiring firm has hired professional M&A consultants	Zephyr M&A database
Host country M&A consultant (Hco)	Whether the consultants hired by the acquiring firm are from the host country	Zephyr M&A database

3.3. Estimation methods

The dependent variable in this study is the success or failure of cross-border M&As, which is a binary variable (0 or 1). Therefore, we employ a logit model for estimation:

$$P(i) = 1/(1 + e^{-\beta X_i})$$

where $P(i)$ represents the probability of observing firm i's cross-border M&As. X is the vector of the independent variable, which includes a series of factors influencing the success rate of cross-border M&As for EMNEs. Positive values indicate that the independent variable exerts a positive impact on the success rate of cross-border M&As, while negative values indicate that the independent variable negatively affects the success rate of cross-border M&As.

4. Empirical results

4.1. Descriptive statistical analyses

Table 2 displays the descriptive statistics of all variables, including means, standard deviations, maximum values, and other information. Among them, the variable "number of negative political coverage" has a mean value of 71.4824, indicating that, on average, each EMNE faces 71.4824 reports within the given sample period. The highest number of negative reports faced by a firm is 224, and there are also cases where firms did not face any negative reports. From a national perspective, the average of the emerging market countries' GDP per capita gap with that of the United States during the period from January 2016 to June 2021 is 10.8515, exhibiting a maximum value of 10.9830 and a minimum value of 10.7695. The average institutional distance is 5.8064, indicating the average difference in institutions between the emerging market countries and the United States during the given sample period. The maximum institutional distance is 8.6478, while the minimum is 2.6593, indicating significant variation in institutional differences. From an industrial perspective, 46.35% of the targets in the sample belong to sensitive industries, while 53.55% belong to nonsensitive industries. Among the merging firms, 21.28% are in related industries, while 78.72% are in unrelated industries. From a firm perspective, 24.03% of the EMNEs participating in M&As are publicly listed firms, while 7.55% of the target firms are publicly listed. In terms of M&A

experience, the average successful domestic M&A experience for EMNEs is 10.8 times, with some firms having extensive experience totaling as many as 324 M&As, while others have no M&A experience. These numbers demonstrate significant variation. Furthermore, EMNEs have on average 1.0870 successful cross-border M&As and 1.2563 successful M&A experiences in the host country. This indicates that EMNEs' cross-border M&As' experience is not adequate overall. From a transaction perspective, 59.50% of EMNEs hire M&A consultants, while 40.50% do not. Among those that hire M&A consultants, 23.57% of such consultants come from the host country.

Table 2. Descriptive statistics of the variables.

Variable name	Variable meaning	Number of samples	Mean	Standard deviation	Minimum value	Maximum value
Com	Success or failure of M&As	437	0.9794	0.1422	0	1
Nnr	Number of negative political news stories	437	71.4828	67.4963	0	224
Gd	Geographic distance	437	9.2175	0.2237	8.8238	9.4758
Ri	Relevant M&A	437	0.2128	0.4098	0	1
Ie	Cross-border M&A experience	437	1.0870	2.6094	0	26
Al	Listed acquirer	437	0.2403	0.4277	0	1
Ed	Economic distance	437	10.8515	0.065	10.7695	10.9830
Id	Institutional distance	437	5.8064	1.1333	2.6593	8.6478
Si	Sensitive industry	437	0.4645	0.4993	0	1
Tl	Listed target	437	0.0755	0.2645	0	1
De	Domestic M&A experience	437	10.8215	33.7807	0	324
He	Host country M&A experience	437	1.2563	2.7475	0	19
Con	M&A consultant	437	0.5950	0.4915	0	1
Hco	Host country M&A consultant	437	0.2357	0.4249	0	1

4.2. Correlation matrix

Table 3 displays the correlation coefficients between the variables, and the results indicate that there are no highly correlated variables.

Table 3. Correlation matrix of the variables.

	Com	Nnr	Ed	Gd	Id	Si	Ri	Al	Tl	De	Ie	He	Con	Hco
Com	1.000													
Nnr	−0.039	1.000												
Ed	0.124*	−0.642*	1.000											
Gd	−0.067	−0.190*	0.373*	1.000										
Id	0.010	0.584*	−0.340*	−0.578*	1.000									
Si	0.070	0.030	0.061	−0.199*	0.147*	1.000								
Ri	−0.043	−0.201*	0.088*	0.138*	−0.163*	−0.047	1.000							
Al	−0.032	−0.171*	0.106*	0.186*	−0.153*	−0.223*	0.257*	1.000						
Tl	−0.202*	−0.129*	−0.012	−0.216*	−0.006	−0.023	−0.064	−0.120*	1.000					

Table 3. (*Continued*).

	Com	Nnr	Ed	Gd	Id	Si	Ri	Al	Tl	De	Ie	He	Con	Hco
De	0.040	0.101*	−0.081*	−0.010	0.046	0.074	−0.140*	−0.113*	−0.065	1.000				
Ie	0.023	−0.028	0.108*	0.071	−0.039	0.011	−0.032	0.248*	−0.053	0.164*	1.000			
He	0.037	0.211*	0.064	−0.070	0.200*	0.107*	−0.144*	0.041	−0.099*	0.224*	0.409*	1.000		
Con	0.044	0.201*	−0.130*	−0.028	0.119*	0.142*	−0.311*	−0.300*	−0.241*	0.206*	0.117*	0.142*	1.000	
Hco	−0.033	−0.079	−0.041	0.081*	−0.167*	−0.085*	−0.038	0.003	−0.057	0.108*	0.145*	0.046	0.458*	1.000

Note: ***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively.

4.3. Regression results and analyses

Before conducting the formal estimation, we test for multicollinearity using variance inflation factors (VIFs). The results indicated that the VIF values for all variables are significantly lower than the critical threshold of 10, suggesting the absence of multicollinearity.

Table 4 presents the regression results of the logit model. Model 1 is the baseline model containing only control variables, while Model 2 is used to examine the main explanatory variable, Models 3–6 sequentially test the moderating effect of geographic distance, related M&As, whether the acquiring firm is publicly listed, and cross-border M&A experience. Model 7 is the full model that includes all variables. From the result of Model 2, it can be observed that the coefficient for the number of politically negative reports is negative and statistically significant at the 5% level. This suggests that a higher number of politically negative reports is associated with a lower success rate for cross-border M&As initiated by EMNEs, supporting Hypothesis 1. This result implies that negatively political reporting by the mainstream media in the host country regarding emerging market nations can lead to a negative national image, forming the liability of origin and further stigmatizing the national identity of the firm, reducing its success rate regarding M&As in the host country.

Table 4. Logit regression results.

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Nnr		−0.0233** (0.0113)	0.0126 (0.0185)	−0.0199* (0.0111)	−0.0232* (0.0127)	−0.0238** (0.0118)	0.0451*** (0.0160)
Nnr*Gd			−0.3920*** (0.1195)				−0.4580*** (0.1339)
Nnr*Ri				−0.0123* (0.0075)			−0.0201* (0.0120)
Nnr*Al					−0.0362** (0.0142)		−0.0549 (0.0351)
Nnr*Ie						−0.0049* (0.0025)	−0.0203** (0.0080)
Gd	−7.5890*** (2.5116)	−15.3898 (12.3477)	4.8521 (3.3333)	−13.7632 (11.6298)	−20.1506 (12.4023)	−19.6671 (12.0256)	2.2079 (1.7384)
Ri	−0.6541 (0.8225)	−0.6801 (0.8744)	−0.2614 (0.8110)	0.3398 (0.9339)	−0.7247 (0.8758)	−0.5930 (0.8830)	1.3039 (1.1306)
Al	−0.6097 (1.1985)	−0.7272 (1.1612)	−0.7402 (1.0604)	−0.7065 (1.2039)	2.1541 (1.6853)	−0.8925 (1.1768)	3.6102 (3.5313)

Table 4. (*Continued*).

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Ie	0.0957** (0.2567)	0.0405 (0.2527)	−0.0386 (0.2974)	0.0466 (0.2865)	−0.0403 (0.3381)	0.4763 (0.5548)	1.7157** (0.7319)
Ed	10.8265 (9.6557)	41.3589* (21.2802)	83.8699* (43.8877)	43.7531* (23.5402)	71.8357*** (25.5862)	46.8686** (23.0256)	105.6556** (46.9614)
Id	−1.1583 (0.5058)	−15.3898 (12.2477)	−3.0793* (1.7943)	−1.1038 (1.0412)	−1.4450 (1.1300)	−1.4627 (1.1720)	−2.3610 (1.7041)
Si	0.9539 (0.6957)	0.6743 (0.7726)	0.4186 (0.8102)	0.6601 (0.7668)	0.6677 (0.7781)	0.7148 (0.7635)	0.7583 (0.9796)
Tl	−3.5638*** (1.0268)	−3.3909*** (1.1122)	−3.1079*** (0.9235)	−3.3606*** (1.0829)	−3.8606*** (1.0631)	−3.5738*** (1.1130)	−1.1457*** (1.3044)
De	0.1530 (0.2043)	0.1589 (0.2027)	0.1715 (0.2020)	0.1616 (0.2157)	0.2063 (0.2393)	0.1553 (0.2213)	0.2218 (0.1970)
He	0.1141 (0.3637)	0.0035 (0.2598)	−0.2204 (0.2754)	−0.0014 (0.2824)	−0.2446 (0.2618)	−0.0490 (0.2366)	−0.7279* (0.4414)
Con	0.3185 (1.6353)	0.4587 (1.6702)	0.5680 (1.6140)	0.4429 (1.6905)	0.3327 (1.7154)	0.4526 (1.7702)	0.4956 (1.6111)
Hco	−0.7117 (1.5302)	−0.6814 (1.5234)	−0.1942 (1.4293)	−0.6883 (1.5455)	−0.4190 (1.5608)	−0.5360 (1.5800)	0.1974 (1.7315)
Constant	11.5638*** (3.2298)	15.2173* (8.1735)	24.1786** (11.0211)	13.9271* (7.6098)	17.5129** (8.5037)	17.1347** (8.5930)	18.9964* (10.1831)
No. of samples	437	437	437	437	437	437	437
Prob > chi2	0.0033	0.0000	0.0000	0.0000	0.0005	0.0000	0.0000
Pseudo *r*-squared	0.2867	0.3219	0.3793	0.3265	0.3560	0.3330	0.4257

Note: ***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively.

Model 3 introduces geographic distance as a moderating variable. The regression results show that the coefficient of the interaction term is negative and statistically significant at the 1% level, supporting Hypothesis 2. This suggests that as the geographic distance between countries increases, the problem of information asymmetry becomes more pronounced. Host country stakeholders come to rely more on formal channels for obtaining information, such as their own mainstream media. Furthermore, the communication efficiency issues caused by geographic distance make it difficult for EMNEs to provide timely feedback on negative reporting to the target firm and other stakeholders. As a result, the perception of host country stakeholders regarding the negative national image of emerging market nations is deepened, which exacerbates the liability of origin and reduces the success rate of M&As.

Model 4 adds the interaction term between related M&As and politically negative reports. The coefficient is negative and statistically significant at the 10% level, supporting Hypothesis 3. This suggests that the higher the degree of the industry match between the acquiring and target firms is, the greater the likelihood of the firms forming a monopoly after the M&A. This, in turn, harms market competition and further strengthens the negative impact of negative political coverage on the success of cross-border M&As initiated by EMNEs.

Models 5 and 6 introduce firm-level moderating variables. In Model 5, the interaction term between negative political coverage and whether the acquiring firm is publicly listed is added. The coefficient of the interaction term is −0.0362, which is statistically significant at the 5% level, supporting Hypothesis 4. This suggests that the publicly listed nature of the acquiring firm strengthens the negative impact of negative political coverage on the success rate of M&As. Publicly listed firms receive more attention in their host country, and negative political coverage deepens the perception of a negative national image. Additionally, the M&A processes also require strict compliance with local regulations, which hinders the private communication and negotiation with the target and other stakeholders. As a result, host country stakeholders are more likely to obtain information about the acquiring firm through official channels such as local media, thereby enhancing the negative moderating effect of negative political coverage on the success rate of M&As initiated by EMNEs. Model 6 examines the moderating effect of experience in cross-border M&As, and the coefficient is negative and statistically significant at the 10% level, thus supporting Hypothesis 5. This indicates that successful experience in cross-border M&As negatively moderates the relationship between negative political coverage and the success rate of M&As by EMNEs. Management's overconfidence leads managers to fail to seek new solutions based on specific environment and circumstances faced and to rather continue to apply past successful experience to current M&A cases. This enhances the negative impact of negative political coverage on the success rate of M&As.

In addition, the regression results generate some interesting findings. First, economic distance has a significantly positive impact on the success rate of cross-border M&As initiated by EMNEs. In other words, the greater the economic distance is, the higher the success rate of cross-border M&As initiated by EMNEs, which may seem counter-intuitive. The reason for this phenomenon may be that higher level of the economic development of the host country always indicates high quality institutions, which are proposed to be beneficial to facilitate cross-border M&As. Second, when the target firm is publicly listed, the success rate of cross-border M&As is reduced, and this reduction is consistently significant at the 1% level. This indicates that when the target firm is publicly listed, it is subject to stricter regulations, requires more comprehensive information disclosure, and has less room for private communication between the merging parties. Tight regulation and reduced effective communication increase the likelihood of M&A failure.

4.4. Robustness checks

In formal testing, the quantity of negative political coverage is used as the independent variable. Following the studies of Zhang et al. (2021) and Ramirez and Rong (2012), we further construct a negative political coverage ratio as an alternative variable for conducting a robustness check (Model 8). The regression results show that its coefficient is negative and significant at the 10% level, indicating that negative political coverage reduces the success rate of M&As (see **Table 5**).

Table 5. Robustness check results.

Variables	**Model 8**	**Model 9**
Nnr		−0.0167** (0.0074)
Ncr	−17.9723* (9.5139)	
Ed	76.9842* (44.5551)	−0.3088 (0.2920)
Id	−1.3831 (1.5035)	−1.2461 (0.9771)
Si	0.5928 (0.8418)	0.6927 (0.7106)
Tl	−3.5053*** (1.0163)	−3.4932*** (1.0716)
De	0.1823 (0.2260)	0.1407 (0.1998)
He	−0.2221 (0.2646)	0.0544 (0.2853)
Con	0.6094 (1.7292)	0.4038 (1.7530)
Hco	−0.1229 (1.4327)	−0.8396 (1.6370)
Gd	−18.1873 (16.0439)	−13.2432 (8.3647)
Ri	−0.4496 (0.8753)	−0.7783 (0.8785)
Al	−0.7702 (1.1121)	−0.7071 (1.1928)
Ie	−0.0532 (0.3281)	0.0595 (0.2769)
Constant	21.5935 (13.9027)	14.2327** (6.2516)
Number of samples	437	437
Prob > chi2	0.0000	0.0000
Pseudo *r*-squared	0.3805	0.3139

Note: ***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively.

Moreover, we use the difference in per capita GDP growth rate to substitute for per capita GDP differences as a measurement indicator for economic distance. In Model 9, the main explanatory variable remains the quantity of negative political coverage, and the results show that its coefficient is negative and significant at the 5% level (see **Table 5**). Both tests yield results that are consistent with the conclusions presented earlier, thus demonstrating the robustness of the findings in this study.

5. Discussion

In this study, an empirical analysis is conducted on the relationship between negative political coverage and the completion of cross-border M&As by EMNEs using data from January 2016 to June 2021. The findings are as follows: (1) The more politically negative reports there are, the lower the success rate of cross-border M&As of EMNEs. (2) At the national level, geographic distance exacerbates the negative effect of negative political coverage on the success rate of M&As. (3) At the industrial level, related M&As amplify the negative impact of negative political coverage on the success rate of cross-border M&As initiated by EMNEs. (4) At the firm level, being a publicly listed acquirer and having successful experience in cross-border M&As are also factors that enhance the negative impact of negative political coverage on the success rate of M&As.

5.1. Theoretical contributions

The theoretical contributions of this study are three folds: First, drawing on the "liability of origin" theory, it enriches the literature on drivers of the completion of cross-border M&A. The successful completion of M&As is of great importance in reducing merger costs and promoting the integration phase of mergers and achieving synergy effects. However, the completion rate of cross-border M&As by EMNEs is not ideal. Therefore, in-depth research on the factors that influence the success or failure of cross-border M&As of firms is crucial to improving the quality of M&As. However, previous research has mainly focused on post-merger integration performance and has lacked attention to the success or failure of the premerger phase. Existing research on such success or failure has primarily focused on factors such as institutions (Dikova et al., 2010; Yan, 2011), culture (Li and Wu, 2016), and experience (Jia et al., 2015; Jia and Li, 2015; Yan, 2011) that can impact M&As. Very little attention has been given to how negative political coverage creates a liability origin that affects the success or failure of cross-border M&As for EMNEs. Negative political coverage by mainstream media shaped a negative national image, and the resulting liability of origin "stigmatizes" the national identity of EMNEs, thus reducing the success rate of their cross-border M&As. The literature has largely neglected this issue, so this study is aimed at exploring the relationship between negative political coverage and the success or failure of cross-border M&As initiated by EMNEs to enrich our understanding of the factors that influence cross-border M&As.

Second, this research enriches our understanding on how "soft institutions (i.e., the power of media)" influence cross-border M&A performance thus make contributions to institutional theory. Cross-border M&As involve activities between firms from two different countries or regions, and differences in institutions can impact the smooth progress of activities for both parties regarding the M&A. Institutions consist of both "hard" and "soft" elements. In the extant literature, most scholars have focused on the impact of "hard" institutions on the success or failure of firms' cross-border M&As, which includes formal institutions such as laws, regulations, and rules. Studies have shown that the greater the institutional distance is, the lower the success rate of firms' cross-border M&As (Jia and Li, 2016; Yan, 2011). However, the impact of the country image shaped by negative political coverage, as a form of "soft" institution, has received limited attention in the context of cross-border M&As. The present era is characterized by themes of peace and development, and countries on the international stage are increasingly focused on the competition of "soft" institutions and soft power. A positive and favourable national image can help enhance a country's credibility on the international stage, thus promoting communication and cooperation with other nations and providing a competitive advantage for its domestic firms when pursing international strategies such as cross-border M&As. Conversely, a negative national image can diminish the sense of identification and trust from stakeholders in the host country, which is detrimental to the smooth completion of cross-border M&As by domestic firms. Therefore, exploring how to improve the success rate of cross-border M&As for EMNEs by addressing "soft" institutions, which is an aspect that has rarely been discussed in previous research, is essential. This study focused on the negative national image formed by negative political coverage and investigates the impact of this "soft" institution on the success or failure of cross-border M&As initiated by EMNEs, thereby deepening our understanding of how institutions influence cross-border M&As.

Third, it identifies the important boundary conditions that moderate the influence of negative political coverage on the completion of cross-border M&As thus deepens our understanding in how to tackle with such liability of origin. We found that geographic distance between the home and host countries, industrial relation between the two M&A parties, acquirer's cross-border M&A experience and whether it is a listed firm are all relevant factors that would pose impact on the effect negative political coverage on the completion of cross-border M&As.

5.2. Managerial implications

In addition to theoretical contributions, this research also provides some important implications for practice. The liability of origin significantly impacts cross-border M&As initiated by EMNEs. Therefore, EMNEs should pay more attention to this issue and take corresponding measures to mitigate its effects on cross-border M&As. On one hand, EMNEs should proactively disclose their corporate social responsibility (CSR) to stakeholders in the host country. CSR disclosure conveys information to stakeholders, particularly those in the host country, about firms' alignment with global values and expectations. This information enables stakeholders to assess foreign firms more objectively by differentiating between the firms' identity and that of its home country to some extent. This, in turn, can reduce the difficulty for EMNEs in gaining legitimacy in the host country. Additionally, stakeholders in developed economies may hold biases against the EMNEs themselves. Therefore, they should pay particular attention to shaping their own image. On the other hand, when entering the host country, EMNEs should take steps to mitigate the negative impact of stereotypical perceptions associated with their organizational nationality. The first is to emphasize the uniqueness of their organizational identity, highlighting how they differ from the typical EMNEs' stereotypes. The second is to demonstrate the similarities between their organization and local firms to the host country's stakeholders, thus enhancing the understanding of these issues by the stakeholders. This can help weaken the negative national image perceived by host country stakeholders. After addressing these aspects, EMNEs can utilize the local mainstream media to appropriately promote their development history, corporate culture, and core values to enhance host country stakeholders' understanding of and affinity for firms. What's more, EMNEs can form strategic alliances with reputable and leading firms in host countries. Through these alliances, such firms can access advanced technology, funding, and management capabilities, which can help compensate for deficiencies in their home country's market institutions and technological advancements. Additionally, they can leverage the strength of these alliances to convey a positive corporate organizational identity image to the host country government, the public, other firms, and stakeholders. This enhances the legitimacy of EMNEs' operations in the host country and weaken the negative impact of the liability of origin. Finally, for qualified firms, establishing an internal department dedicated to monitoring and analyzing public opinion may be beneficial. This department can promptly report any negative public sentiment that may hinder the firms' M&A efforts in the host country to senior management and respond accordingly, thus minimizing the impact of negative reporting to the greatest extent possible.

Geographic distance, relevant M&As, the listing status of the acquiring firms, and successful experience in cross-border M&As all serve to exacerbate the negative impact of liability of origin on the success rate of cross-border M&As. Therefore, firms can take actions in four ways, namely, by selecting the host country, by choosing the industry for M&As, by selecting M&A targets, and by building M&A experience, to weaken the influence of the liability or origin. First, regarding geographic distance, firms can choose to conduct M&As in host countries that are geographically closer to their home countries. If, due to strategic considerations, they must initiate M&As in more distant countries, it is essential to respond rapidly when facing negative or malicious public opinion in the host country. They can do this by using their own country's journalists who are stationed in the host country or the local mainstream media to promptly clarify facts. This helps prevent the situation from worsening and exerting a negative impact on the reputation of the emerging market country in the host country. Besides, EMNEs can hire local M&A consultants in the host country. These consultants have a geographical advantage that can reduce the communication barriers caused by geographic distance. They can relay relevant information to host country stakeholders accurately and in a timely manner. By doing so, they can help mitigate the negative impact of geographic distance to some extent. Second, regarding related M&As, EMNEs can choose to acquire subsidiaries in unrelated industries to avoid the negative impact of relevant industry mergers. However, if they must engage in M&As within the same industry, it is essential to proactively establish communication channels with local media to provide appropriate and rational explanations for other M&As in the same industry. Additionally, they should engage in timely communication and dialogue with local stakeholders and consumers to clarify the purpose of the M&A. By doing so, they can increase the success rate of cross-border M&As initiated by EMNEs. Third, when the acquiring firm is a publicly listed firm, it should pay extra attention to managing its corporate image. This involves establishing a reputation management system, improving internal governance, strictly complying with local laws and regulations, proactively disclosing relevant information, and striving to obtain honors and authoritative certifications in the host country. These actions provide a firm with endorsement and support, thus creating a positive corporate identity in the eyes of local stakeholders and weakening the impact of the liability of origin. Fourth, as firms gain more experience in successful cross-border M&As, it is essential to avoid overconfidence among management. Management should view past success as an opportunity for effective learning rather than blindly replicating previous strategies.

This study indicates that the negative national image shaped by negative political coverage is the main reason for the formation of the liability of origin, further stigmatizing corporate nationality and reducing the success rate of M&As. Therefore, emerging market countries and governments need to take effective measures to create a favourable external environment for their domestic firms when implementing cross-border M&As. First, efforts should be made to actively promote high-level bilateral visits to enhance political and cultural exchanges between the acquiring and target countries and to sign investment and trade agreements to increase economic ties between the two countries. Through such communication, exchanges, and trade, both parties can improve their understanding of each other, thus reducing the impact of negative publicity on EMNEs. Second, the home country government should take timely action in addressing major public crises, hosting international events effectively, actively participating in important international affairs, and enhancing positive perceptions of the host country’s population towards the emerging market country’s image. This can alleviate the adverse effects of negative political coverage on the national image and create advantages for domestic firms in cross-border M&As. Third, governments should encourage industry associations to quantitatively analyse data reported by mainstream media in host countries, thus providing support for small and medium-sized enterprises (SMEs) from emerging market countries in their decisions regarding cross-border M&As. Compared to large firms with more resources and channel advantages, SMEs from emerging market countries often lack the necessary resources for dealing with issues related to negative political coverage when implementing cross-border M&As. Quantitative analysis of relevant public opinion in host countries can help SMEs more smoothly complete their M&As. Fourth, emerging market countries should make full use of the internet, social media, and other new media platforms. These new media, especially online media, are subject to less government regulation in many countries and offer a timeliness and diversity in information dissemination that traditional newspapers cannot replicate. Emerging market countries can establish comprehensive websites that reflect their political, economic, culture, and other aspects. These websites can serve as a source of information for various interest groups in host countries, enhancing the channels through which host country stakeholders access information. Fifth, emerging market countries and governments should encourage domestic media to not only “go abroad” in terms of information dissemination but also expand their physical presence abroad. They can achieve this by creating national promotional materials and using international platforms to provide a comprehensive and objective view of the country’s reality, clarify policies, and promote their culture. Furthermore, such countries should establish media platforms in host countries, increase the number of foreign correspondents, and build strong relationships with foreign media. By leveraging the power of local media, EMNEs can better shape their national image in host countries. The development of international media can help emerging market countries integrate more effectively into the international community and gain favour with host country stakeholders.

5.3. Limitations and future research directions

Several limitations have emerged from this study and therefore offer future research opportunities. First, this research only selects the Washington Post as the source of negative political coverage when collecting coverage data. Future research can use The New York Times, The Times, Le Monde and other newspapers to expand the sources of negative political coverage and enhance the representativeness of the data. Second, the research on situational constraints is not comprehensive enough. While this study considers some factors at the national, industry and firm levels when exploring the role of the liability of origin, there are other factors at these three levels that have not been included in this study. For example, at the national level, factors like cultural distance, economic distance, and institutional distance have not been addressed. At the industry level, factors such as sensitivity of the industry have not been taken into account. Additionally, at the firm level, ownership characteristics of the acquiring firm and the host country's experience with acquisitions have not been considered. Future studies could incorporate more factors for a more comprehensive analysis, which would be more effective in mitigating the liability of origin for EMNEs and enriching the strategies for addressing such disadvantages. Third, although this study empirically concludes that political negative coverage reduces the success rate of cross-border M&As by EMNEs, due to data availability constraints, this research only uses data from the "BRICS" countries for M&As in the United States. It remains to be seen whether this conclusion is applicable to all EMNEs when conducting M&As in other countries. Future studies could expand the sample data to include more EMNEs, which would be valuable for insights into a wider range of emerging market countries. Additionally, the research could consider the media coverage from mainstream European media as another research subject since European countries are important destinations for many EMNEs' cross-border M&As. This would help explore whether other EMNEs also face the liability of origin when conducting cross-border M&As and continually validate the conclusions drawn in this study.

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Appendix

Table A1. Key terms of negative political coverage.

Political reporting	The refugee crisis, European unity, weaponization of migration, bureaucrats, policies, country's larger interests, annexation by Russia, repression, political prosecutions, state-supported effort to cheat, street protests, Authoritarian, intolerant of dissent and free speech, make steady progress toward his anti-Western, anti-democratic objectives, nationalist sentiment, sovereignty, intervene in the internal politics of numerous, reckless aggressiveness, large-state offender, A Hanging in Tibet becomes politica, manipulation of elections, the internal affairs, political opponents, incitement of war, seizure, using a tide of war refugees from Syria to create instability, adversarial and ruled by a dictator, Now China has demonstrated that the rule of law can be arbitrarily broken for political, presents an existential threat to our political system and our nation, a repressive regime, bow to the supremacy of the Communist Party, China's bullying Communist rulers, Moscow is 'arsonist' in Syria, Mr. Putin's atrocities in Syria, institutionalized autocracy, fomenting political chaos, splitting alliances and hyping new military threats, China has politicized its entire economy, personal dictatorship backed by nationalism, totalitarian state, disregards the international rules-based order, undermines the sovereignty and security of countries worldwide, and attempts to subvert and discredit Western democratic institutions and processes, fomenting political chaos, splitting alliances and hyping new military threats, politicized its entire economy, political fight, exacerbate inter-communal tensions and undermine social cohesion, geopolitical intentions, racial inequality, dictatorship, political re-education camps, version of colonialism, machinery of repression, utter disregard for human rights, concentration camps, barbarous regime, terrorism, authoritarian government, fearing tyranny, China's Communist regime.
Negative reporting	Scandal, dark secrets, related party transactions, improper, illegal, violation of discipline, breach of regulations, exorbitant price, illegal production, illegal trade/smuggling, illegal transactions, tax evasion, falsification, quality issues, official corruption, embezzlement, bride-taking, bribery, dismissal from office, expulsion, deception, fraud, scammer, counterfeit and substandard, chemical agents, exceeding standard, rough up workers and detain, implicated in poisoning of ex-KGB operative, poison tea, a nasty information war, deliberately exacerbating, threatens, outmoded, illegal, political prosecutions, legal and physical attacks, crackdown, tortured, state-supported effort to cheat, brutality, penetrated, authoritarian and illiberal, intolerant of dissent and free speech, repress, attack, deliberately targeted, make steady progress toward his anti-Western, anti-democratic objectives, whipped up, intervene in the internal politics of numerous, reckless aggressiveness, large-state offender, A Hanging in Tibet becomes politica, manipulation of elections, jailed and killed, neutered, incitement of war, using a tide of war refugees from Syria to create instability, intolerant and illiberal, adversarial and ruled by a dictator, Now China has demonstrated that the rule of law can be arbitrarily broken for political, presents an existential threat to our political system and our nation, a financial, political, crime-ridden mess, threaten and coerce, bow to the supremacy of the Communist Party, corruption, undermine democracies in both Eastern and Western Europe, China's bullying Communist rulers, intimidate its neighbors, Moscow is 'arsonist' in Syria, Mr. Putin's atrocities in Syria, fomenting political chaos, splitting alliances and hyping new military threats, personal dictatorship backed by nationalism, disregards the international rules-based order, undermines the sovereignty and security of countries worldwide, and attempts to subvert and discredit Western democratic institutions and processes, fomenting political chaos, splitting alliances and hyping new military threats, tortured, exacerbate inter-communal tensions and undermine social cohesion, illegal annexation, persecutes, sowing discord, utter disregard for human rights, atrocity, terrorism, brutality and aggression, fearing tyranny.