What's in a name? Cross-national distances and subsidiary's corporate visual identity change in emerging-market firms' cross-border acquisitions

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ABSTRACT

Purpose – Addressing the unique challenge facing emerging-market firms (EMFs) of branding and marketing in their foreign subsidiaries, this study evaluates the foreign subsidiary corporate visual identity (CVI) transitions during the post-acquisition period.

Design/Methodology/approach – Data on 330 cross-border acquisitions from five emerging-markets, namely, Brazil, China, India, Russia and South Africa (BRICS) are used. The cross-sectional multivariate analyses are used to test the hypotheses.

Findings – Utilizing a sample of worldwide acquisitions conducted by EMFs originated from BRICS, this study establishes that various cross-national distances do not consistently cause the targets to take on the parent's CVI. While economic distance and formal institutional distance increases the likelihood of an acquired subsidiary's CVI change, cultural distance decreases the likelihood of CVI change.

Practical implications – Lacking international experience and shaped by national differences between the host and home markets, EMFs often grant foreign subsidiaries substantial autonomy to respond to diverse stakeholder demands in subsidiary branding. Contrary to extant literature, the findings show that some distances are more pertinent to CVI transformation in the subsidiaries than others in the context of the EMFs.

Originality/value – This research shows that the formal institutional distance and economic distance, will increase the likelihood of CVI changes in the subsidiaries, whereas, the cultural distance requiring soft skills like the cultural adaptability from the EMFs will decrease the CVI change possibility. The findings presented in the paper have significant implications for future research and strategic application.

Keywords: Corporate visual identity, subsidiary branding, institutional distance, economic distance, cultural distance, emerging-market firms, cross-border acquisitions

Article Classification: Research paper

Introduction

The recent increase in foreign direct investment from emerging-markets has been studied by several authors (Yaprak and Karademir, 2010, Nicholson and Salaber, 2013, Nicholson and Salaber, 2014, Rao-Nicholson et al., 2015, Li, 2007, Gubbi et al., 2010, Buckley et al., 2007, Buckley et al., 2012). To compensate for their latecomer disadvantages, emerging-market firms (EMFs) often utilize acquisitions of established firms to acquire strategic assets, such as brands and distribution channels (Luo and Tung, 2007, Makino et al., 2002, Rui and Yip, 2008, Mathews, 2002, Li, 2007, Yaprak and Karademir, 2010). The EMF's worldwide acquisitions provide us with a great opportunity to study the major challenges facing modern multinational firms' subsidiary management—multiple stakeholders' potentially conflicting expectations (Tihanyi et al., 2014). Lacking international experience, EMFs often grant foreign subsidiaries substantial autonomy to be flexible to respond to diverse stakeholder demands, shaped by the potentially large national differences between the host and the home economies.

Due to assumptions of opportunism, the traditional agency approach advocates the headquarters' monitoring of the subsidiary management and this theory may not adequately explain the governance of the autonomous subsidiaries in different national environments (Tihanyi et al., 2014). In the current study, we propose that valuable insights can be garnered by using corporate visual identity (CVI) theory. Managers have to be mindful of the company's image in foreign markets and one of the more readily identifiable features of corporate identity is the visual component (Jorda-Albinana et al., 2009). Jun and Lee (2007) examine the cross-cultural differences in CVI between the USA and Korea and study top 100 companies in each country. Korean brand-logos were found to be more abstract than those of the US companies. They also highlighted the importance of localized CVI for international markets.

In the EMF's acquired subsidiary, two distinct sets of stakeholder groups, one from the parent firm and another within the host market, can place very different demands on the subsidiary (Kogut and Singh, 1988, Kostova and Roth, 2003). Consequently, the acquired subsidiary may assume two distinct CVIs, which are conducive to respond to parent and local stakeholder groups' divergent demands. For example, Tata Steel, part of India's Tata Group, purchased a 100% stake in Corus Group, an Anglo-Dutch steel maker in 2007 (Shukla and Gekara, 2010). Based on the ownership structure, Tata Steel, the parent management, might be expected to direct the subsidiary's strategic decisions and operations. However, the subsidiary, armed with expertise in the high end segment of the European steel industry, was granted considerable autonomy to respond to its host market stakeholders, since it possessed a deeper understanding of the European culture than the Indian parent. Thus, the subsidiary is very likely to develop and maintain its unique operations to respond to local stakeholders' demands that are different from what is expected from parent stakeholders. In addition, the local company, Corus, has an established local brand name which is essentially a valuable resource to the foreign acquirer, Tata. Tata can strategically maintain the target's existing corporate visual identity to overcome liability of foreignness in the host European market (Kostova and Zaheer, 1999, Zaheer, 1995).

In the current study, we use three categories of cross-national distance measures to capture the influence of divergent stakeholder demands on a subsidiary's CVI, including economic distance, formal institutional distance and cultural distances. Depending on the salient demands from two sets of stakeholders, EMFs' subsidiary may undergo different types of identity transition process after the acquisition. While some acquired subsidiaries maintain the existing local identity, others assume a new form of identity, reflected by the corporate name change after the acquisition events. Using 330 cross-border acquisitions from five emerging-markets, namely, Brazil, China, India, Russia and South Africa, we find that different cross-national distance measures have unique influences on the EMFs' acquired subsidiary's identity transformation. While economic and formal institutional distances increase the likelihood of CVI change, cultural distance decreases the likelihood of CVI change.

The rest of paper unfolds as follows. First, we review CVI literature in relation to stakeholders' demands. Second, we present several country level factors to indicate the degree of parent and local stakeholders' demands. Third, we discuss the methodology and report the results. Finally, we conclude by offering discussion on the findings and future research directions.

Literature Review

Stakeholders' demands and corporate visual identities after acquisitions

Research regarding the governance of multinational companies suggests that a subsidiary faces demands from two major sets of stakeholders, parent stakeholders and local stakeholders (Andersson et al., 2007, Doz and Prahalad, 1984). A stakeholder refers to "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984). A subsidiary's local stakeholders include all host market constituents, including local government, employees, customers, the local community, etc. While local stakeholders are represented by multiple groups, a subsidiary's parent stakeholders are mainly represented by headquarters management since this group can consolidate all other parent stakeholders' expectations and translate these demands into strategic concerns (Doz and Prahalad, 1984). The two sets of primary stakeholders of a foreign subsidiary potentially have diverse demands driven by the differences in the institutional environments between the host and home countries.

The studies on corporate visual identity (CVI) defined five types of identities that each corporation embodied – actual identity, communicated identity, conceived identity, ideal identity and desired identity (Balmer and Greyser, 2002, Balmer, 2008). The conceived identity which relates to perceptual concepts like the corporate image, reputation and branding, the authors argue, CVIs "*are the perceptions of the company – its multi-attribute and overall corporate image and corporate reputation – held by relevant stakeholders. Management must make a judgement as to which groups' perceptions are most important*. (p.74)" In the context of conceived identity, for example, different stakeholder groups and different market segments can have differing views of a firm. Multiple identities can be beneficial for organizations in developing competitive advantages because organizations may draw information from different identities to meet the expectations of diverse stakeholders and respond to environmental changes (Balmer, 2008, Albert and Whetten, 1985, Elsbach and Kramer, 1996).

Corporate visual identity transition in cross-border acquisitions by EMFs

In order to generate positive image and corporate identities in their global markets, many companies invest resources in building brand reputation and brand identities (Melewar et al., 2005, Van den Bosch et al., 2005). The standardization provided by global brands help consumers across different countries to build a symbolic value and anchor to the global products (Bengtsson et al., 2010). In this case, we might argue that the home country stakeholders will lead the global brand management and development of the unique global CVI (Balmer and Greyser, 2002). Also, some local stakeholders might demonstrate preferences for global brands (Steenkamp et al., 2003), thus, driving the adoption of global brands as compared to the choice of keeping the local CVI. Yet, country of origin of the firm and national loyalty driven choices among host consumers can greatly impact the performance of cross-border businesses (Bruning, 1997, Balabanis and Diamantopoulos, 2004). In these circumstances, firms might be compelled to work with local stakeholders in the host country and develop CVI appropriate for the local conditions. In the context of acquisitions, with strong local stakeholders, the acquirers might strategically adopt a local CVI instead of imposing global CVI from the parent company. Thus, companies need to balance these competing demands from local and parent companies and their associated stakeholders. These issues might be more pertinent for EMFs which might face several liabilities ranging from country of origin issues to problems emerging from limited experience of post-acquisition integration process.

Corporate name change

Externally, CVI, including company name, slogan and graphics, delivers a clear picture to the company's constituents (Melewar and Saunders, 1999). According to Glynn and Abzug (2002), "*Organizational names encode central features of meaning and organizational identity*". Glynn and Abzug (2002) studied 1,600 corporate name changes in the period 1982-87 and demonstrated that companies tend to conform to the predominant naming patterns in a given institutional field. Such conformity to the referent institutional fields improves stakeholders' understanding about the company's business and in turn grants the organizations legitimacy. Glynn and Abzug's (2002) study delicately articulate the association between the corporate name and the company's identity, informing the basis of the current study to use the corporate name change as an indicator of the acquired subsidiary identity transformation.

In general, marketing researchers consider a corporate name, part of CVI, as strategic resources and a valuable tool for addressing the needs and demands of firms' stakeholders (Bengtsson et al., 2010, Melewar et al., 2013). Thus, maintaining a consistent global image by using the same corporate name becomes an important strategy for a multinational firm to establish a consistent brand image to capitalize on the existing reputation (Bengtsson et al., 2010, Melewar et al., 2013). So far, only a few empirical studies were conducted on the corporate name change in acquisition events. For instance, Gussoni and Mangani (2012) studied the influence of organizational structural characteristics in a sample of 300 large domestic mergers and acquisitions. They found that in the case of mergers and horizontal acquisitions, the corporations are likely to come up with a new corporate name which is different from both the acquirer's and the target's corporate names prior to the merger and acquisition events. To the best of our knowledge, the current study is the first study to examine acquired subsidiary's corporate visual identity change in a large sample of EMFs' cross-border endeavors. Thus, we build our hypotheses to explain under what circumstances the acquired firms experience CVI changes.

Cross-National Distances and Acquired Subsidiary CVI Transformation

In the current study, we utilize three major cross-national distance to capture the divergent stakeholder demands between the home country and the host market, including economic distance and formal institutional distance (Ghemawat, 2001, Tsang and Yip, 2007, North, 1991), and intangible distance like the cultural distance (Shenkar, 2001). First, economic distance is denoted by the different levels of economic development between the home market and the host country (Ghemawat, 2001, Tsang and Yip, 2007). According to the country's economic development, parent and local stakeholders may have divergent perceptions on the competition dynamic and consumer experience. Second, according to North (1991), institutions are "*humanly devised constraints that structure political, economic and social interactions*." Institutional constraints consist of formal rules (constitutions, laws, property rights) and cultural restraints (sanctions, taboos, customs, traditions, code of conduct). Institutional distance presents the national differences in both formal institutions and cultural settings. Thus, parent and local stakeholders who are embedded in different institutional environment are accustomed to different institutional rules and less likely to share the same worldviews and value systems.

Economic distance

Originated from less developed economies, EMFs are seeking opportunities to redress their strategic deficiency as latecomers. The home countries provide limited opportunities for EMFs to acquire advanced managerial or technological capabilities (Makino et al., 2002). Thus, developed markets with advanced economy status become the ideal destination for EMFs' foreign investment to enhance their core competencies (Makino et al., 2002, Mathews, 2006, Wright et al., 2005). In order to acquire valuable organizational capabilities in their developed market targets, EMFs may initially maintain the management at the acquired firm intact to preserve the advanced organizational capabilities (Liu and Woywode, 2013, Wang et al., 2013). However, to successfully transfer the strategic capabilities to the parent firm, EMFs need to establish at least a moderate level of integration with the acquired firms so they will be able to understand and absorb the organizational capabilities (Gomes et al., 2011, Gomes et al., 2013, Haspeslagh and Jemison, 1991).

As evident in a few case studies in the branding literature, the decision on corporate name change may not be initially, adequately addressed in the due diligence meetings prior to the acquisitions (Brooks et al., 2005). For instance, Brooks et al. (2005) found that it could take as long as four years for the target firms to complete corporate name changes. During the post-acquisition integration phase, multiple stakeholders negotiate their claims in order to exploit the potential synergy and value-added identified in the pre-acquisition stage (Gomes et al., 2011, Gomes et al., 2013, Haspeslagh and Jemison, 1991). In the pursuit of capabilities transfer from the host market with more developed economic status to their home markets, the parent stakeholders may place higher demands for integration on the acquired subsidiary (Björkman et al., 2007). As such, through higher levels of formalization, centralization and socialization, the acquired subsidiary is more likely to take on the parent's CVI and experience corporate name change. For instance, when Lenovo acquired IBM's personal computer business in 2005, Lenovo owned the right to continue using IBM's brand name on

ThinkPads, the popular line of laptops and tablets, for five years. Lenovo discontinued using IBM brand name only after three years. In a company event "Lenovo Pride Day" in 2007, employees ceremoniously peeled the IBM logos off their ThinkPads and replaced them with Lenovo stickers, suggesting parent stakeholders' considerable effort in encouraging the acquired subunit's integration with the parent firm.

H1: Holding all else equal, economic distance increases the likelihood for the target firm to change its CVI.

Formal institutional distance

As emerging markets become more competitive in the world economy, recent research suggests that these emerging markets will experience a transition process from a "*relationship-based, personalized transaction structure to a rule-based, impersonal exchange structure*" (Peng, 2003). In other words, one defining characteristic of emerging economies resides in the relatively newly developed market-supporting formal institutions (Khanna and Palepu, 1997; Meyer, 2001; Meyer et al., 2009; Tong, Reuer and Peng, 2008). Along similar lines, other researchers suggest that emerging markets are characterized by '*weak'* formal market-supporting institutions, such as their legal framework and enforcement, property rights, information systems, and regulatory regimes(Meyer et al., 2009). Whereas market-supporting institutions are strong in developed markets, weak market-supporting institutions in emerging markets may "*fail to ensure effective markets or even undermine markets (as in the case of corrupt business practices)*" (Meyer et al., 2009).

Due to the weaker formal market-supporting institutions in their home markets, EMFs may consider the targets in a market with a large formal institutional distance as a valuable opportunity to acquire the strategic assets, particularly the managerial know-how to operate in a country with well-developed formal institutions. Similar to our above assertion related to economic distance, we propose that facing large formal institutional distance, EMF may subsequently apply higher demands for integration on the acquired subsidiary, thus increasing the likelihood for the acquired subsidiary to change its corporate name. As such, the parent firm can benefit from the association with its acquired targets in countries with better developed formal institutions.

H2: Holding all else equal, formal institutional distance increases the likelihood for the target firm to change its CVI.

Cultural distance

The institutional literature suggests that formal and informal institutional pressures influence the isomorphism of the institutional field and corporate strategies in different ways (Kostova and Zaheer, 1999, Kostova, 1997, Xu and Shenkar, 2002). The informal institutional pressures, such as conforming to societal norms and cultural values, do not have the same coercive enforcement power carried by regulatory institutions as do formal institutional pressures. In general, organizations have more discretion in responding to informal institutional pressures without the restrictive constraints from the regulatory body (Goodrick and Salancik, 1996). As such, it takes more time and effort for foreign firms to learn the specifics of informal institutional demands, especially the cultural differences. In addition to understanding institutional pressures, foreign firms will also need to allocate extensive resources to be compliant with informal institutions. The informal institutional distance like the cultural distance presents greater challenges for a foreign firm in establishing legitimacy than the formal institutional distance (Kostova and Zaheer, 1999).

In contrast with the influence of economic distance and formal institutional distance, we propose that cultural distance has presented qualitatively different pressures on the acquired subsidiary. Due to the EMF's lack of international experience and the difficulty for parent management to understand the social norms and unspoken rules, the EMFs' acquired subsidiary is usually granted considerable autonomy in responding to local stakeholders' demands (Wang et al., 2013). For instance, in the case of Jaguar and Land Rover, which were bought by Tata Motor group from India in 2008, both brands maintain their original identities as the prestigious British automakers. Along a similar line, we propose that a large cultural distance between the host and home country will lessen the parent stakeholders' desire for integration and the acquired subsidiary is more likely to preserve targets' local CVI to better respond to local stakeholders' demands, thus preserving its existing legitimacy in the local market.

H3: Holding all else equal, cultural distance decreases the likelihood for the target firm to change its CVI.

Methodology

Sample selection

We require a cross-country sample to test our hypotheses which shows variation on the focal independent variable. We have selected five large emerging-markets with considerable differences in their institutional environment; yet, these countries also demonstrate some similarities between themselves: Brazil, China, India, Russia, and South Africa. The data on cross-border acquisitions come from Thomson One. This database has been widely used in other studies of this nature (Rao-Nicholson and Salaber, 2015b, Rao-Nicholson and Salaber, 2015a). Thomson One database features financial fundamentals, press releases, acquisition data, corporate filings, ownership profiles, market quotes, earnings estimates, and research from Thomson Financial. We collected all deals satisfying the following criteria: (i) the acquisition was completed; (ii) the bidder owned a majority stake in the target company after the transaction; (iii) the home country of bidder is one of the five selected emerging economies, including Brazil, China, India, Russia, and South Africa; (iv) the target is publicly traded. The details on country-wise distribution of deals are provided in Table 1. We have 330 deals in the initial sample which belong to 43 different target nations. The top five target nations are the United States, Hong Kong, Australia, Canada and the United Kingdom. In our sample, the largest number of acquisitions is undertaken by the Chinese multinationals followed by the South African enterprises.

Insert Table 1 about here

Main variables and models

Corporate visual identity change is proxied by target's name change. We used several data sources, including company websites, Nexis, OSIRIS, and Bankscope, to determine whether the target company changed its name after the acquisition event. The dummy variable, *Name Change*, takes value 1 if there is a name change and 0 otherwise. We did not find any information for nine deals, which were thus not included in the analysis. Table 2a provides the information on the country-wise distribution of deals without and with name change. Russian acquisitions have the least name changes, whereas a large share of the Indian acquisitions experienced name changes. Table 2b provides the temporal distribution of the name change. We observe that acquisitions in the last 5 years of our time-window are less likely to experience name change as compared to other sub-periods.

Insert Table 2a and 2b about here

Economic distance. We use the ratio of GDP per capita of acquirer's home country to the target's home country as the measure of the economic distance between the two countries involved in the cross-border transaction.

Formal institutional distance. We measure the formal institutional distance by utilizing the economic freedom index developed by the Heritage Foundation (Kane et al., 2007, Meyer et al., 2009). This measure provides information on a wide notion of institutions, focusing on the freedom of individuals and firms in a country to pursue their business activities. This index has been found to be related positively to FDI inflows (Bengoa and Sanchez-Robles, 2003, Meyer et al., 2009), economic growth (Easton and Walker, 1997) and social welfare (Stroup, 2007). This proxy has a benefit over other indices used in the literature as it is available as time series, which permits us to assign each observation the value pertaining to the year of acquisition.

Cultural distance. The most common measure of cultural distance is based on Hofstede's cultural dimensions, which are power distance index (PDI), individuality-collectivism (IDV), masculinity-femininity (MAS), uncertainty avoidance index (UAI), long term orientation versus short term orientation (LTO) and Indulgence versus Restraint (IND). Despite many criticisms, there is extensive evidence of the validity and reliability of Hofstede's national cultural scores (Drogendijk and Slangen, 2006, Kogut and Singh, 1988, Morosini and Singh, 1994). Following previous literature (Kogut and Singh, 1988, Morosini et al., 1998), we calculate a composite measure of cultural distance as:

$$CD\_COMPOSITE_f = \sqrt{\sum_{i=1}^{6}\left(I_{if} - I_{ih}\right)^2}$$

where Ii is the index for each cultural dimension, i = $\{\mathrm{PDI}, \mathrm{IDV}, \mathrm{MAS}, \mathrm{UAI}, \mathrm{LTO}, \mathrm{IND}\}$; f denotes the foreign country and h denotes the home country (either China, India, Brazil, Russia or South Africa).

Control variables

We need to control for variation in the data arising from various sources: the target and acquirer's country of origin, the deal-level, firm-level and sector-level differences. Table 3 included information on the source and description of data for all our control variables. The control variables are obtained from Thomson One database (PERCENTACQ, CASH,

DEALVALUE, SAME_INDUSTRY, PRIVATE_ACQUIRER, BUSINESS_GROUP, HIGHTECH, LOG_ASSET), World Bank (MARKET_SEEKING), Oanda (FOREX) and multiple sources (HISTORICAL_LINKS). PERCENTACQ, p*ercentage of target acquired* controls for the variation in ownership concentration (Moeller and Schlingemann, 2005). CASH is a dummy variable that takes value 1 if deal was paid in cash, 0 otherwise. DEALVALUE is the value of the deal (Moeller and Schlingemann, 2005, Gubbi et al., 2010). SAME_INDUSTRY*, same industry acquisition* is a dummy which takes value one if both the acquirer and the target belong to the same industry group, zero otherwise (Moeller and Schlingemann, 2005, Denis et al., 2002, Shleifer and Vishny, 2003).

PRIVATE_ACQUIRER is a dummy variable that takes value 1 if acquirer is private, 0 otherwise. BUSINESS_GROUP is a dummy variable that takes value 1 if the acquirer belongs to a business group, 0 otherwise, and HIGHTECH is a dummy variable that takes value 1 if the target is a high technology company, 0 otherwise. LOG_ASSET is the target's assets at the time of acquisition. MARKET_SEEKING is a dummy variable which takes the value 1 if the GDP of target's country is greater than the GDP of acquirer's country, and 0 otherwise. HISTORICAL_LINKS is a dummy variable which takes value 1 if there werecolonial links between the host and home countries or target country was part of soviet bloc in 20th century and 0 otherwise. FOREX is the ratio of target currency in $ terms to acquirer currency in $ terms.

Table 4 reports the correlation coefficients across all our variables. Overall, most variables are not significantly correlated. We also include country and year dummies in our empirical models.

Insert Table 3 and 4 about here

Results

Since our dependent variable is a dummy variable, we used a Probit regression model to test our hypotheses. Table 5 reports the results of the Probit regression models, estimating the probability of a corporate name change after being acquired by an EMF. The model 5.1 presents the baseline model. In models 5.2-5.4, we present the explanatory variables individually. Model 5.5 constitutes the full model and includes all the independent variables.

Insert Table 5 about here

In model 5.2, we examine the impact of economic distance on the target's name change. We observe positive and significant impact of the economic distance on name change. In model 5.3, we look at the impact of formal institutional distance on the target's name change. We observe positive and significant impact of formal institutional distance, economic freedom index, on the name change in the model 5.3. In model 5.4, we look at the influence of the cultural distance on the target's name change. We observe negative and significant impact of cultural distance on the name change. Model 5.5 includes all the independent variables and reports coefficients that are consistent in terms of size and significance to the ones presented in Models 5.2-5.4. In model 5.5, we observe that the economic distance has positive and significant effect on the name change (coeff = 0.00278, 1% significance). The results of this model also shows that the formal institutional distance has a positive and significant impact on name change (coeff = 0.51504, 5% significance). This result supports our second hypothesis. Finally, we observe that the cultural distance has a negative and significant impact on the name change of the target company (coeff = -0.01167, 1% significance).

Among control variables, we observe that level of stakes acquired in the target firm will have a positive impact on the name change. Similarly, among acquisitions in the same industry, there is a high likelihood of name change. The presence of historical links between the acquirer and target countries will have a negative impact on the name change. Also, acquisitions by Russian and Chinese acquirers are less likely to experience name change, whereas, the acquisitions by the Indian acquirers are more likely to experience name change.

Robustness checks

The CVI changes may involve name, symbol, typography, color and slogan. In the current sample of acquisitions, we found that all the five elements of CVI changed together in most of the cases (only five cases did not change all five elements; in these cases, corporate names were changed but the typography and color stayed same). Nevertheless, we also use other alternative measures of CVI change like logo change after acquisition (symbol) and company branding material change after acquisitions (typography). Both these measure have been widely used in marketing and branding material as alternative measures for CVI (Balmer, 2008, Balmer and Greyser, 2002, Melewar et al., 2005, Melewar and Saunders, 1999). Our results of these robustness checks are similar to those presented in this paper.

Considering the consumer perspective on CVI change, we undertake two robustness tests. In our first robustness test, we created a set of dummy variables which represented different industries, and our analysis of empirical models did not present results which were different from those reported in this paper. None of the industry dummies are statistically significant. In the second case, we consolidated these discrete set of industries into five key industries and classified firms into these five industries – mining and materials, B2B technology firms, B2C technology firms, banking, and others. For example, firms in mining and materials industry might experience limited impact of culture and this progressively increases to B2C industries. “Others” is a catch all classification and mostly consists of firms from real estate industry. Our results are robust to introduction of these new controls in our model and none of these controls are statistically significant.

We have information on both the announcement year of the acquisition as well as the completion year of the acquisition. In the main analysis, the year-level data was collected based on the year of deal completion, and for the robustness test, we used the year of announcement to collect the year-level information. We have undertaken analysis by using announcement year's indices and our results are consistent across both these analyses.

We also used alternate conceptualization of economic distance. We use a dummy variable to indicate whether target belongs to a developed economy. The dummy variable takes value 1 if the target country is classified as developed country by World Bank, and 0 otherwise (Sun et al., 2012, Gubbi et al., 2010). Our result from this analysis is consistent with the results presented in this paper. The formal institutional distance measure was proxied by the legal distance index which was created using the data from legal and regulatory framework file from IMD WYC executive survey. The results of this analysis are similar to those presented in this paper.

We estimate the Model 5.5 from Table 5 using data for only public acquirers. This provides us an opportunity to include acquirer level controls like log assets, Return on Equity, Debt Equity ratio and book to price ratio which help control for acquirer characteristics. Our results for public acquirers are similar and stronger (*Pseudo* $R^2 = 0.4223$) to those observed in table 5. We use the difference between the growth rate of the GDPs of target and acquirer nations as the economic distance between the acquirer and target. We use another proxy of legal distance as well. The legal distance is 1 if both target and acquirer countries have the same type of legal system. Common, civil and sharia law system were observed in our data. In addition, we excluded the deals (N=17) which the acquired subsidiaries experienced name changes but did not change into the parent's company name. Conclusions based on the models running these robustness checks remain unchanged.

Discussion and Research Implications

The rise of EMFs has expanded the horizon of academic research in understanding the opportunities and threats presented in managing a business across national borders. The findings of the current study suggest that an identity approach is valuable in considering diverse stakeholders' expectation at a foreign subsidiary. Examining the CVI, we establish that the foreign acquired subsidiary may assume the parent's identity to different degrees depending on the divergent stakeholders' demands, residing in the cross-national environmental differences. For EMFs who are limited in acquire complimentary strategic capabilities in their home market, the targets in a market with large economic distance and formal institutional distance present valuable opportunities to gain the needed strategic resources. To realize the synergy benefits, the parent stakeholders may exert considerable demands for integration on the foreign subsidiary, resulting in the corporate name change observed in the current study.

On the contrary, we found a negative association between cultural distance and the acquired subsidiary's CVI change. As expected, large cultural distance constitutes a major source of perceived difficulty for gaining the legitimacy in the host market. The differences in norms and values are harder for foreign acquires to overcome than formal institutional distance (Kostova and Zaheer, 1999; Liou, Chao and Yang, 2016; Liou, Lee and Miller, 2016). Based on a literature review of the parent-subsidiary relationship, Paterson and Brock (2002) conclude that due to increasing complexity of the global environment, the hierarchical relationship between the headquarters and subsidiaries in which a dominant parent commands homogeneous subsidiaries is no longer the case for many MNCs. Instead, subsidiaries can be better viewed as semi-autonomous and heterogeneous subunits of a MNC network (Ghoshal and Bartlett, 1990). Such a phenomenon is even more profound in the case of subsidiary management among EMFs. For instance, Liu and Woywode's (2013) study of Chinese firms' post-acquisition integration suggests that these Chinese firms utilize a "light-touch" integration approach, granting substantial subsidiary autonomy, to manage their acquired foreign subsidiaries.

Theoretical contributions

The findings of the current study make several important contributions to literature on CVI, especially in the context of the EMFs' cross-border acquisitions. First, by utilizing CVI theory, we complement the traditional agency perspective of parent-subsidiary relationship. The traditional agency approach emphasizes the perspective of the headquarters management and focuses on the effectiveness of the corporate control and coordination mechanism mechanisms — mostly monitoring the subsidiary's activities and curtailing opportunistic behaviors (O'Donnell, 2000). The subsidiary identity approach relaxes the assumption of subsidiary managers' opportunistic behaviors and focuses on the social construction process occurring at the subsidiary, taking into account both parent stakeholders' and local stakeholders' demands (Liou, 2014). As such, the identity approach enlightens our understanding with regards to how a subsidiary granted considerable autonomy responds to parent's management and may or may not take on the parent's CVI.

Second, in the context of EMFs' acquisitions, by studying the cross-national distance measures, we gain valuable insights on how the host-home national differences shape the unique divergent demands on a subsidiary, thus influencing the subsidiary's identity transformation. Contradictory to the majority of the cross-national distance research, we do not perceive distances solely as the source of liability of foreignness, against which foreign acquirers need to formulate an effective strategy to mitigate (Salomon and Wu, 2012). As the findings of formal institutional distance and economic distance suggest, the large cross-national distance, residing in the economic status and regulatory institutional differences, may imply the opportunity to acquire valuable strategic assets. This may cause acquirers to exert pressure on the subsidiaries to ensure the CVI transformation of the target in line with the acquirer's stakeholders' wishes.

Finally, the findings suggest that the cross-national distances do not influence the acquired subsidiary's visual identity change in a consistent manner. The positive association between formal institutional distance and the acquired subsidiary's name change suggests that formal institutional distance does not present the same degree of legitimacy threat as does the cultural distance. This finding is also supporting the recent movement of positive organizational scholarship, which argues against the traditional negative implications associated with the cross-national distances, in the international business research (Stahl and Tung, 2014, Stahl et al., 2015).

Managerial implications

In terms of managerial implications, we argue that underlying cultural differences have to be taken into account by marketing managers when creating marketing campaigns and branding which clearly needs to engage with local stakeholders (Patel et al., 2013). Also, similar to Jun and Lee (2007), this study highlights the importance of localized and culturally relevant CVI and indicates the relevance of CVI changes driven by the institutional and economic differences between the countries. These findings are important in understanding the process of post-acquisition integration. Given the high failure rate of the acquisition events, researchers have argued that the smooth sociocultural integration could be the key to realize the synergy benefits presented in the targets (King et al., 2004). The identity approach utilized in the current study sheds lights on macro-level cross-national environmental influences on the subsidiary identity transformation and informs international managers to take into account the impacts of cross-national differences in understanding how subsidiary identity transformation can affect the effectiveness of post-acquisition integration.

Limitations and Future Research Directions

Brazil, Russia, India, China and South Africa have been accredited as important rising economies, BRICS, in the early 2000s (O'Neill et al., 2005). The selected sample by EMFs originated from these five potent emerging-markets is representative of a class of emerging-markets with different institutional environment in their home markets. The results of the current study, however, are by no means generalizable to all EMFs, particularly the ones originated from other geographic regions of emerging-markets, such as United Arab Emirates in the Middle East area. We encourage international strategy researchers to utilize the CVI approach established in the current study to further investigate the subsidiary management among EMFs which are originated from other emerging markets.

While various studies suggest the importance of evaluating the social integration process in the cross-border acquisitions, the current study supports CVI approach as a fruitful framework to reveal great insights into the post-acquisition integration process. Future research is needed to examine the performance implications of the acquired subsidiary's identity integration. On the one hand, maintaining the local CVI benefits the foreign acquirer in establishing legitimacy in the host market. On the other hand, the subsidiary's identity changes to take on the parent's CVI signals greater levels of the acquired subsidiary's integration with the parent firm. As shown in the recent press report of Lenovo's desire to further the integration with the acquired Motorola Mobility and IBM unit (Dou, 2015), we argue that in the long run the greater integration will bring more fruitful outcomes for the acquiring EMFs particularly in the cases where the EMFs' motivation of the acquisitions is to acquire strategic assets. A gradual closer integration with the acquired unit will help the

EMFs absorb the needed complimentary strategic capabilities. Another area for future study would be to compare the performance of the subsidiaries before and after the name change.

Table 1 Country-wise distribution of deals

Target Nations	Brazil	China	India	Russia	South Africa	Grand Total
Argentina	11					11
Australia		17	2		27	46
Austria					1	1
Bahamas			1			1
Belgium			1			1
Bermuda			2			2
Bolivia	1					1
British Virgin					1	1
Canada	6	17	3	10	7	43
China					1	1
Colombia	4					4
Cyprus				1		1
France	1			3		4
Germany		1	3	2	1	7
Ghana					3	3
Hong Kong		52				52
India		1			1	2
Indonesia			1			1
Israel		1				1
Italy	1					1
Japan		2				2
Kazakhstan			1	4		5

Lebanon					1	1
Lithuania				3		3
Luxembourg					1	1
Namibia					2	2
Netherlands		1				1
New Zealand		1				1
Nigeria					1	1
Oman			1			1
Peru	2				1	3
Poland					1	1
Russia		1				1
Serbia				2		2
Singapore		6	1		1	8
South Africa		1	3	1		5
South Korea		2	1			3
Switzerland	1	1				2
Thailand		2	1		1	4
Turkey	1			2		3
Ukraine				9		9
United Kingdom	1	5	6	4	16	32
United States	4	17	18	12	4	55
Grand Total	**33**	**128**	**45**	**53**	**71**	**330**

Table 2a Country-wise distribution of deals without and with name change

Acquirer home country	Acquired subsidiary's CVI change				
	No	Yes	*Total*	%No	%Yes
Brazil	20	12	***32***	63%	38%
China	74	51	***125***	59%	41%
India	20	23	***43***	47%	53%
Russia	32	18	***50***	64%	36%
South Africa	39	32	***71***	55%	45%
Total	***185***	***136***	***321***	***58%***	***42%***

Table 2b Temporal distribution of deals without and with CVI change

Time periods	Name change				
	no	yes	*Total*	%No	%Yes
1986-99	21	28	***49***	43%	57%
2000-06	50	47	***97***	52%	48%
2007-08	36	31	***67***	54%	46%
2009-14	78	30	***108***	72%	28%
Total	***185***	***136***	***321***	***58%***	***42%***

Table 3 Variable name, source and description

Variable name	Source	Data description
Name change	company website, Nexis, OSIRIS, Bankscope	Whether the target changed its name = 1, 0 otherwise.
Formal institutional distance	Heritage foundation	The composite index for economic freedom
Cultural distance	Website of Geert Hofstede	We obtain data on 6 dimensions from the website. We have data on power distance, individuality, masculinity, uncertainty avoidance, long term orientation and restraint indicators.
Economic distance	World Bank	GDP per capital (acquirer)/ GDP per capital (target)
PERCENTACQ	Thomson One data	% shares acquired in this transaction
CASH	Thomson One data	if paid in cash = 1/ 0 otherwise
DEALVALUE	Thomson One data	deal value
SAME_INDUSTRY	Thomson One data	if target and acquirer belong to the same industry = 1/ 0 otherwise
PRIVATE_ACQUIRER	Thomson One data	if acquirer is private = 1/ 0 otherwise
BUSINESS_GROUP	company website, Thomson One data	if acquirer is part of business group = 1/ 0 otherwise.
HIGHTECH	Thomson One data	HIGHTECH = 1 if target belongs to high technology industry, 0 otherwise.
LOG_ASSET	Thomson One data	log(target's assets)

MARKET_SEEKING	World Bank	if GDP(target) > GDP(acquirer) = 1/0 otherwise.
HISTORICAL_LINKS	National newspapers, country information website	If there was colonial links between countries or country was part of soviet block = 1/ 0 otherwise.
FOREX	oanda.com	target currency to $/acquirer currency to $

Table 4 Descriptive statistics and correlation matrix

		Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1)	Name change	0.4236	0.4949	1.000														
(2)	Formal institutional distance	1.3828	0.2431	0.066	1.000													
(3)	Cultural distance	-5.0808	15.6938	-0.021	-0.378*	1.000												
(4)	Economic distance	7.9955	20.436	-0.102*	0.069	-0.322*	1.000											
(5)	PERCENTACQ	63.7060	32.4055	0.167*	-0.089	0.309*	-0.279*	1.000										
(6)	CASH	0.5015	0.5007	0.009	0.179*	-0.091	0.086	0.124*	1.000									
(7)	DEALVALUE	479.6709	1338.89	0.051	-0.053	-0.027	0.019	0.183*	0.021	1.000								
(8)	SAME_INDUSTRY	0.5171	0.5004	0.084	-0.155*	0.163*	-0.119*	0.066	0.021	0.145*	1.000							
(9)	PRIVATE_ACQUIRER			-0.015	0.360*	-0.192*	0.132*	-0.014	0.046	-0.099	-0.307*	1.000						
(10)	BUSINESS_GROUP	0.3800	0.4861	0.030	-0.332*	0.066	0.062	-0.007	-0.066	0.041	0.024	-0.186*	1.000					
(11)	HIGHTECH	0.1308	0.3377	0.003	0.059	0.079	-0.143*	-0.046	0.072	-0.063	0.097*	0.015	-0.132*	1.000				
(12)	LOG_ASSET	3.5252	0.9664	-0.114*	-0.075	-0.197*	0.186*	-0.097	0.035	0.420*	0.177*	0.083	0.083	-0.131*	1.000			

(13)	MARKET_SEEKING	0.5950	0.4916	0.052	0.299*	-0.090	-0.247*	0.001	-0.022	0.021	-0.047	0.169*	-0.112*	0.094*	0.082	1.000		
(14)	HISTORICAL_LINKS	0.3613	0.4811	-0.120*	0.073	-0.243*	0.315*	-0.238*	-0.132*	-0.102*	-0.168*	0.160*	0.025	0.015	0.179*	0.330*	1.000	
(15)	FOREX	21.6932	143.0963	0.030	-0.233*	0.100*	0.039	-0.015	0.044	0.014	-0.012	0.017	0.139*	0.112*	0.002	-0.008	-0.112*	1.000

* Significance of correlation at p<0.1

Table 5 Standardized results of probit regressions

	Dependent variable: Name change	(1)	(2)	(3)	(4)	(5)
	Economic distance		0.00286***			0.00278***
			(0.00097)			(0.00104)
	Formal institutional distance			0.49174**		0.51504**
				(0.24885)		(0.26011)
	Cultural distance				-0.01470***	-0.01167***
					(0.00346)	(0.00365)
Deal level controls	PERCENTACQ	0.00114	0.00186	0.00121	0.00202*	0.00258**
		(0.00114)	(0.00120)	(0.00117)	(0.00123)	(0.00126)
	CASH	0.03064	0.01662	0.01137	0.02092	-0.00438
		(0.07603)	(0.07702)	(0.07679)	(0.07921)	(0.08143)
	DEALVALUE	0.00002	0.00002	0.00002	0.00002	0.00002
		(0.00002)	(0.00002)	(0.00002)	(0.00003)	(0.00003)
	SAME_INDUSTRY	0.14449*	0.15922**	0.16530**	0.10728	0.15099*
		(0.08009)	(0.08050)	(0.07971)	(0.08278)	(0.08267)
Acquirer level controls	PRIVATE_ACQUIRER	0.03628	0.05360	0.02157	0.05422	0.05475
		(0.08050)	(0.08194)	(0.08193)	(0.08412)	(0.08627)
	BUSINESS_GROUP	0.01687	-0.00135	0.01449	-0.05492	-0.06198
		(0.09149)	(0.09331)	(0.09213)	(0.09127)	(0.09179)
Target level controls	HIGHTECH	-0.05509	-0.01594	-0.06261	-0.07210	-0.03890
		(0.11354)	(0.11700)	(0.11351)	(0.11427)	(0.12012)
	LOG_ASSET	-0.07558*	-0.09236**	-0.07037	-0.06235	-0.07284
		(0.04452)	(0.04408)	(0.04429)	(0.04582)	(0.04506)
Country level controls	MARKET_SEEKING	0.02471	0.15357*	-0.01159	0.00559	0.10184
		(0.07852)	(0.08938)	(0.08240)	(0.07933)	(0.09615)
	HISTORICAL_LINKS	-0.10451	-0.19994	-0.11606	-0.20786**	-0.29269***
		(0.08711)	(0.08670)	(0.08817)	(0.08459)	(0.08320)
	FOREX	0.00003	-0.00008	0.00016	-0.00040	-0.00044

		(0.00025)	(0.00027)	(0.00026)	(0.00031)	(0.00033)
	Industry dummies	Included	Included	Included	Included	Included
	Year dummies	Included	Included	Included	Included	Included
Country dummies	DUM_INDIA	0.18067	0.19032	0.05660	0.44883***	0.29473*
		(0.00025)	(0.14856)	(0.16375)	(0.12705)	(0.17952)
	DUM_CHINA	-0.03307	-0.20393	-0.20695	-0.16998	-0.45552***
		(0.11818)	(0.12833)	(0.14327)	(0.12154)	(0.13461)
	DUM_BRAZIL	-0.01545	-0.06142	-0.02457	0.08269	0.00836
		(0.13552)	(0.13285)	(0.13752)	(0.14184)	(0.14590)
	DUM_RUSSIA	-0.12261	-0.11324	-0.24525	-.35292***	-0.38598***
		(0.13080)	(0.13293)	(0.12279)	(.09063)	(0.08027)
	Constant	-0.75600	-0.36700	-0.05700*	-0.52900	-1.61500
		(0.94100)	(0.92200)	(0.02200)	(0.93500)	(1.13600)
	Prob > chi2	0.0228	0.0000	0.0080	0.0001	0.0000
	Pseudo R2	0.1127	0.1365	0.1229	0.1563	0.1804
	Observations	240	240	240	235	235

Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1; the variable name for the hypothesis testing is shown in the brackets []; all models include sector level dummies.

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