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Worldwide board reforms and cross-border M&A flows

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ABSTRACT

This study examines the influence of global board reforms on cross-border mergers and acquisitions (CBMAs). Using a difference-in-differences methodology, we find that CBMA flows increase significantly following board reforms in both home and host countries. The effect is more pronounced for countries with relatively weaker external governance mechanisms compared to their counterparts. Our findings suggest that board reforms enhance board functions, thereby facilitating firms' outbound investments. Simultaneously, improved board governance mitigates acquisition risks, attracting inward investments and, consequently, stimulating CBMA flows.

1. Introduction

Over the past two decades, the global landscape has witnessed a significant wave of board reforms aimed at enhancing board governance and strengthening board functions. These reforms have attracted substantial attention from both practitioners and scholars to address endogeneity issues in previous literature. A growing body of empirical studies has capitalized on these reforms as a quasi-natural experiment to investigate their impact on various firm-level outcomes.[1] In contrast to these firm-level studies, our research shifts the focus to a macro-level question determined by micro-level choices: how do board reforms influence cross-border M&A flows? This question holds considerable importance not only within the finance research domain but also for policymakers seeking to understand the broader implications of governance reforms.

Existing literature suggests that CBMA activities offer acquiring firms opportunities to enhance their competitive advantage and capitalize on international growth prospects (Cantwell and Mudambi, 2005; Dunning, 1998; Erel et al., 2012). For shareholders who intend to diversify their portfolios and risk, cross-border investments are often preferable. However, for CEOs, CBMAs are uncertain, risky, and require a long time to yield returns. These factors can adversely affect short-term firm performance, increase the likelihood of deal failure, reduce management compensation, damage CEOs' reputations, and elevate the risk of forced turnover (Lehn and Zhao, 2006; Mitchell and Lehn, 1990). Consequently, even when CBMA activities are beneficial for firms, CEOs may be reluctant to pursue them. We argue that board reforms, by enhancing governance through strengthened board monitoring functions, can effectively mitigate such agency problems. Moreover, as a critical component of institutional quality, board governance can significantly reduce the acquisition risks faced by foreign acquirers in CBMA deals. We further posit and test that board reforms implemented in host countries may positively impact CBMA flows due to improved board governance.

Utilizing a sample of 473,624 country-pair-year observations from 152 countries between 1990 and 2015, we employ a difference-in-differences (DiD) analysis and use a gravity model framework to examine changes in CBMA flows following country board reforms.

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[1] e.g., see Bae et al. (2021); Ben-Nasr et al. (2021); Chen et al. (2020a); Chen et al. (2020b); Fauver et al. (2017).

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Our findings indicate a significant increase in these flows after the implementation of reforms in either the home or host country, supporting the view that global board reforms facilitate CBMA flows. These results remain robust across alternative CBMA measures, models, subsamples, and after accounting for concurrent events and treatment effect heterogeneity.

This study makes two contributions to the literature. First, it represents an initial attempt to examine the impact of country-level board reforms on CBMA flows, contributing to the ongoing debate on whether improved board governance encourages or deters CBMA decisions. Our findings extend the growing literature on the effects of both formal and informal institutional quality on CBMAs by providing empirical evidence of how country-level governance reforms influence CBMA flows. Additionally, this study builds on Ahmad et al. (2024) and To et al. (2024), who find that board reforms implemented in the acquirer's country increase the acquirer's returns during M&A deals. While Ahmad et al. (2024) and To et al. (2024) focus on the firm-level synergy effect in CBMA deals, our study takes on a macro-level perspective on CBMA flows between countries. Our study differs from Ahmad et al. (2024) in two ways. First, Ahmad et al. (2024) analyse both domestic and CBMA transactions. Specifically, they focus on target countries' inflow M&A volumes, measured as the aggregated M&A activities at the industry level. Our study is fundamentally different by focusing exclusively on CBMA flows between country pairs, allowing us to assess how board reforms shape international investment patterns. Specifically, this bilateral dataset enables us to examine directional investment flows from country i to country j.[2] Second, Ahmad et al. (2024) restrict their sample to completed M&A deals when constructing the M&A volume measure, whereas our study includes CBMA deals of all statuses (announced, completed, failed, etc.) to capture the broader effect of board reforms on both realized and attempted investments, consistent with the approach used in Bhagwat et al. (2021). This comprehensive dataset allows us to analyse how board reforms influence not only successful deals but also investment intentions and market entry attempts.

Second, our findings provide important implications for emerging economies where both domestic and cross-border M&As play a crucial role in industrial restructuring and upgrading during economic transitions. Our study suggests that strengthening governance institutions should be a priority alongside economic development initiatives. Furthermore, our results provide valuable insights for international investors who may hesitate to invest in countries undergoing governance reforms.

2. Literature review and hypothesis development

The relationship between board reforms and CBMA activities is theoretically ambiguous, with competing theories yielding conflicting predictions about how board reforms in home or host countries impact CBMA activities. Fig. 1 summarises the theoretical framework of the relationship between board reforms and CBMA flows.

The benefits of CBMAs are well established in the literature. Theoretically, managers undertake CBMAs when they expect synergy benefits (Erel et al., 2012). From the acquirer's perspective, CBMAs offer an avenue to capture global growth opportunities, strengthen competitive positioning, and realize potential synergies that ultimately enhance firm value (Cantwell and Mudambi, 2005; Dunning, 1998). However, investing in foreign markets entails additional uncertainties and costs arising from geographical distance, institutional, cultural, and linguistic differences (Black et al., 2007; Eckbo and Thorburn, 2000; Moeller and Schlingemann, 2005). These heightened risks can lead to short-term underperformance or deal failures, which may reduce managerial compensation, damage executives' reputations, and increase the likelihood of forced turnover (Lehn and Zhao, 2006; Mitchell and Lehn, 1990). Consequently, even when CBMAs hold the potential to enhance long-term competitiveness and shareholder value, CEOs may be reluctant to pursue them.

According to agency theory, conflicts of interest between shareholders and managers arise when their objectives are not aligned (Jensen and Meckling, 1976). In the context of international investment decisions, such agency problems can discourage CEOs from undertaking value-enhancing CBMAs. Recent research shows that managers' risk tolerance, shaped by personal characteristics and national cultural traits such as uncertainty avoidance, plays a systematic role in CBMA decisions. Risk-averse CEOs tend to demand higher expected synergies to justify international acquisitions and are more likely to avoid culturally distant targets, seeking to minimize exposure to unfamiliar environments that could jeopardize their personal reputations or job security (Boustanifar et al., 2022; Frijns et al., 2013). The board of directors, acting on behalf of shareholders, plays a central role in mitigating these conflicts through governance mechanisms. Enhanced board governance via effective board reforms can align managerial decisions with shareholders' interests, thereby encouraging CBMA activities that enhance long-term value. Based on the agency theory, we posit:

Hypothesis 1a. *Board reforms in the home country increase CBMA flows.*

In contrast, the empire-building hypothesis posits that M&As, including CBMAs, can be a result of agency conflicts where managers pursue acquisitions that serve their personal interests rather than maximize shareholder wealth (Bliss and Rosen, 2001; Harford and Li, 2007). Managers may seek to expand firm size, boost personal prestige, or build corporate empires, even when such transactions erode value. The inherent complexity and information asymmetry of cross-border deals can further enable managers to justify these value-destroying acquisitions. Board reforms that strengthen oversight and accountability should constrain managerial discretion and curb excessive CBMA activities. Board with enhanced governance are more likely to challenge questionable international acquisitions,

[2] We replicated the approach by Ahmad et al. (2024) using our CBMA dataset as a robustness test, redefining the dependent variable as target country-industry CBMA volume. The results are consistent with our baseline findings, indicating that board reforms in target countries attract greater CBMA inflows. This contrasts with Ahmad et al. (2024), who report an insignificant effect of board reforms. One possible explanation is that their inclusion of domestic M&A transactions may dilute the observed impact, as such deals are less sensitive to country-level governance reforms. The results are not reported here for parsimonious reasons but are available upon request.

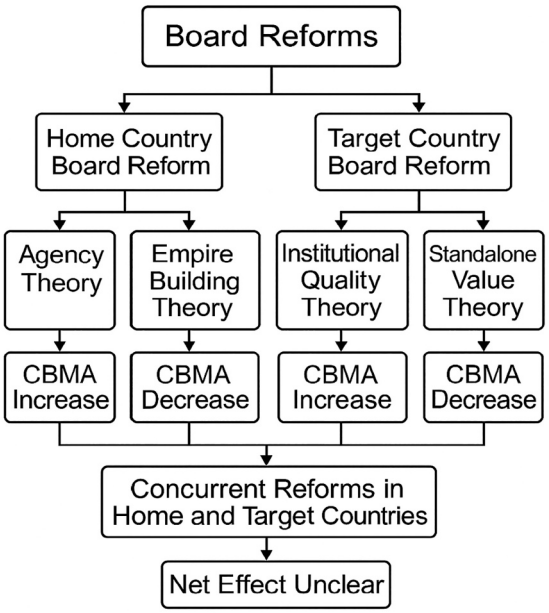


Fig. 1. Theoretical framework of the relationship between board reforms and CBMA flows.

reject empire-building motives, and enforce more efficient capital allocation. As a result, board reforms are expected to lead to fewer but higher-quality CBMA transactions. Therefore, we posit:

Hypothesis 1b. *Board reforms in the home country decrease CBMA flows.*

The institutional quality literature argues that strong governance frameworks attract foreign investment by reducing regulatory uncertainty and lowering transaction costs (Alfaro et al., 2008). The well-known "Lucas Paradox" posits that capital does flow from rich to poor countries as expected, partly because weak institutions, poor economic performance, and limited human capital discourage investment in developing countries (Lucas, 1990). Alfaro et al. (2008) identify institutional quality as a key factor behind this paradox, emphasizing that stronger institutions, e.g., effective protection of property rights, low level of corruption, and political stability, are essential for attracting investment inflows. Empirical evidence further shows that policy (Clougherty and Zhang, 2021; Gulen and Ion, 2016) and political uncertainty (Amore and Corina, 2021; Julio and Yook, 2016) in host countries can deter cross-border investment activities. Similarly, firms tend to avoid acquisitions in countries with high levels of corruption (Habib and Zurawicki, 2002; Nguyen et al., 2020). Given these risks, improvements in host-country board governance can reduce informational frictions and institutional uncertainty, thereby attracting more international investment (Dak-Adzaklo and Wong, 2024; Fauver et al., 2017). Based on the institutional quality theory, we posit:

Hypothesis 2a. *Board reforms in the host country increase CBMA flows.*

However, board reforms may also increase the standalone value of potential target firms in host countries. Improved governance can enhance operational efficiency, reduce agency costs, and promote better decision-making, ultimately increasing firm valuations (Fauver et al., 2017). As a result, target firms may command higher acquisition premiums, making them less appealing to potential acquirers. This valuation effect may reduce the pool of attractive targets in a given host country, in turn, dampening overall CBMA activities despite a stronger institutional environment. Following this argument, we posit:

Hypothesis 2b. *Board reforms in the host country curb CBMA flows.*

When both home and host countries implement board reforms, the combined impact on CBMA activities depends on which underlying mechanisms dominate. Suppose board reforms in home countries increase the likelihood of pursuing foreign acquisitions due to reduced agency costs, while board reforms in host countries attract more foreign investment due to improved institutional quality. In that case, reforms in both home and host countries will magnify the extent of increased bilateral CBMA flows. Therefore, we posit:

Hypothesis 3a. *Concurrent board reforms in home and host countries increase bilateral CBMA flows.*

In contrast, suppose empire-building drives the acquisition decisions in home countries and such motives are curbed by board reforms, while board reforms in host countries significantly enhance firms' standalone value, which makes them less appealing targets. In this case, reforms in both countries will harm the bilateral CBMA flows. Therefore, we posit:

Hypothesis 3b. *Concurrent reforms in home and host countries reduce bilateral CBMA flows.*

However, when board reforms stimulate CBMA activities in one country while discouraging them in the other, the overall effect is inconclusive and depends on which underlying mechanism is more prominent. Therefore, we posit:

Hypothesis 3c. *The net effect of simultaneous board reforms in home and host countries on bilateral CBMA flows is theoretically ambiguous and subject to empirical investigation.*

3. Data and methodology

3.1. Data

Our study integrates data from multiple sources. The primary data on global major board reform are sourced from Fauver et al. (2017) and Ahmad et al. (2024). The earliest reform in our sample is from Ireland in 1995, with the most recent from Kuwait in 2010.[3] A comprehensive list of these board reforms across countries is reported in Appendix A. CBMA data are sourced from the Thomson One SDC World Merger and Acquisitions database. Following Bhagwat et al. (2021), we use all countries' deals available in the SDC database, incorporating transactions across various statuses of the acquirers and targets (public, private, and subsidiary) into our baseline sample. The sample period spans from 1990 to 2015, ensuring sufficient observations before and after each country's board reform. We do not exclude failed deals following Bhagwat et al. (2021), as our analysis attempts to capture the impact of board reforms on CBMA attempts. For robustness, we also analyse a subsample of successful deals to assess real changes in CBMA flows induced by board reforms.

To be included in our sample, a country must have engaged in at least one CBMA deal between 1990 and 2015. Importantly, our sample includes all countries that have undergone board reforms, as identified by Ahmad et al. (2024), except for the UAE and Taiwan. UAE is excluded from our sample as the board reform was implemented in 2016, beyond our sample period; Taiwan is excluded as we focus on country-level institutions. This comprehensive coverage ensures that all reform countries are represented in our analysis, regardless of their post-reform CBMA activities, thereby avoiding potential upward bias arising from excluding reform countries with limited subsequent M&A activities. The unit of observation is country-pair-year, and we use directional CBMA flows. Within a given year, each country serves as both the home and host country in different observations (e.g., in the same year, China as the acquirer with a UK target and the UK as the acquirer with a China target are treated as two distinct observations). Our final dataset comprises 473,624 country-pair-year observations across 152 countries.

3.2. Methodology

We begin our analysis by estimating a Difference-in-Differences (DiD) model to examine the average effect of board reforms on CBMA activities:

$$Ln\ Flow_{ijt} = \alpha + \beta_1 ABR_{it} + \beta_2 TBR_{jt} + \beta_3 ABR_{it} * TBR_{jt} + Control + YEAR_t + COUNTRYPAIR_{ij} + \varepsilon_{ijt} \quad (1)$$

where $Ln\ Flow_{ijt}$ represents the natural log of one plus the aggregated dollar value of all announced CBMA deals in year t from country i to country j; ABR_{it} and TBR_{it} are dummy variables equal to one after the year of board reforms in the home and host country respectively, and zero otherwise; *Control*represents a vector of country-level or country-pair-level control variables; $YEAR_t$ denotes year fixed effects to isolate time trends arising from macroeconomic events; $COUNTRYPAIR_{ij}$ denotes country pair fixed effects to absorb any time-invariant factors between the home and host countries; and ε_{ijt} denotes the error term. Standard errors are clustered at the country-pair level to correct for serial correlation and heteroskedasticity.

Control variables are selected based on prior CBMA literature (Ahern et al., 2015; Ferreira et al., 2010; Frésard et al., 2017). In particular, we include the difference in the log of real GDP and GDP per capita for each country pair to proxy for differences in economic size and development. We also control for financial development through the differences in stock market development (*Ln MKTCAP*, defined as total stock market capitalization divided by GDP) and credit market development (*Ln Credit*, defined as the total amount of private loans divided by GDP). Additionally, we include bilateral trade flows (*Ln Trade*), exchange rate returns (*Ln EX return*), and the differential tax burden between the home and host countries (*Ln Tax*). Finally, we include two dummy variables representing the existence of a bilateral investment treaty (*BIT*) or a double taxation treaty (*DTT*) between the home and host countries. Table 1 reports descriptive statistics for the variables, with detailed definitions available in Appendix B.

The average *Ln Flow* in our sample is 0.599, and the average CBMA flow is 26.9 million U.S. dollars. The mean values for *ABR* and *TBR* are both 0.194, indicating that 19.4% of CBMA flows in our sample occurred post-board reforms in either the home country or the host country. The mean value of *ABR*TBR* is 0.068, suggesting that 6.8% of flows are influenced by board reforms in both home and host countries.

[3] In Ahmad et al. (2024), the most recent country to implement board reforms was United Arab Emirates in 2016. We do not include UAE as a treated country from 2016 due to the significant impact of the pandemic in 2019 on CBMA flows worldwide. By excluding the UAE and restricting our sample to the year 2015, we aim to mitigate the effects of the concurrent event - the COVID-19 pandemic.

Table 1
Descriptive statistics.

Variable name	N	Mean	SD	Min	Max
Dependent variables					
Ln Flow	473,624	0.599	3.250	0.000	26.055
Ln Number	473,624	0.040	0.253	0.000	5.568
I(CBMA)	473,624	0.033	0.180	0.000	1.000
Independent variables of interest					
ABR	473,624	0.194	0.396	0.000	1.000
TBR	473,624	0.194	0.396	0.000	1.000
*ABR*TBR*	473,624	0.068	0.253	0.000	1.000
Country characteristics					
Ln GDP	473,624	0.000	3.017	−10.850	10.850
Ln GDP per capita	473,624	0.000	2.191	−6.502	6.502
Ln Credit	473,624	0.000	1.431	−5.949	5.949
Ln MKTCAP	473,624	0.000	2.549	−7.135	7.135
Ln Trade	473,624	10.198	7.928	0.000	26.741
Ln EX return	473,624	0.000	0.543	−20.431	20.431
Ln Tax	473,624	0.000	0.335	−2.216	2.216
DTT	473,624	0.148	0.355	0.000	1.000
BIT	473,624	0.118	0.323	0.000	1.000
Ln Distance	471,036	8.732	0.790	2.441	9.899
Same border	468,928	0.021	0.142	0.000	1.000
Same religion	473,624	0.432	0.495	0.000	1.000
Same language	471,036	0.148	0.355	0.000	1.000
Same legal system	471,036	0.385	0.487	0.000	1.000
WGI	473,624	0.500	0.500	0.000	1.000
Rule of Law	473,624	0.500	0.500	0.000	1.000
Government Effectiveness	473,624	0.500	0.500	0.000	1.000
Regulatory Quality	473,624	0.500	0.500	0.000	1.000

Table 1 presents the summary statistics of the variables in the analyses. Our baseline sample consists of 473,624 country-pair CBMA flows across 152 countries spanning the period from 1990 to 2015. The details of the variable definitions are provided in Appendix B.

4. Empirical results

4.1. Baseline results

4.1.1. Difference-in-differences model

The results of DiD estimation based on Eq. (1) are presented in Table 2. Models 1 and 2 include *ABR* and *TBR,* respectively. Model 1 shows that the coefficient of *ABR* is 0.289 and significant at the 1% level. This suggests that, following the implementation of board reforms in the home country, the total dollar value of CBMAs increases by approximately 33.5%.[4] For instance, for an average pair with CBMAs values at $26.9 million, board reforms in the home country are expected to generate an additional $9 million in CBMA activities, thereby supporting *Hypothesis 1a*. This finding suggests that enhanced board governance mitigates agency problems in international investments, thereby facilitating outbound acquisitions (Erel et al., 2012; Jensen and Meckling, 1976). Model 2 reports a 28% increase in CBMA flows, equivalent to an additional $7.5 million, following the implementation of board reforms in the host country, thus supporting *Hypothesis 2a*. These results underline the role of improved board governance as a proxy for good institutional quality, which reduces acquisition risk and attracts inbound M&A investments, in line with the Lucas Paradox theory (Alfaro et al., 2008; Lucas, 1990).

Model 3 includes both home and host country board reforms as well as their interaction term to examine the dynamics when reforms occur independently and concurrently in the country pairs. We find that board reforms in the home country alone are associated with a 22.3% increase in flows, while host country reforms lead to a 17.1% increase.[5] Notably, when both home and host countries implement board reforms, the combined impact on CBMA flows is a substantial 67.7% increase, as reflected by the sum of the coefficients for *ABR*, *TBR*, and their interaction term. These findings align with *Hypothesis 3a*.

While board reforms have been widely used as a natural experiment, Heath et al. (2023) raise the concern that conventional statistical significance thresholds may be inadequate due to potential multiple testing issues. To address this concern, we follow Heath et al. (2023) and use the Romano and Wolf method for staggered difference-in-differences designs to adjust the critical values. The

[4] The OLS estimate of 0.289 in Model 1 implies that the impact is exp.(0.289)-1 = 0.335 or 33.5%; The OLS estimate of 0.247 in Model 2 implies that the impact is exp.(0.247)-1 = 0.280 or 28%.

[5] The OLS estimate of 0.201, 0.58 and 0.249 in Model 3 implies that the impacts are exp.(0.201)-1 = 0.223 or 22.3%; exp.(0.158)-1 = 0.171 or 17.1%; exp.(0.249)-1 = 0.283 or 28.3%.

Table 2
Board reforms and CBMA flows (OLS).

	1	2	3
Dependent variable		*Ln Flow*	
ABR	0.289***		0.201***
	(0.0224)		(0.020)
TBR		0.247***	0.158***
		(0.022)	(0.018)
*ABR*TBR*			0.249***
			(0.051)
Ln GDP	0.124***	−0.092**	0.025
	(0.039)	(0.039)	(0.039)
Ln GDP per capita	−0.072*	0.120***	0.016
	(0.040)	(0.040)	(0.040)
Ln Credit	0.026**	0.005	0.017
	(0.011)	(0.011)	(0.011)
Ln MKTCAP	0.006	0.010**	0.008*
	(0.004)	(0.004)	(0.004)
Ln Trade	0.003***	0.002**	0.003***
	(0.001)	(0.001)	(0.001)
Ln EX return	−0.031***	−0.033***	−0.032***
	(0.005)	(0.005)	(0.005)
Ln Tax	−0.167***	−0.149***	−0.159***
	(0.029)	(0.029)	(0.029)
DTT	0.275***	0.282***	0.220***
	(0.045)	(0.045)	(0.045)
BIT	0.304***	0.311***	0.275***
	(0.042)	(0.042)	(0.042)
Constant	0.438***	0.448***	0.416***
	(0.012)	(0.012)	(0.012)
Observations	473,624	473,624	473,624
R-squared	0.487	0.487	0.487
Year FE	YES	YES	YES
Country-pair FE	YES	YES	YES

Table 2 presents the baseline regression results for the relationship between board reforms and CBMA flows. Regressions are performed using OLS. The dependent variable is *Ln Flow*, which is the natural log of one plus the aggregated dollar value of all announced CBMA deals in year *t* from country *i* to country *j*. *ABR* is a dummy variable that equals one for all years after the major board reform year in the acquirer country, and zero otherwise; *TBR* is a dummy variable that equals one for all years after the reform year in the target country, and zero otherwise; *ABR*TBR* equals one when both *ABR* and *TBR* equal one, and zero otherwise. Other variables control for heterogeneous effects at country- or country-pair-level. Robust standard errors are clustered at the country-pair level and are shown in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The details of the variable definitions are provided in Appendix B.

adjusted critical value for 293 additional outcomes is 3.69, indeed higher than the conventional 1.96 threshold. By using the adjusted critical value, our main results of *ABR*, *TBR,* and *ABR*TBR* remain statistically significant, reinforcing the significant effect of board reforms on CBMA activities.

4.1.2. Stacked difference-in-differences model

Baker et al. (2022) point out that traditional staggered DiD regression estimators with two-way fixed effects may be biased due to treatment effect heterogeneity. For example, observations that receive treatment earlier may possess distinct characteristics or exhibit different responses compared to those treated later. When these earlier-treated observations are used as control groups after the treatment, the deriving heterogeneity can skew the estimation of the overall treatment effect. To address this potential concern, we follow Baker et al. (2022) and construct an event-based stacked dataset. This approach enables us to create a control group comprising country pairs that did not implement board reforms during the sample period. We re-estimate Eq. (1) with country-pair-cohort and year-cohort fixed effects instead of country-pair and year fixed effects. The results are reported in Table 3, where Models 1 and 2 include *ABR* and *TBR* respectively, while Model 3 includes both *ABR* and *TBR* as well as their interaction term. The main results remain statistically significant, and coefficients show a stronger impact of board reforms compared to our baseline results in Table 2.

Table 3
Board reforms and CBMA flows (stacked DiD and Tobit regressions).

	1	2	3	4	5	6
	Stacked DID			Tobit		
Dependent variable			*Ln Flow*			
ABR	0.349***		0.130***	7.886***		3.440***
	(0.026)		(0.024)	(0.591)		(0.667)
TBR		0.350***	0.131***		11.470***	6.082***
		(0.025)	(0.023)		(0.562)	(0.727)
*ABR*TBR*			0.516***			8.113***
			(0.054)			(0.810)
Constant	0.193***	0.194***	0.191***	−280.300	−275.800	−267.900
	(0.003)	(0.003)	(0.003)	(0.000)	(0.000)	(0.000)
Observations	1,261,794	1,261,794	1,261,794	468,928	468,928	468,928
R-squared	0.609	0.609	0.610			
Controls	YES	YES	YES	YES	YES	YES
Year*Cohort FE	YES	YES	YES	NO	NO	NO
Country-pair*Cohort FE	YES	YES	YES	NO	NO	NO
Year FE	NO	NO	NO	YES	YES	YES

Table 3 presents the stacked DiD and Tobit regression results for the relationship between board reforms and CBMA flows. The dependent variable is *Ln Flow*, which is the natural log of one plus the aggregated dollar value of all announced CBMA deals in year *t* from country *i* to country *j*. *ABR* is a dummy variable that equals one for all years after the major board reform year in the acquirer country, and zero otherwise; *TBR* is a dummy variable that equals one for all years after the reform year in the target country, and zero otherwise; *ABR*TBR* equals one when both *ABR* and *TBR* equal one, and zero otherwise. The same control variables for heterogeneous effects at country- or country-pair-level included in Table 2 are also used in these estimations, but they are not reported for parsimonious reasons. Robust standard errors are clustered at the country-pair level and are shown in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The details of the variable definitions are provided in Appendix B.

4.1.3. Tobit model

Considering the censored nature of our baseline sample, i.e., flow volume is censored at zero, we follow existing literature (e.g., Aleksanyan et al., 2021; Di Giovanni, 2005; Lin et al., 2018) and estimate a Tobit model to validate the baseline results.[6] The results are reported in Models 4 to 6 of Table 3, where Models 3 and 4 include *ABR* and *TBR* respectively, while Model 6 includes both *ABR* and *TBR* as well as their interaction term.

Overall, we find consistent support for *Hypotheses 1a, 2a,* and *3a*, and our results remain robust after accounting for treatment effect heterogeneity and the censored nature of our data.

4.2. Three components and two approaches of board reforms

According to Fauver et al. (2017), global board reforms typically address three key components: board independence, auditor and audit committee independence, and separation of the CEO and chairman roles. Board independence and the reduction of CEO duality enhance the board's monitoring and advisory functions, while auditor and audit committee independence improve the transparency of financial reporting. Independent directors are more likely to maintain objectivity compared to insider directors (Ruigrok et al., 2006). Consequently, an increase in the number of independent directors can strengthen board oversight. A more independent board reduces the likelihood of collusion with the CEO, thereby better aligning the board's actions with shareholders' interests (Kor, 2006; Musteen et al., 2009). This reduction in agency frictions can enhance the potential for international investments. Moreover, independent directors may benefit more from transparent financial reporting than executive directors, as it allows them to offer better resources and advice (Harris and Raviv, 2008; Raheja, 2005). Therefore, we propose two channels through which board reforms can stimulate CBMA deals: i) enhanced monitoring of CEOs and ii) improved financial reporting transparency. By differentiating the specific impacts of various board reform components, we can better assess the relative importance of these two channels.

To test the impact of each component on CBMA activities, we re-estimate Eq. (1) using the three dummy variables – *Component_A*, *Component_T*, and *Component_A*Component_T*. The results are reported in Panel A of Table 4. Specifically, *Component_A* is equal to one after the year of reforms on board independence, audit independence, and CEO-Chairman separation in the home country and zero otherwise. Similarly, *Component_T* is equal to one after the year of reforms on board independence, audit independence, and CEO-Chairman separation in the host country and zero otherwise. We find significantly positive coefficients of *Component_A*, *Component_T*, and their interaction terms across all Models (except for the interaction term in Model 2), indicating that all three components of board reforms increase CBMA flows. The larger coefficients in Models 1 and 3 suggest that both the monitoring and financial

[6] Different from the specifications of OLS model, country-pair fix effect is omitted from the Tobit model to allow the Maximum Likelihood algorithm to converge. To remedy the absence of country-pair fixed effect, we include additional five country-pair-level variables, namely: *Ln Distance, Same border, Same religion, Same language,* and *Same legal system*.

Table 4
Three components and two approaches of board reforms.

Panel A: Three components			
	1	2	3
	Board Independence	Audit Independence	CEO Chairman Separation
Dependent variable		*Ln Flow*	
Component_A	0.243***	0.233***	0.300***
	(0.024)	(0.026)	(0.033)
Component_T	0.177***	0.168***	0.211***
	(0.021)	(0.022)	(0.030)
*Component_A*Component_T*	0.298***	0.062	0.297***
	(0.063)	(0.067)	(0.104)
Constant	0.427***	0.432***	0.453***
	(0.012)	(0.013)	(0.012)
Observations	473,624	473,624	473,624
R-squared	0.487	0.487	0.487
Controls	YES	YES	YES
Year FE	YES	YES	YES
Country-pair FE	YES	YES	YES

Panel B: Two approaches	
Dependent variable	*Ln Flow*
ABR	0.184***
	(0.025)
TBR	0.123***
	(0.022)
*ABR*TBR*	0.250***
	(0.051)
*ABR*RULEBASED_A*	0.051
	(0.048)
*TBR*RULEBASED_T*	0.108**
	(0.046)
Constant	0.415***
	(0.012)
Observations	473,624
R-squared	0.487
Controls	YES
Year FE	YES
Country-pair FE	YES

Table 4 presents the effect of three major components and two approaches of board reforms on CBMA flows. The regressions are performed by OLS. The dependent variable is *Ln Flow* for all columns. In Panel A Model 1, the dummy variable *Component_A* is equal to one for all years after the year when the acquirer country implements board independence component; *Component_T* is equal to one for all years after the year when the target country implements board independence component; In Model 2, *Component_A* and *Component_T* represent audit independence and in Model 3, they represent chairman and CEO separation, and the interaction term is included in all three regressions. In Panel B, the dummy variable *RULEBASED_A* is equal to one for the acquirer country implementing board reforms with rule-based approach; *RULEBASED_T* is equal to one for the target country implementing board reforms with rule-based approach. Robust standard errors are clustered at the country-pair level and are shown in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The details of the variable definitions are provided in Appendix B.

transparency channels explain the positive effect of board reforms on CBMA flows, with the monitoring channel playing a more prominent role.

Furthermore, Fauver et al. (2017) classify board reforms into two types: rule-based reforms, which mandate strict compliance with regulations (e.g., 2002 U.S. Sarbanes-Oxley Act), and comply-or-explain-based reforms, which offer firms more flexibility by allowing them to either adhere to the regulations or provide a justification for non-compliance (e.g., UK Cadbury Report, 1992). The effects of these two types of reforms are not straightforward: while rule-based reforms may be overly stringent, potentially hindering international investments, comply-or-explain-based rules might be too lenient, as firms may opt to disregard the codes.

To examine the impact of these two types of reforms, we construct a dummy variable *RULEBASED_A* (*RULEBASED_T*), which equals one if the home (host) country implements rule-based reforms, and zero otherwise. We also interact *RULEBASED_A* with *ABR* and

RULEBASED_T with *TBR* to test the relative effectiveness of the reform approaches. The results are presented in Table 4 Panel B.[7] We find that both approaches of reforms initiated in the acquirers' countries facilitate CBMA flows. However, in the target countries, rule-based reforms appear to have a stronger impact on attracting CBMA activities than comply-or-explain-based reforms. One possible explanation is that rule-based reforms ensure that regulations are applied and enforced, thereby increasing foreign investors' confidence that their investments will be protected, and their rights upheld. This heightened confidence may, in turn, lead to a greater willingness to engage in CBMA activities in these target countries.

4.3. Horizontal, vertical, and conglomerate CBMAs

We further investigate the effects of board reforms on different types of CBMA flows. We classify horizontal mergers as those between firms with the same four-digit SIC code. To identify vertical mergers, we use the 2002 input-output (IO) matrix from the Bureau of Economic Analysis (BEA) to calculate coefficients of inter-industry vertical relatedness. This matrix provides a vector of coefficients that allows us to identify industries interconnected through input relationships. Following Fan and Goyal (2006) and Garfinkel and Hankins (2011), we apply a 1% threshold to determine the strength of vertical integration. A deal is then classified as a vertical merger if its vertical relatedness coefficient exceeds 1%. In our sample, there is no overlap between horizontal and vertical mergers. The remaining cross-industry and vertically unrelated deals are categorized as conglomerate M&As. One line of argument suggests that conglomerate M&As mitigate risk through portfolio diversification and coinsurance effects (Matvos et al., 2018; Rugman, 1976). However, substantial empirical evidence suggests that conglomerate deals tend to be riskier, associated with lower announcement returns and weaker productivity gains compared to related acquisitions (Fan and Goyal, 2006; Schoar, 2002).

Table 5 presents the results for different types of CBMA flows, with horizontal, vertical, and conglomerate deals in Models 1 to 3, respectively. Consistent with our baseline results in Table 2, the coefficients for board reforms in both the home and host countries, as well as their interaction terms, are positive and statistically significant across all types of flows. More interestingly, the impact of board reforms is stronger for conglomerate CBMA flows (Model 3), supporting our argument that these reforms have a greater influence on riskier deals (Zhang et al., 2021).

4.4. The moderating effects of country institutions

In addition, we examine the moderating effects of country-level external governance mechanisms on the relationship between board reforms and CBMA flows. Prior research (Bris and Cabolis, 2008; Erel et al., 2012; Rossi and Volpin, 2004) suggests that M&A activity is more pronounced in countries with stronger institutional environments. Therefore, we expect that the positive effect of board reforms on CBMA flows is weakened in countries with relatively robust external governance mechanisms.

We use several measures of external governance utilized in previous studies: firstly, the World Governance Indicator (*WGI*), which measures the general country-level governance and institution quality; secondly, relevant sub-factors proxying for specific country institutions, such as the enforcement of '*Rule of Law*', '*Governance Effectiveness*', and '*Regulatory Quality*' (Bae et al., 2021; Ellis et al., 2017). A higher index value indicates a better institution quality for all four variables. We finally construct a dummy variable (*EGDistance*), which equals one when the external institutional environment of the home country is better than that of the host country, and zero otherwise. We interact this dummy variable with *ABR* and *TBR* and include the corresponding interaction terms in the baseline regression to test whether a reduced/widened gap in the overall institutional environment quality between home and host country affects the impact of board reforms on CBMA flows.

Table 6 reports the main results of this analysis. The positive coefficients for *ABR*, *TBR*, and *ABR*TBR* across all models suggest that board reforms in either the home or host country increase CBMA flows, confirming the baseline results and supporting *Hypothesis 3a*. The interaction term *ABR*EGDistance* shows consistently negative and significant coefficients, indicating that board reforms in acquirer countries have a stronger positive effect on CBMA flows when target countries show relatively stronger external institutions. This result indicates that reforms help bridge the governance gap, making acquisitions in countries with better institutions more feasible. The interaction term *TBR*EGDistance* shows consistently positive and significant coefficients, suggesting that board reforms in target countries have a more pronounced effect on attracting CBMA flows when their institutions are relatively weaker than the acquirer countries. In other words, reforms in countries with weaker institutions send a stronger signal to potential acquirers, as they may lead to a reduction of perceived risks associated with the institutional environment.

These findings support both the institutional distance theory and the argument that M&A activity is also influenced by the relative strength of institutional environments between countries, rather than by the absolute institutional quality alone.

4.5. Other robustness tests

4.5.1. Parallel trend tests

In this section, we conduct a series of other robustness tests to further reinforce our findings. We begin with testing the parallel trend assumption inherent to the DiD method. Specifically, we assess whether the timing of board reforms is endogenous to the average level of a country's CBMA flows. A significant year indicator prior to the reform announcement would suggest a violation of the parallel

[7] Because country-pair fixed effects absorb the effects of *RULEBASED_A* and *RULEBASED_T,* these variables are omitted from the tabulation.

Table 5
Horizontal, vertical, and conglomerate CBMAs.

	1	2	3
Dependent variable	*Ln Horizontal flow*	*Ln Vertical flow*	*Ln Conglomerate flow*
ABR	0.084***	0.037***	0.095***
	(0.015)	(0.011)	(0.016)
TBR	0.051***	0.028***	0.077***
	(0.013)	(0.011)	(0.015)
*ABR*TBR*	0.368***	0.387***	0.743***
	(0.042)	(0.037)	(0.050)
Constant	0.250***	0.162***	0.325***
	(0.009)	(0.007)	(0.011)
Observations	473,624	473,624	473,624
R-squared	0.452	0.424	0.518
Controls	YES	YES	YES
Year FE	YES	YES	YES
Country-pair FE	YES	YES	YES

Table 5 reports that the effect of board reforms varies across different types of CBMA flows. The regressions are performed using OLS. In Model 1, the dependent variable is *Ln Horizontal flow*, which is the natural log of one plus the aggregated dollar value of all announced horizontal CBMA deals in year *t* from country *i* to country *j*. In Models 2 and 3, the dependent variables, *Ln Vertical flow* and *Ln Conglomerate flow*, are constructed in the same way as in Model 1 but instead use vertical and conglomerate deals, respectively. Robust standard errors are clustered at the country-pair level and are shown in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The details of the variable definitions are provided in Appendix B.

Table 6
The moderating effects of country institutions.

	1	2	3	4
	WGI	Rule of Law	Government Effectiveness	Regulation Quality
Dependent variable	*Ln Flow*			
ABR	0.305***	0.281***	0.340***	0.351***
	(0.037)	(0.036)	(0.041)	(0.040)
EGDistance	0.013	−0.003	−0.018	0.018
	(0.020)	(0.020)	(0.019)	(0.018)
*ABR*EGDistance*	−0.140***	−0.107**	−0.176***	−0.191***
	(0.043)	(0.042)	(0.045)	(0.045)
TBR	0.102***	0.104***	0.102***	0.109***
	(0.018)	(0.018)	(0.017)	(0.018)
*TBR*EGDistance*	0.212***	0.207***	0.256***	0.228***
	(0.046)	(0.045)	(0.050)	(0.049)
*ABR*TBR*	0.172***	0.179***	0.136**	0.140**
	(0.054)	(0.054)	(0.055)	(0.055)
Constant	0.412***	0.420***	0.428***	0.411***
	(0.015)	(0.016)	(0.015)	(0.015)
Observations	473,624	473,624	473,624	473,624
R-squared	0.487	0.487	0.487	0.487
Controls	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Country-pair FE	YES	YES	YES	YES

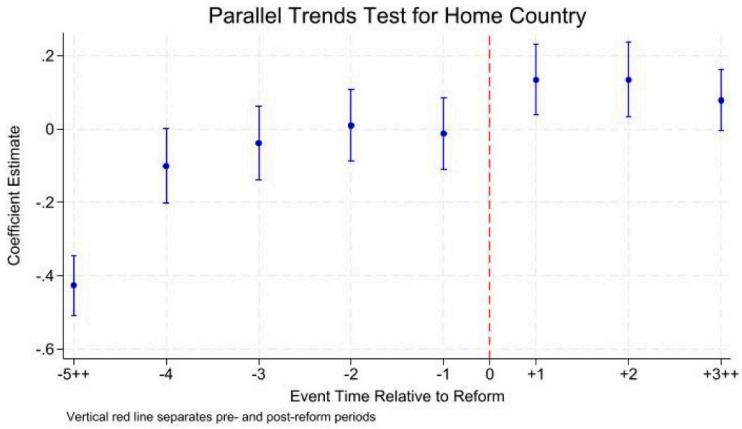
Table 6 reports the moderating effect of external governance mechanisms on the relationship between board reforms and CBMA flows. The regressions are performed using OLS. The dependent variable is *Ln Flow*. In Model 1, *WGI* is a dummy variable that equals one if the difference in the World Governance Indicators index (WGI) between acquirer country *i* and target country *j* is positive, and zero otherwise; in Models 2–4, the three dummy variables are constructed in the same way but use *Rule of Law*, *Governance Effectiveness*, and *Regulatory Quality* instead of *WGI*. *EGDistance* is a dummy variable that equals one when the home country external governance is better than that of host country, and zero otherwise. Robust standard errors are clustered at the country-pair level and are shown in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The details of the variable definitions are provided in Appendix B.

trend assumption. To test this, we replace the reform indicator *ABR* (*TBR*) with dummy variables representing each year relative to the reform year; we then estimate our baseline model, excluding *TBR* (*ABR*) and the interaction term. We divide our sample into nine subperiods: from the beginning of our sample period to five years before the reform, each of the four years immediately preceding the reform, the reform year (which serves as the base period and is excluded from the estimation), each of the two years following the reform, and the period from three years post-reform to the end of the sample period.

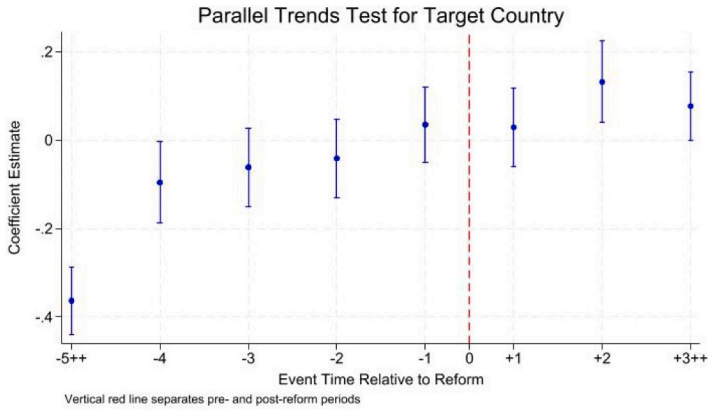
The results, presented in Fig. 2, show that the coefficients of the three years preceding the reform year are insignificant for both the home and host countries, indicating that treated and control countries follow comparable trends in CBMA activity immediately before the reform, while the coefficients of indicators post-reform are positive and significant, consistent with our main results. The effect of board reforms on CBMA flows is also not short-term, as the indicator for 3+ years after reform is positive and significant. However, we notice that the coefficients of the −5++ years indicators are significant for home and host countries, and the coefficients of the −4 years indicators are weakly significant for home and host countries. One possible explanation is that, given our worldwide sample covering a large number of countries over an extended period, these deviations may reflect transitory global or regional shocks that dissipate before the reform and therefore are unlikely to threaten identification. Most policy evaluations focus on the immediate pre-treatment period to assess parallel trends, as it is not uncommon that older years may capture unrelated shocks or preparatory institutional changes that do not persist into the policy change window (see, e.g., Bhagwat et al. (2021)).

4.5.2. Placebo tests

To further validate the causal interpretation of our DiD estimates, we conduct placebo tests to assess whether the estimated effects of board reforms could arise spuriously from random variation or unobserved time trends. If our identification strategy is valid, assigning a randomly timed reform should produce no systematic treatment effect. Thus, any significant effects observed using the true reform timing would plausibly reflect the real impact of board reforms rather than coincidental correlations or model



2.1 Home country board reforms parallel trend test result



2.2 Host country board reforms parallel trend test result

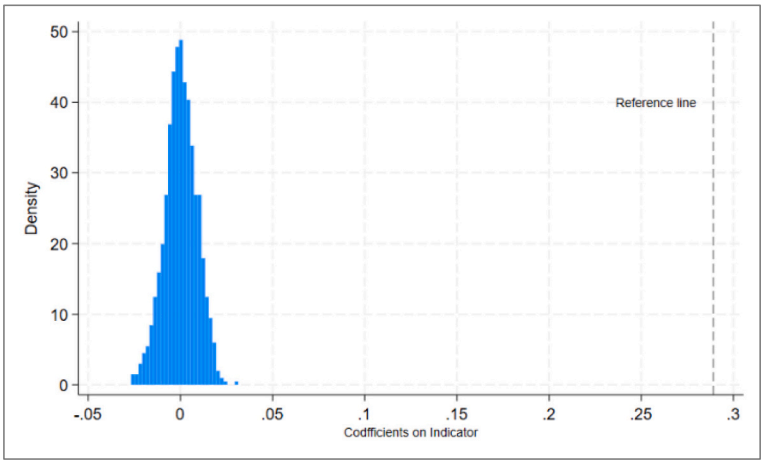
Fig. 2. Parallel trend tests.
These two figures show the parallel trend for home and host countries, respectively. Fig. 2.1 presents the parallel trend in home country board reforms. Fig. 2.2 presents the parallel trend in host country board reforms.

misspecifications.

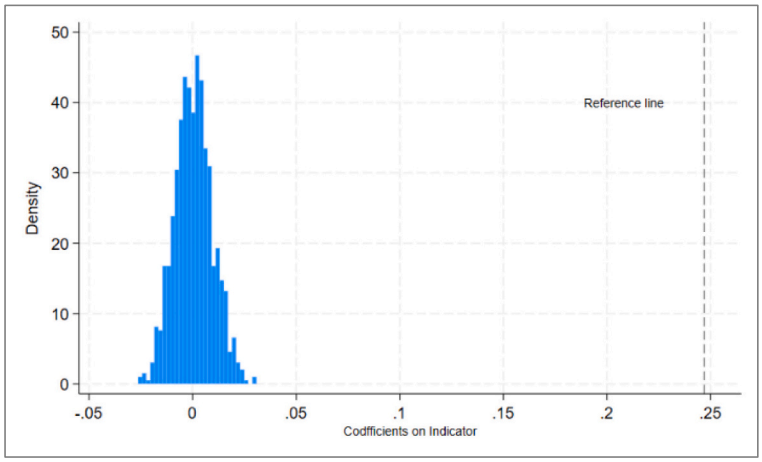
For each country that has undergone an actual board reform during our sample period, we randomly assign a placebo reform year, re-estimate Eq. (1), and repeat the process 1000 times. Each iteration yields stimulated coefficients for *ABR* and *TBR*, generating distributions of these placebo estimates. Fig. 3 (3.1 and 3.2) display the distributions for *ABR* and *TBR*, respectively, with the reference lines marking the coefficients obtained from the actual reform data. The stimulated coefficients cluster around zero and are considerably smaller than the true estimates for home- and host-country reforms. The placebo results suggest that our results are unlikely to be driven by random events, reinforcing the robustness of our main findings.

4.5.3. Zero-inflated and skewed distributions

Our dependent variable exhibits a skewed distribution with a large number of zero observations, reflecting that many country pairs experience no CBMA flows in a given year. Cohn et al. (2022) point out that the use of log-transformed variables in the presence of zero-inflated data can lead to estimation bias. To address this concern, we adopt two methods. First, following Cohn et al. (2022), we estimate the Poisson Pseudo Maximum Likelihood (PPML) models with fixed effects for both CBMA flows and deal counts. Second, our zero-inflated dataset suggests that CBMA activities between countries are characterized by a distinct participation hurdle, i.e., many country pairs never transact at all. Therefore, we run a two-step hurdle model using CBMA deal counts. This approach allows us to disentangle the extensive margin (the probability that any CBMA occurs between two countries) from the intensive margin (the



3.1 Home country board reforms placebo test results



3.2 Host country board reforms placebo test results

Fig. 3. Placebo tests.
These two figures are distributions of the coefficients on board reforms with simulated data (randomly assigned board reform years). Fig. 3.1 presents the distribution of the coefficients on home country board reforms. Fig. 3.2 presents the distribution of the coefficients on host country board reforms. The reference line indicates the coefficient obtained with actual data.

volume of CBMA conditional on positive flows). By doing so, we can assess whether board reforms primarily influence the initiation of new CBMAs or the expansion of existing CBMA relationships, while mitigating the potential bias associated with zero inflation.

The results are reported in Table 7. The coefficients of both home-country (*ABR*) and host-country (*TBR*) board reforms are positive and strongly significant at the 1% level across all specifications, consistent with our main findings. Interestingly, while the interaction term between *ABR* and *TBR* becomes insignificant on CBMA flows (Model 3), it remains strongly significant on CBMA deal counts (Models 6 and 9). This pattern suggests that concurrent board reforms in home and host countries tend to increase the number of CBMA deals rather than their aggregate value. A plausible explanation is that improved governance environments lower perceived risks and transaction costs, thereby encouraging smaller-scale acquisitions between countries in the post-reform period (John et al., 2010; Ortiz et al., 2023).

4.5.4. Concurrent events

To further address the concern that reform dates may coincide with other unobserved factors influencing CBMA activities, we control for concurrent policy changes that could also affect cross-border M&As. Following Clougherty and Zhang (2021) and Lel and Miller (2015), we define *OTHEREVENT_A* and *OTHEREVENT_T* as dummy variables, which equal one if the acquirer or target country, respectively, has enacted a takeover or antitrust law, and zero otherwise. To mitigate concerns that board reforms may have been driven by past investment activity, we include one-year lagged CBMA flows (*Ln Flow_Lag*) to control for historical M&A activities between country pairs. The results, reported in Table 8, remain robust across all models.

4.5.5. Alternative measures and subsample analysis

Finally, Table 9 presents the results of several robustness tests using alternative measures of CBMA flows or subsamples. More specifically, we use two alternative measures: *Ln Number* equals the natural log of one plus the aggregated number of all announced CBMA deals in year *t* from country *i* to country *j*; *I (CBMA)* is a dummy variable equal to one if a firm in country *i* announces an

Table 7
Poisson pseudo maximum likelihood and hurdle models.

	1	2	3	4	5	6	7	8	9
	PPML						Hurdle model		
Dependent variable	*Flow*			*Number*			*Number*		
ABR	0.050***		0.035**	0.040***		0.027***	0.275***		0.099***
	(0.009)		(0.014)	(0.006)		(0.005)	(0.014)		(0.026)
TBR		0.047***	0.031***		0.038***	0.025***		0.420***	0.183***
		(0.007)	(0.007)		(0.007)	(0.005)		(0.021)	(0.028)
*ABR*TBR*			0.037			0.028**			0.361***
			(0.024)			(0.013)			(0.032)
Ln GDP	0.028***	−0.011**	0.010*	0.014***	−0.017***	−0.001	−0.031***	−0.005	−0.0152***
	(0.005)	(0.005)	(0.006)	(0.004)	(0.006)	(0.005)	(0.002)	(0.006)	(0.006)
Ln GDP per capita	−0.029***	0.005	−0.013**	−0.019**	0.009	−0.005	0.065***	0.059***	0.063***
	(0.006)	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)	(0.003)	(0.007)	(0.007)
Ln Credit	0.001	−0.003	−0.010	0.004**	0.001	0.002	0.071***	0.069***	0.067***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.001)	(0.005)	(0.009)	(0.009)
Ln MKTCAP	0.001	0.002**	0.001	−0.002**	−0.002	−0.002*	0.010***	0.025***	0.019***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.006)	(0.006)
Ln Trade	−0.000	−0.000	−0.000	0.000	−0.000	0.000	0.197***	0.189***	0.182***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.002)	(0.008)	(0.008)
Ln EX return	−0.001	−0.001**	−0.001	−0.002***	−0.003***	−0.002***	−0.015	−0.022***	−0.020***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.010)	(0.0078)	(0.008)
Ln Tax	−0.011	−0.008	−0.010	0.000	0.003	0.002	−0.022	−0.024	−0.021
	(0.010)	(0.010)	(0.010)	(0.007)	(0.008)	(0.008)	(0.014)	(0.029)	(0.030)
DTT	0.025	0.026	0.014	0.014	0.015	0.005	0.482***	0.467***	0.443***
	(0.019)	(0.018)	(0.017)	(0.018)	(0.018)	(0.017)	(0.010)	(0.028)	(0.028)
BIT	−0.023***	−0.022***	−0.027***	0.008	0.008	0.005	−0.115***	−0.117***	−0.117***
	(0.006)	(0.007)	(0.006)	(0.009)	(0.009)	(0.009)	(0.011)	(0.025)	(0.025)
Constant	0.061***	0.062***	0.056***	0.060***	0.061***	0.056***	−5.557***	−5.829***	−5.743***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.036)	(0.147)	(0.149)
Observations	473,624	473,624	473,624	473,624	473,624	473,624	432,644	473,624	473,624
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country-pair FE	YES	YES	YES	YES	YES	YES	NO	NO	NO

Table 7 presents the robustness check results for the relationship between board reforms and cross-border MA activity using alternative models. The regressions are performed using PPML for Models 1–6 and the Hurdle model for Models 7–9. The dependent variable is *Flow* for Models 1–3, and the dependent variable for Models 4–9 are *Number*. *Flow* is the dollar value of all announced CBMA deals in year *t* from country *i* to country *j*. *Number* is aggregated number of all announced CBMA deals in year *t* from country *i* to country *j*. Country-pair fix effect is omitted from the Hurdle model to allow the Maximum Likelihood algorithm to converge. Robust standard errors are clustered at the country-pair level and are shown in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The details of the variable definitions are provided in Appendix B.

Table 8
Concurrent events.

	1	2	3
	Takeover reforms	Antitrust reforms	Last year flows
Dependent variable		*Ln Flow*	
ABR	0.216***	0.180***	0.168***
	(0.021)	(0.021)	(0.018)
TBR	0.151***	0.147***	0.136***
	(0.019)	(0.018)	(0.016)
*ABR*TBR*	0.249***	0.244***	0.130***
	(0.051)	(0.051)	(0.045)
OTHEREVENT_A	−0.142***	0.540***	
	(0.047)	(0.076)	
OTHEREVENT_T	0.061	0.298***	
	(0.046)	(0.066)	
Ln Flow_Lag			0.172***
			(0.006)
Constant	0.421***	0.342***	0.349***
	(0.013)	(0.016)	(0.011)
Observations	473,624	473,624	473,624
R-squared	0.487	0.487	0.502
Controls	YES	YES	YES
Year FE	YES	YES	YES
Country-pair FE	YES	YES	YES

Table 8 presents the robustness checks results for the relationship between board reforms and cross-border MA activity using concurrent events. In Model 1, *Takeover reforms* is a dummy variable that equals one if the acquirer (target) country has passed a takeover law between 1991 and 2009, and zero otherwise. In Model 2, *Antitrust reforms* is a dummy variable that equals one if the acquirer (target) country has passed an antitrust law between 1991 and 2009, and zero otherwise. In Model 3, *Ln Flow_Lag* is added as a control variable to control the impact of historical CBMA activities. Robust standard errors are clustered at the country-pair level and are shown in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The details of the variable definitions are provided in Appendix B.

Table 9
Alternative samples or dependent variables.

	1	2	3	4	5	6
	Alternative dependent variable		Without US	Only Finished	[−5, +5]	Public to All
Dependent variable	*Ln Number*	*I(CBMA)*		*Ln Flow*		
ABR	0.011***	0.010***	0.166***	0.176***	0.106***	0.172***
	(0.001)	(0.001)	(0.017)	(0.019)	(0.024)	(0.017)
TBR	0.010***	0.007***	0.134***	0.141***	0.109***	0.099***
	(0.001)	(0.001)	(0.016)	(0.018)	(0.022)	(0.014)
*ABR*TBR*	0.007**	0.004*	0.180***	0.225***	0.593***	0.123***
	(0.003)	(0.003)	(0.045)	(0.049)	(0.062)	(0.045)
Constant	0.023***	0.020***	0.300***	0.361***	0.459***	0.287***
	(0.001)	(0.001)	(0.011)	(0.012)	(0.012)	(0.010)
Observations	473,624	473,624	466,826	473,624	326,836	473,624
R-squared	0.660	0.470	0.468	0.476	0.599	0.468
Controls	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Country-pair FE	YES	YES	YES	YES	YES	YES

Table 9 presents the robustness check results for the relationship between board reforms and cross-border MA activity using alternative samples or dependent variables. The regressions are performed using OLS. In Models 1 and 2, the dependent variable is *Ln Number* and *I(CBMA)* respectively, and the dependent variable in other Models are *Ln Flow*. In Model 3, the subsample excludes CBMA flows related to the U.S. In Model 4, the subsample only includes real CBMA flows between countries. Model 5 limits the baseline sample to deals announced within the [− 5, + 5] year window relative to the board reform year. Model 6 uses CBMA flows from public acquirers to targets of all statuses. Robust standard errors are clustered at the country-pair level and are shown in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The details of the variable definitions are provided in Appendix B.

acquisition in country *j* in year *t*, and zero otherwise. We find similar effects of board reforms on the number of deals (Model 1) and the probability of CBMA deals between two countries (Model 2).

Since the U.S. is the most active country in CBMAs, we re-estimate our main model after excluding the U.S. to mitigate concerns of overrepresentation. Additionally, we exclude incomplete deals and estimate the effect of board reforms on successful CBMAs.[8] We also restrict our sample to a [−5, +5] event window around the reforms, addressing concerns about confounding events. Finally, we construct a sample that includes flows from public acquirers to targets of all statuses. The estimations of Models 3 to 6 remain robust and confirm our baseline results.

5. Conclusions

This study broadens the analysis of cross-border mergers and acquisitions by moving from firm-level determinants to a macro-level perspective that examines how national board reforms impact CBMA activities. We find that board reforms are strongly associated with higher CBMA flows, underscoring the pivotal role of governance improvements in facilitating cross-border investment. Our results implicitly suggest that enhanced board monitoring and financial oversight, as promoted by national board reforms, can mitigate information asymmetry and agency conflicts that often impede cross-border transactions. Nonetheless, the mechanisms linking board reforms to CBMAs are likely to be more intricate, operating through complementary channels such as improved investor confidence, better alignment of managerial incentives, and greater transparency in corporate decision-making. Specifically, our findings reveal that board reforms in home countries significantly stimulate outbound acquisitions, while higher institutional quality in target countries, as a result of board reforms, enhances their attractiveness to foreign acquirers. Furthermore, we find that when both home and host countries implement board reforms, the increase in CBMA flows is amplified, highlighting the importance of strong governance standards in both source and destination markets.

Moreover, we identify important nuances in the relationship between board reforms and CBMA flows. In countries where external governance mechanisms are stronger than those of the counterparties in the transactions, the effect of board reforms is less pronounced. Meanwhile, in riskier CBMA contexts (i.e., conglomerate CBMA flows), the reforms have an amplified effect. Additionally, we test the difference between the rule-based and comply-or-explain-based approaches to reforms, showing that while both frameworks facilitate CBMA flows, the rule-based approach has a more pronounced effect in attracting acquisitions. Finally, we identify two primary channels through which board reforms stimulate CBMA activities: enhanced monitoring of CEOs and improved financial reporting transparency.

Our study fills an important gap in the literature by linking country-level board reforms with CBMA flows, contributing to the ongoing discussions on the broader economic effects of institutional quality (Ahern et al., 2015; Amore and Corina, 2021; Bris and Cabolis, 2008). From a practical standpoint, our findings provide valuable implications for policymakers, particularly in emerging markets. The results highlight the importance of governance reforms in creating an attractive environment for foreign investment, emphasizing the critical role these reforms play in facilitating international capital flows.

CRediT authorship contribution statement

Qi Dong: Writing – review & editing, Writing – original draft, Software, Methodology, Formal analysis, Data curation, Conceptualization. **Gianluca Marcato:** Writing – review & editing, Supervision, Conceptualization. **Chen Zheng:** Writing – review & editing, Supervision, Methodology, Formal analysis, Conceptualization.

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Appendix A. Major board reforms

Country	Reform year	Board independence	Audit committee independence	Chairman and CEO separation	Reform type
Ireland	1995	1	1	1	Comply-or-Explain
United Kingdom	1998	1	1	1	Comply-or-Explain
Kenya	1999	1	1	1	Comply-or-Explain
South Korea	1999	1	1	0	Rule-based
Israel	2000	1	1	1	Rule-based
Argentina	2001	0	1	0	Rule-based

(*continued on next page*)

[8] The baseline sample includes deals of all statuses, e.g., completed, pending, and withdrawn.

(*continued*)

Country	Reform year	Board independence	Audit committee independence	Chairman and CEO separation	Reform type
Chile	2001	0	1	0	Rule-based
China	2001	1	1	0	Rule-based
Colombia	2001	0	0	0	Rule-based
Czech Rep.	2001	0	0	0	Rule-based
Denmark	2001	1	0	0	Comply-or-Explain
Malaysia	2001	1	1	0	Comply-or-Explain
Mexico	2001	1	1	0	Rule-based
Romania	2001	1	0	0	Comply-or-Explain
Portugal	2001	1	1	0	Rule-based
Brazil	2002	0	0	0	Rule-based
Cyprus	2002	1	1	1	Comply-or-Explain
Egypt	2002	1	1	0	Rule-based
Germany	2002	1	1	0	Comply-or-Explain
Greece	2002	1	1	0	Rule-based
India	2002	1	1	0	Rule-based
Japan	2002	0	1	0	Rule-based
Pakistan	2002	0	1	0	Comply-or-Explain
Philippines	2002	1	1	0	Comply-or-Explain
Poland	2002	1	0	0	Comply-or-Explain
Russia	2002	1	0	1	Comply-or-Explain
Slovakia	2002	1	1	1	Comply-or-Explain
South Africa	2002	1	1	1	Comply-or-Explain
Switzerland	2002	0	0	0	Comply-or-Explain
Thailand	2002	1	1	0	Comply-or-Explain
Turkey	2002	1	0	1	Comply-or-Explain
France	2003	0	1	0	Rule-based
Hungary	2003	0	0	0	Comply-or-Explain
Nigeria	2003	1	1	1	Comply-or-Explain
Singapore	2003	1	1	0	Comply-or-Explain
Ukraine	2003	1	0	1	Comply-or-Explain
United States	2003	1	1	0	Rule-based
Australia	2004	1	1	1	Comply-or-Explain
Austria	2004	1	1	0	Comply-or-Explain
Canada	2004	1	1	1	Rule-based
Finland	2004	1	1	1	Comply-or-Explain
Iceland	2004	1	1	1	Comply-or-Explain
Netherlands	2004	1	1	1	Comply-or-Explain
New Zealand	2004	1	1	1	Comply-or-Explain
Hong Kong	2005	1	1	1	Comply-or-Explain
Peru	2005	1	1	0	Comply-or-Explain
Belgium	2005	1	1	1	Comply-or-Explain
Kazakhstan	2005	1	0	0	Comply-or-Explain
Norway	2005	1	1	1	Comply-or-Explain
Italy	2006	1	1	0	Rule-based
Saudi Arabia	2006	1	1	1	Comply-or-Explain
Spain	2006	1	1	0	Comply-or-Explain
Sweden	2006	1	1	1	Comply-or-Explain
Bulgaria	2007	1	1	1	Comply-or-Explain
Croatia	2007	1	0	1	Comply-or-Explain
Indonesia	2007	1	1	0	Rule-based
Luxembourg	2007	1	1	1	Comply-or-Explain
Tunisia	2008	1	1	1	Comply-or-Explain
Kuwait	2010	1	1	1	Comply-or-Explain

Appendix B. Variable definitions

Variable Name	Definition	Source
Panel A: Dependent variables		
Ln Flow	Natural log of one plus the aggregated dollar value of all announced CBMA deals in year *t* from country *i* to country *j*.	SDC
Ln Number	Natural log of one plus the aggregated number of all announced CBMA deals in year *t* from country *i* to country *j*.	SDC
I(CBMA)	Dummy variable equals one if a firm in home country *i* announces an acquisition of a firm in host country *j* in year *t*, and zero otherwise.	SDC
Panel B: Independent variables of interest		

(*continued on next page*)

(*continued*)

Variable Name	Definition	Source
ABR	Dummy variable equals one for all years after the year of major board reforms in the home country *i*, and zero otherwise.	Ahmad et al. (2024)
TBR	Dummy variable equals one for all years after the year of major board reforms in the host country *j*, and zero otherwise.	Ahmad et al. (2024)
*ABR*TBR*	The interaction term of *ABR* and *TBR*.	Ahmad et al. (2024)
Panel C: Country characteristics		
Ln GDP	Natural log of one plus home country GDP minus natural log of one plus host country GDP in year *t*.	WDI
Ln GDP per capita	Natural log of one plus home country GDP per capita minus natural log of one plus host country GDP per capita in year *t*.	WDI
Ln Credit	Natural log of one plus home country credit market development minus natural log of one plus host country credit market development. Credit market development is defined as total amount of private loans divided by GDP in year *t*.	WDI
Ln MKTCAP	Natural log of one plus home country stock market development minus natural log of one plus host country stock market development. Stock market development is defined as total stock market capitalization divided by GDP in year *t*.	WDI
Ln Trade	Natural log of one plus bilateral imports and exports between home and host country in year *t*.	IMF
Ln EX return	Natural log of one plus home country end-of-year nominal exchange rate at year *t* minus natural log of one plus host country end-of-year nominal exchange rate at year *t-1*.	IFS
Ln Tax	Natural log of one plus home country tax burden minus natural log of one plus host country tax burden in year *t*.	Economic Freedom Index
DTT	Dummy variable equals one if two countries have signed a double-taxation treaty, and zero otherwise.	UNCTAD
BIT	Dummy variable equals one if two countries have signed bilateral investment treaty, and zero otherwise.	UNCTAD
Ln Distance	Natural log of one plus geographic distance between capitals, calculated using the great circle formula and latitudes and longitudes of the capital or most populous city.	CEPII
Same border	Dummy variable equals one if two countries share a common border.	CEPII
Same religion	Dummy variable equals one if two countries share the same religion, defined as the dominant religion of a country.	CIA World Factbook 2018
Same language	Dummy variable equals one if two countries share the same language, defined as the primary spoken language of a country.	CIA World Factbook 2018
Same legal system	Dummy variable equals one if two countries share the same legal system (English, French, German, Scandinavian, Socialist).	CEPII
Takeover reforms	Dummy variable equals one if the country has passed a takeover law between 1991 and 2009, and zero otherwise.	Lel and Miller (2015)
Antitrust reforms	Dummy variable equals one if country has passed an antitrust law between 1991 and 2009, and zero otherwise.	Bris and Cabolis (2008)
WGI	Difference in the country average of World Governance Indicators index between home country *i* and host country *j* in year *t*.	World Governance Indicators Data (World Bank)
Rule of Law	Rule-of-law index that captures perceptions of the extent to which agents have confidence in and abide by the rules of society, particularly contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.	World Governance Indicators Data (World Bank)
Government Effectiveness	Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.	World Governance Indicators Data (World Bank)
Regulatory Quality	Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.	World Governance Indicators Data (World Bank)

Data availability

The data that has been used is confidential.

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