

Drivers of acquisitions from BRICs to advanced countries: firm-level evidence

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Abstract

The present paper deals with investments undertaken by emerging multinational companies (EMNCs) in advanced countries. We study 417 acquisitions in Western Europe, North America and Japan stemming from Brazil, Russia, India and China (BRICs) between 2000 and 2007. Both common trends and different patterns arise. It turns out that most investments follow an exploitation strategy, which aims at finding new markets and which is implemented mainly through horizontal and related investments. However, about one third of the acquisitions in our sample are driven by an exploration strategy, which aims at acquiring new assets or augmenting capabilities. A more detailed analysis on a sub-sample of 115 Western European firms acquired by BRICs reveals that Chinese EMNCs tend to follow a rather aggressive acquisition strategy acquiring low-performing firms. Furthermore, target firms involved in conglomerate and horizontal investments appear to be the largest and horizontal and vertical deals are on average aimed at better performing targets than conglomerate and related investments.

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1. Introduction

Outward foreign direct investments (OFDIs) from emerging countries are earning an increasing attention within the International Business literature, at least for three reasons. First of all, they are a recent and growing phenomenon that still has to be fully described and understood. Second, they originate from countries and firms that do not easily fit into the traditional theoretical frameworks previously adopted to explain OFDIs from advanced countries. Finally, their impact on the host and home countries still needs to be investigated.

Recent studies have focused their attention either on the characteristics of this new wave of globalization (Gammeltoft, 2008; Goldstein, 2007; Sachwald, 2001; Sauvant, 2005) or on its determinants (Buckley et al., 2007; Mathews, 2006; Rugman, 2007). The literature adopts either a macro level perspective (e.g. considering the flows and/or stocks of investments from emerging and developing economies) or a case study approach. Some papers make use of a micro-level perspective, but they focus only on a single country (Chittoor and Ray, 2007; Cuervo-Cazurra, 2007; Garg and Delios, 2007; Kalotay, 2008; Morck et al., 2008; Rui and Yip, 2008). Conversely, a full fledged micro-level study comparing OFDIs from different emerging countries, which would be useful to disentangle the strategies and the characteristics of EMNCs, is to our knowledge still missing.

Within the phenomenon of OFDIs from emerging countries a particular aspect which is becoming increasingly relevant is that of mergers and acquisitions (M&As) from emerging to developed economies. Firms in emerging countries, which have traditionally acted as targets rather than acquirers in cross-border M&As, are now becoming progressively more active in taking over firms in developed economies. The World Investment Report 2007 confirms the importance of this new trend.

It is interesting to observe that the significant recent rise of M&As from BRICs to advanced countries is attracting by far more attention (together with some concerns) from policy-makers, practitioners (see for instance the BCG Report, 2006) and academics, partially due to the lack of understanding of this phenomenon. Indeed, a recent lively debate concerns whether outward investments from emerging economies (and BRICs in particular) require a special theory, different from or nested within the general OLI paradigm. EMNCs may have firm-specific ownership advantages which

differ from those of the traditional MNCs (Dunning and Lundan, 2007) like the ability of leveraging their linkages with those MNCs from advanced economies that previously invested in their home country (Mathews, 2006; Pananond, 2007; Petrou, 2007; Wu and Chen, 2001). Nevertheless, ownership advantages may be considered as country-specific instead of firm-specific (Rugman, 2007). In fact, such advantages generally stem from the strong support that EMNCs, especially those that are state-owned, receive from their national governments, which provide the EMNCs with large flows of money to employ in costly and risky M&As in advanced countries (Buckley et al., 2007; Kalotay, 2008). Therefore, more research and empirical evidence is needed for the understanding of what are the drivers of M&As undertaken by EMNCs, in order to comprehend their strategies and impact on the acquired firms.

In this paper we contribute to filling this gap by taking advantage from a dataset consisting of 417 acquisitions that have been undertaken by Brazilian, Russian, Indian, and Chinese (BRIC, hereafter) companies in Western Europe and North America (Canada and the US) between 2000 and 2007. In particular, we study how EMNCs behavior varies along different dimensions such as: time, home and host countries, industries, and relatedness (i.e. horizontal, related, vertical or conglomerate acquisition).

For a sub-sample of 115 deals in which the target company is European, we further investigate how the internationalization pattern is affected by firm-specific characteristics of the acquirer and target companies such as assets, size, profitability, and others performance indicators.

Building on this firm-level approach we discuss the pattern of BRICs' acquisitions in developed countries and measure their importance, by comparing our results with those obtained in other analyses conducted at country or sectoral level.

The paper is organized as follow. In the next session we briefly review the literature on OFDIs from EMNCs, giving special emphasis to BRICs and their M&A activity. Section 3 discusses the method employed in the present paper to study the characteristics of acquisitions from BRICs, while sections 4 and 5 display an overview of characteristics, types and motivations of the acquisitions undertook by EMNCs from BRICs in developed economies in the 2000-2007 period. The analysis of the sub-sample of 115 Western European firms acquired by EMNCs from BRICs follows. Finally, section 7 provides some conclusions.

2. Foreign investments from BRICs multinationals

There are several factors that explain the dramatic increase in OFDI activity, in general, and M&As, in particular, stemming from BRIC countries: their rapid industrialization, their increasing wealth, home market growth constraints, their integration into the global economy, the liberalization of investments, and trade policy reforms (Gammeltoft, 2008; Sauvant, 2005; UNCTAD, 2005).

Most investments by BRICs are directed towards other developing countries where EMNCs can turn the disadvantages they have with respect to advanced MNCs, in terms of ability to compete in instable economic environments, into advantages. In fact, as different recent studies have highlighted (Cuervo-Cazurra and Genc, 2008; Deng, 2003; Hong and Sun, 2006; Kalotay, 2008; Klein and Wocke, 2007; Pananond, 2007; Rui and Yip, 2008), emerging countries are typically characterized by unstable and turbulent institutional and economic environments, therefore EMNCs are expected to compete more easily in similar poorer governance conditions compared with MNCs from developed countries. However, there is, among the BRICs, a huge amount of country-specificity due to the different economic, social, political, regulatory, legal, and historical characteristics. The government of Brazil, for instance, does not seem to give significant attention to promoting OFDIs (Gammeltoft, 2008; Sauvant, 2005; UNCTAD, 2005). The Russian government, on the other hand, seems to be supportive towards the internationalization strategy pursued by its EMNCs, which incidentally is often aggressive and pursued by means of M&As (Skolkovo, 2007). Also Indian and Chinese EMNCs can count on a wide range of policies supporting their investments (Gammeltoft, 2008; Kumar, 2007; Sauvant, 2005; UNCTAD, 2005).

As far as more specific characteristics of BRICs outward investments are concerned, it can be noted that most of them occur in finance and business services even though an increasing fraction of investments are undertaken in manufacturing, construction, extractive sectors, public utilities, transportation and communications services (Gammeltoft, 2008; Sauvant, 2005). In Brazil, China and Russia OFDIs seem to be mainly due to large firms. Both large and small enterprises are instead taking part in OFDIs in India. Smaller firms are mainly operating in pharmaceuticals and drug

industries; this suggests that their internationalization might be a consequence of the regulatory shock which occurred in the industry in 2005 (see, for details, Chittoor and Ray, 2007).

Concerning the entry mode, despite most Indian OFDIs occur through greenfield investments, M&As are gaining an increasing popularity as an entry strategy in developed countries and a similar trend is characterizing all BRICs. Indeed, China and India undertake the majority of their M&As in advanced countries, while in Brazil and Russia the figure is about 50%. Small-medium enterprises result to be less inclined to adopt the M&As strategy because of their limits in financial resources and because they engage more in market seeking and efficiency-seeking investments in neighboring countries (UNCTAD, 2005).

Turning to firm-specific reasons underlying OFDIs undertaken by EMNCs, they can be classified into (i) push factors, such as rising costs in the home market, corporate internationalization policies, following competitors, customers and suppliers; (ii) pull factors, such as growth opportunities, investment opportunities in the host country, availability of natural resources and host government incentives; (iii) management factors, such as availability of skills and knowledge needed to internationalize (UNCTAD, 2005).

However, some differences arise if we look at the specific reasons why EMNCs of each of the four BRIC countries undertook OFDIs. Chinese firms, for instance, undertake OFDIs to compensate their competitive disadvantages by leveraging the assets of target firms and to overcome institutional constraints or to augment the institutional advantage they have in terms of strong economic support by government (Morck et al., 2008; Rui and Yip, 2008). This explains why they make use of a large amount of M&As as entry strategy: specifically, Chinese acquirers are mainly large EMNCs that buy firms in advanced countries, even with financial and strategic difficulties, in order to acquire their assets and to enter their markets (Rui and Yip, 2008). However, several OFDIs are undertaken also in developing countries, where Chinese EMNCs can exploit their ability to operate in similar institutional contexts (Morck et al., 2008). Most of their M&As occur in sectors where the competition between local and global firms is high and where EMNCs can exploit their cost

advantages, such as energy, telecommunications, electronics, machinery, home appliance and automobiles (Morck et al., 2008; Rui and Yip, 2008).

Indian firms, especially those operating in pharmaceutical sectors, have been classified by Chittoor and Ray (2007) in five different strategic groups according to the reasons underlying the OFDIs and the strategy implemented by EMNCs. The categories identified by the authors are: exploiters, outsources, explorers, emerging global firms and global firms. The first two categories pursue a strategy based on the exploitation of their existing capabilities; these EMNCs, which display a low level of R&D activities and which operate in traditional manufacturing industries, undertake their investments within the same markets and products by adopting the greenfield entry strategy and by investing in developing countries. Conversely, explorers, emerging global firms and global firms, which show a high degree of R&D expenditures, aim at acquiring new assets and new capabilities by investing in developing and developed markets both in the same and in different industries; the main entry strategy adopted by these types of firms are M&As. Furthermore, a correlation between the profitability of Indian EMNCs, measured by the return to sales indicator, and the group they belong to is found by Chittoor and Ray (2007): indeed, the value creation increases from the category of exploiter to the category of global firms. However, a not clear trend is found when the return on asset indicator is used to measure the performance of EMNCs: this means that the different strategies offer different value addition potential but lead to the same results in terms of return on assets (Chittoor and Ray, 2007). Conversely, Garg and Delios (2007) run a survival analysis on Indian foreign affiliates and find that EMNCs belonging to a business group have a higher probability to survive, but only in developing countries: this result might be due to the fact that the advantages deriving from the business group affiliation, which consist of overcoming or reducing the costs associated with operating in weak institutional environment, can be transferred only to other developing countries. The authors conclude by arguing that Indian EMNCs are less likely to be successful in developed countries because they are not used to compete in their institutional environments that are rule and market based and that promote impersonal exchanges. Moreover, EMNCs prefer to invest in developing countries that are less culturally distant and which offer personalized exchanges (Garg and Delios, 2007).

As regards Brazilian EMNCs, some firm-level analyses have been carried out by Cuervo-Cazurra (2007), who studies Latin America EMNCs by including several Brazilian firms. The author identifies three groups of firms according to the type of subsidiary they initially establish abroad: EMNCs opening marketing subsidiaries in all countries, EMNCs opening production subsidiaries in all countries, and EMNCs opening production subsidiaries in some countries and marketing subsidiaries in some others. Firms that belong to the first group have a strong location advantage in the home country and invest abroad only to establish sales and distribution facilities (market seeking investments); these EMNCs typically operate in the primary sector (raw materials and agricultural products) and undertake greenfield investments both in developing and in developed countries. Firms belonging to the second group try to exploit the location advantage of the host country by undertaking asset-seeking, market-seeking and resource-seeking investments; OFDI, which occurs in different industries, are undertaken both through greenfield investments and through M&As; resource seeking and market seeking investments are directed mainly towards developing countries, while asset-seeking investments towards developed economies. Finally, EMNCs belonging to the third category display the characteristics of both the first and the second groups.

Finally, Russian EMNCs are much more homogeneous than firms from other developing countries: indeed, with the exception of some investments in telecommunication industry, Russian EMNCs have a strong link with their natural resources at home and undertake mainly resource-seeking investments (Kalotay, 2008). These firms are considered to resemble to Western European firms as regards to the origin of their competitive strength: indeed, they were able to expand abroad thanks to the oligopolistic or monopolistic advantage they previously had in the home country, which allowed them to cumulate a high wealth and to become large enterprises (Kalotay, 2008). However, what makes Russian EMNCs idiosyncratic with respect to Western European firms is the rapidity with which they have internationalized (Kalotay, 2008). M&As are the most preferred entry strategy of Russian EMNCs, and Europe (both Western and Eastern) is the preferred host country. According to Kalotay (2008), Russian EMNCs have been pushed towards internationalization both by pull and by push factors: the former refers to the elimination of state monopoly in advanced

countries and the configuration of the international markets as source of competitiveness, the latter to the difficult and instable domestic business environment that push Russian firms to find abroad a stable source of revenues. The state-owned Russian EMNCs have shown a slowdown of output, exports and GDP, while the opposite holds for private firms (Kalotay, 2008).

3. Research method

For the purpose of our analysis, we use as main source of data the merger and acquisition database ZEPHYR from Bureau van Dijk Electronic Publishing. Zephyr has a global coverage on M&As activity and it allows to analyze deals irrespectively of the transaction size, since there is no minimum deal value. We identified firms located in Brazil, Russian Federation, India, and China that completed cross-border acquisitions in Western Europe, North America, and Japan in the eight-year period from 2000 to 2007. Target firms could operate in any kind of industry, from agriculture to construction, from manufacturing to service.

As acquisition we define a transaction that gives the acquiring firm a majority stake – more than 50% – in the target company, provided that it previously held either no shares or a minority stockholding in the target. The final sample consists of 417 BRICs outward acquisitions.

Following Haleblian and Finkelstein (1999) and Haunschild (1994), we distinguish among four different types of acquisitions, namely: *horizontal*, *related*, *vertical*, and *conglomerate*. Specifically, an acquisition in which the acquiring and the target firms have at least one 3-digit SIC code in common among those in which they operated at the time of the acquisition is classified as horizontal, while the acquisition is coded related if the two firms have at least one 2-digit SIC code in common. We classify the acquisitions as vertical when the industry of the acquiring firm either sold more than 5% of its output to or received more than 5% of its input from the industry of the acquired firm. Finally, acquisitions that are not classified as horizontal, related, or vertical, are classified as conglomerate. For this exercise we used the input-output tables published annually for the United States.

As previously discussed, policy makers operating in developed countries have still several reservations related to M&As undertaken by EMNCs. Thus, in order to better

understand drivers and motives of BRICs acquisitions in developed countries and accordingly to shed light on it, we define the dummy variable *capability augmenting*. The variable equals one when the acquisition extended the existing parent company range of activities to at least one new sector. A new sector is a sector that does not have more than 1 digit SIC code in common with the existing sectors in which the parent company operated at the time of the acquisition. The variable capability augmenting allows us to capture the predominant strategic reasons of BRICs firms investing in developed countries. Specifically, acquisitions with the variable capability augmenting equals to one will be indicative of explorative reasons in terms of new products and/or new developed markets. In this case through the acquisition the acquirer firm diversifies production lines or expands the firm's scope of operations. On the other hand acquisitions reporting the variable capability augmenting equals to zero will suggest exploitative investments in terms of similar products and/or in similar markets (Cantwell and Mudambi, 2005).

4. BRICs acquisitions in developed countries: an overview

Table 1 illustrates the yearly frequency of the final sample of 417 acquisitions. Since 2003 the data reveals a rapid rise of acquisitions by India and China, while Russia registers a similar trend only from 2005. It can be noted that before 2003 private Chinese firms were legally prohibited from investing abroad. The release of this law could have boosted foreign investments also in developed countries.

– Insert Table 1 about here –

Although Brazil is one of the largest sources of OFDI among the emerging markets, its acquiring activity in developed countries is still quite limited, in comparison with the other BRICs. Brazilian firms are responsible for 27 (6.47%) of the sampled acquisitions, while 251 (60.19%) have been undertaken by Indian multinationals, 67 (16.07%) by Chinese, and 72 (17.27%) by Russian firms. Brazil position can be partially explained if we observe that the Latin American region remains the major destination for Brazil's OFDIs, and greenfield projects are generally preferred as mode of entry (Sauvant, 2005). A similar consideration holds in the case of China. Considering that China is the

seventh-largest investor among emerging markets (Sauvant, 2005), most of the Chinese OFDIs continue to be located in developing countries. With no doubts, India is the most active in acquisitions in developed economies, at least in terms of numbers of deals. The number of acquisitions undertaken by Indian firms in advanced countries has increased of 1283% in the 2000-2007 period, while the growth rates are 1000%, 650%, and 150% for Russia, China, and Brazil, respectively.

Table 2 shows that BRICs acquisitions are somehow equally distributed among Western Europe (56.35%) and North America (41.73%), with a notable exception of Russian acquisitions that are mainly directed towards Western European countries (Kalotay, 2008). The most attractive European countries are respectively Great Britain (17.03%), Germany (10.07%), France (6.47%), and Italy (4.32%). However, it is noteworthy that the picture may differ if we consider the value of deals. Unfortunately the lack of data limits our analysis in this respect. Amongst the developed countries, Japan results as the less likely destination of BRICs outward acquisitions.

– Insert Table 2 about here –

BRICs acquisitions in advanced countries are equally important in manufacturing (46.21%) and service industries (50.71%), while only 3.08% of the acquisitions occurred in the primary industry, as illustrated in Table 3. However, some specificity exists when we consider the four BRICs separately. The sectoral distribution of outward acquisitions from China is skewed towards the secondary industry (65.67%) while the acquisitions from India occur more often in services (59.36%). Since 2003, India reports an increase of the number of acquisitions in both secondary and tertiary industry, while acquisitions from China in tertiary industry started to rise only from 2005. Table 4 analyzes the industry distribution of BRICs acquisitions in more details. Reflecting the sectoral composition of national industries, most BRICs acquisitions are confined to a few key industries. Most of the deals of Brazilian and Russian companies are in natural resources, heavy industries, or depository institutions; Indian investments are concentrated in chemical and allied products and business services; China's acquisitions are prominent in manufacturing, in particular in machinery and computer equipment and

in the electronic and electrical industry. However, acquisitions in services are catching up with Chinese firms quite active in the business services sector.

– Insert Table 3 about here –

5. Types and motivations of BRICs acquisitions in developed countries

Most of BRICs expansion in developed countries took place through horizontal acquisitions (59.12%) as reported in Tables 5-8. Horizontal acquisitions are often the only possible way for EMNCs to quick entry structured developed markets and to access established brands, processing and distribution networks, and local suppliers (Kalotay, 2008). Within the 2000-2007 period, about 65%, 54%, 51% and 44% of respectively Indian, Russian, Chinese and Brazilian acquisitions have been classified as horizontal. With the exception of Russia, the relevance of exploitative acquisitions, in terms of acquirer's opportunity to extend its activities to similar products and/or in similar markets, is also documented by the number of related acquisitions.

It has been argued that knowledge and technology seeking should be a prime motive for developing country firms to invest abroad. Our data show that explorative investments count for about one third of the total number of acquisitions. Brazil and Russia report respectively about 22% and 15% of vertical acquisitions while the incidence is slightly less in the cases of India (12.50%) and China (7.70%). It is interesting to note that about 19% of the sampled acquisitions are conglomerate, with the percentage that increases to 29% in the case of Russia and China. Besides indicating the importance of capability augmenting acquisitions, these results may suggest two other remarks. On the one hand, following the distinction between ownership advantages and "Ot" advantages such as advantages of common governance, learning experiences and organizational competence (Kalotay, 2008), the relevance of conglomerate acquisitions may put forward a greater role played by "Ot" advantages compared to ownership advantages, when the internationalization of firms of less advanced countries is analyzed. In particular, given that Russian and Chinese firms are less technology based but more related to the oligopolistic or monopolistic advantages previously accumulated, conglomerate acquisitions are the opportunity to export a

successful “home-business model” (BCG, 2006; Kalotay, 2008). On the other hand, conglomerate investments are the results of an overseas expansion for the benefit of risk diversification, often encouraged by national governments especially keen to see the development of state-owned MNCs.

As far as the variable capability augmenting is concerned, an interesting result emerges from the analysis of Tables 5-8 (b). Taking into account that for definition the variable capability augmenting equals to one for vertical and conglomerate acquisitions, it can be observed the existence of cases where also horizontal and related acquisitions have been classified as explorative investments. In particular, there is a proportion of “market-seeking” investments that has also extended the scope of the acquirer’s operations towards new businesses. Noteworthy are the cases of India and China with respectively 37% and 24% of capability augmenting acquisitions occurred through horizontal and related deals. These results follow and confirm the recent extensions of the OLI paradigm. BRICs MNCs are most likely to invest in developed countries for property rights and intangible assets, learning and, in particular, for compensating for their competitive disadvantages (Dunning and Lundan, 2007).

The comprehensive examination of our data suggests that financial motivations play an important role in Brazil’s acquisitions as denoted by 18.52% investments occurred in finance services (see Table 4). This has some similarities with outward acquisitions from the Russian Federation. Another important common driver of Brazilian and Russian acquisitions is the access to raw materials and markets. Examples are the acquisitions conducted by firms such as Companhia Vale do Rio Doce and Norilsk Nickel in metal mining, those of Lukoil in oil and gas extraction, Companhia Siderúrgica Nacional SA and Severstal in primary metal industries. Commenting the recent acquisition of the Canadian Inco Ltd by the Companhia Vale do Rio Doce, Mr Scott Hand (Chairman and CEO of Inco) said that “the integration of the two companies is a crucial step to create a new world leader in mining and metals and to strengthen their position in the global nickel mining business”. The sampled acquisitions in metal mining, oil and gas extraction, and primary metal industry, are in fact horizontal or related supporting the market seeking reason as a major driver (see Table 5a and 6a). However, both Russian and Brazilian firms operating in energy and mining industry and

in primary metal industry have also extended their activities as registered by the vertical and conglomerate investments occurred within these sectors (see Tables 5b and 6b).

– Insert Tables 5a and 5b about here –

Recently, with considerable acquisitions in the European Union and the United States, Russian firms are increasing their investment activity in the communications and retail industries motivated by the desire to increase the global market but also to acquire strategic assets as suggested by the presence of both vertical and conglomerate acquisitions (Table 6a).

It is interesting to note that although Brazil's OFDIs in business services have been proved to be significant both in terms of value and number of deals (Sauvant, 2005), this type of investments must be generally directed toward other developing countries. In fact, during the period 2000-2007 we do not observe Brazilian acquisitions in the business service industry in developed countries.

– Insert Tables 6a and 6b about here –

Indian acquisitions in developed countries are basically present in most of the manufacturing and services industry (see Table 4). The key drivers of these acquisitions remain the access to markets and brand names and the possibility to enlarge distribution networks, although some specificity exists as we will describe.

Within the manufacturing industry most of the acquisitions are concentrated in chemical and allied products (13.25%). Out of the 33 acquisitions in this industry 66% are in drugs and pharmaceuticals. The majority of the acquisitions undertaken in this sector aimed to access new markets and strength cost-effective productions. The recent investments of Wockhardt in the European Union are a typical example. The acquisitions gave the Indian firm a larger footprint in Europe spread over the UK, Ireland and Germany, with the European business that will now exceed USD 200 million, accounting for almost half of Wockhardt's total sales.

Although strategic asset seeking motives are not the main reasons driving Indian acquisitions in developed countries in the chemical and allied products segment, it is not

atypical to observe cases where market and strategic asset seeking motives are pursued together. Table 7b shows that Indian firms operating in this sector have undertaken 43 acquisitions in the 2000-2007 period out of which 29 are horizontal, 4 related, 7 vertical and 3 conglomerate. In 15 cases the acquirer firms augmented their capabilities through the acquisition. For instance, commenting the acquisition of Diaspa Spa by Strides Arcolab Group, Mr Arun Kumar (Vice Chairman and Managing Director of Strides Arcolab Group) said that "the acquisition of Diaspa will give Strides immediate access to a USFDA (US Food and Drugs Administration) and EU approved facility with strong history of technology and fermentation skills. [...] We are also delighted with the strong technology and management bandwidth Diaspa brings along with this acquisition". Other cases of acquisitions motivated by combined market and strategic asset seeking reasons are, for instance, the acquisition by Suven Pharmaceuticals Ltd of the assets of New Jersey-based Synthon Chiragenics Corporation, a world-leader in carbohydrate-based chiral technology for pharmaceutical, and the acquisition of Ethimed by Ranbaxy that offered Ranbaxy a ready and robust distribution network and a strong base from where expand its business in Europe.

Although investments in manufacturing industries remain relevant, service sectors are taking the lead in the internationalization process of Indian firms in developed countries, counting for about 60% of the total acquisitions. More than 40% of India's acquisitions are concentrated in business services, in particular in computer programming services, prepackaged software, and computer integrated system design. Several Indian computer programming and data processing firms are experiencing the benefit of acquiring established companies in developed countries to expand markets and client bases. In 2001 the acquisition of UII, a United States software company, by Cyberspace has brought an impressive client base, including many Fortune 500 customers to Cyberspace. Other acquisitions of firms such as the German AD Solutions by India's leading computer skills trainer and software firm NIIT Ltd, Alcatel SA's fraud management software unit and Azure Solutions Ltd by Subex, were carried out to gain access to European markets and significantly expand their customer base across key geographies.

The analysis of the type of acquisition supports the predominance of market seeking motives of Indian business services firms (see Table 7a). The majority of the target

companies have been acquired in this sector through horizontal deals (85 out of 103), although there are also some related investments (10) and few vertical (2) and conglomerate ones (6). However, a deeper investigation shows that explorative and capabilities augmenting investments are not a rare event in the business service sector. In fact, if we consider those firms operating in this sector that have undertaken an acquisition within the analyzed period (Table 7b), we find that in 33 cases (about 30%) the acquirer firm has extended the range of its activities, bringing in skills and knowledge complementary to its current capabilities. This result is indicative of the fact that Indian firms are acquiring more often foreign firms in developed countries to access technology and strategic knowledge in order to strength their competitiveness.

For instance, the acquisition of an acknowledged industry leader such as the American firm Infocrossing broadened the data center and mainframe capabilities of the Indian Wipro Technologies to uniquely position it in the remote infrastructure management space. Mr Sudip Banerjee, President Enterprise Solutions of Wipro Technologies, as a comment to the acquisition said that "With its unique Platform based solutions, Infocrossing also brings in significant expertise in Health plan & Payer Management segments." The acquisition of Infocrossing is only one case of the new wave of strategic asset seeking acquisitions. Among the others we can mention the expansion of NIIT Technologies' experience in the Life and Pensions space through the acquisition of ROOM Solutions Ltd's vast domain expertise in the non-life and re-insurance space, or, for instance, the acquisition by Logix Microsystems Ltd of Prize Corporation ReckonUp business specialized in software for use by automobile dealerships.

– Insert Tables 7a and 7b about here –

With Chinese firms becoming more competitive on the international arena, we also observe an increasing number of acquisitions undertaken by Chinese companies in developed countries. The foreign investments are still dominated by state-owned companies and are usually motivated by the desire of gaining market and building global brand name. However, with the support of government policies China's foreign

investments, and in particular M&As, are more often pursued to access advance technology and learn advance management methods (Wu and Chen, 2001).

The bulk of Chinese acquisitions occurred in industrial and commercial machinery and computer equipment (16.42%), in electronic and other electrical equipment and components (11.94%) – with a strong presence in the white goods sector – and in business services (16.42%). The incidence of the acquisitions toward sectors such as food and kindred products, chemical and allied products, and transportation equipment is also substantial.

The results reported in Table 8a strongly support the idea that Chinese firms operating in industrial and commercial machinery, consumer electronics, and household appliance are mostly driven by the desire of transforming the local product into a global brand exploiting markets, networks and experience gained through horizontal acquisitions of global advanced firms. Lenovo's acquisition of IBM's personal computer division, the acquisitions by Dalian Machine Tool Group of the German Zimmermann and the production machines division of the machine tool manufacturer American Ingersoll Milling Machine Company, and of Meneghetti SpA by Haier, are important examples.

– Insert Tables 8a and 8b about here –

It is interesting to observe that more than 50% of the Chinese acquisitions undertaken by firms operating in chemical and applied products extended the acquirer firms capabilities in terms of new products and/or new business. In this case through the acquisition the acquirer firm diversifies production lines or expands the firm's scope of operations (Table 8b).

6. The characteristics of BRICs acquisitions in Western Europe

In the previous section we provided some evidence on the geographic and industrial distribution of BRICs acquisitions in developed countries by studying in depth the drivers of these investments thanks to our micro-level data. A deeper analysis on the

characteristics and the performance of acquiring and target firms can shed further light on the patterns of acquisitions from BRICs and on the strategies of EMNCs.

For this purpose, we complemented deal information from Zephyr with balance sheet and income statement information from the Amadeus database (Bureau van Dijk Electronic Publishing) for the subsample of acquisitions concerning Western European target companies. When available, we selected consolidated accounts to reflect more accurately firm's fundamentals. Our final sample consists of 115 deals. Table 9 shows the deal distribution across home country and type of acquisition while in Table 10 is reported the distribution across home and host countries. In particular, it can be noted that the distribution of this subsample across country of the acquirer and of the target is broadly consistent with the Western European portion of the global sample reported in Table 2. Two chi2 tests do not reject, at conventional confidence levels, the hypothesis that this subsample and the Western European population of target companies from the initial sample have the same distribution across home and host country (respectively $\chi^2(3)=2.26$ and $\chi^2(15)=13.37$).

– Insert Tables 9 and 10 about here –

Despite that, our subsample is likely not to be a random extraction from the underlying population along other dimensions. In particular it is quite likely that, other things being equal, larger target firms are usually easier to be in the Amadeus database than smaller ones.

We report in Tables 11 and 12 means and medians of key accounting figures broken down respectively by acquirer's home country and type of acquisition.

– Insert Table 11 about here –

The first two columns in Table 11 show the logarithm of target's total assets as reported in firm's balance sheet in the year prior to the acquisition. Firms acquired by Brazilian and Chinese corporations are substantially (between 1.6 and 2.0 times) larger than those acquired by Indian or Russian companies. The relatively fewer deals carried out by the former two countries are, hence, on average larger. This might be an indication of higher investment barriers faced from Brazilian and Chinese acquirers

toward Western Europe deriving, possibly, from relatively higher cultural or geographical distance: incidentally Table 2 shows that both countries appear to be more active in other developed countries (e.g. the US) than in Western Europe. In other words the investment threshold for Chinese and Brazilian firms acquiring European ones may be higher simply because Europe is not necessarily the most natural target candidate.

The second variable we inspect is acquirer's total assets in the year of the acquisition. The information is collected directly from Zephyr for each acquirer. Considering the diversity of accounting rules between BRICs and Western European countries and among BRICs themselves, we should be quite cautious in relying excessively on the accuracy of these figures. Some comments are however worth making. Apart from Brazilian acquirers which are by far larger than others, the difference among Russian, Chinese and Indian companies in size here is much smaller than what found by looking at target companies. In particular, Indian and Russian acquirers do not seem to be significantly smaller than Russian ones. By comparing this figure with those in the previous two columns we observe that acquirers are, as expected, much larger than targets; the size ratio, which is on average 2.3, is only 1.5 for Chinese acquirers which, hence, appear to be much more aggressive.

Interestingly the last three variables in Table 11 give us a further confirmation of the fact that Chinese companies are pursuing a different, more aggressive, penetration strategy in Europe. To gauge firm's liquidity we compute for each target company two ratios, the solvency ratio (i.e. the ratio between operating cash-flows and long and short term liabilities) and the current ratio (i.e. the ratio between firm's current assets and liabilities). We also build a dummy variable which equals 1 when the target company is operating at profits and 0 otherwise. These figures are all based on balance sheet and income statement information in the year before to the acquisition. The choice of these fundamental, but somewhat superficial, accounting indicators is driven by the need to use figures which could be compared across industries without introducing severe biases.

Table 11 shows that that targets of Chinese companies are ranking fairly low along each of the three accounting ratio. This supports the anecdotic evidence that Chinese firms are often acquiring ill performing targets in order to turn them around (e.g.

moving operations to China) or just for having access to complementary resources such as the distribution network.

The same variables are reported in Table 12 broken down by type of acquisition.

– Insert Table 12 about here –

In terms of total assets, the largest target companies are those acquired in a conglomerate (mean) or horizontal (median) deals. The difference between means and medians suggests that mega deals tend to be of conglomerate type (often the acquirer is a financial company and the target a manufacturing one). When comparing target's size with acquirer's we observe that related and vertical transactions are usually associated with a significantly higher differences; size in horizontal deals is, instead, more leveled between target and acquirer.

If we compare accounting performance of target firms along different deal typologies we find some regularity: targets of horizontal and vertical deals are on average better performing than targets in conglomerate and related deals. Apparently, the more acquirers and targets are linked by industrial ties (e.g. as competitors in a horizontal deal, as client-supplier in a vertical deal) the higher is the quality of the firm which the acquirer aims at. The poorest performers are the targets of conglomerate deals, out of which only 47.7% have positive profits and whose Solvency ratio is slightly more than half that of other target companies.

7. Conclusions and implications

The present paper tried to make a contribution to the existing literature on MNCs from emerging countries in terms of motivations and characteristics of BRICs acquisitions. In fact, BRICs countries have become important actors along with the leading foreign direct investors among emerging markets in the last decade. Outward acquisitions from BRICs are expected to increasingly become a global phenomenon with a particular relevance for those investments directed towards advanced countries.

Our analyses have shown that resource-based industries continue to dominate outward investments of Brazil and Russia, while the high concentration of Indian outward acquisitions in developed countries is in drugs and pharmaceutical and business

service whereas the Chinese firms concentrate their acquisitions in industrial and commercial machinery and electronic and electrical equipment.

Expanding abroad provides BRICs companies with access to well established brands and distribution networks, especially through horizontal and related acquisitions, but also in several cases the access to new know-how and resources. Numerous examples have shown that BRICs companies invested in the leading foreign markets to promote their long-term strategic objectives of advancing their position in the global production and marketing. However, they rely on not only the exploitation of existing resources, but also the accumulation of new knowledge and capabilities to sustain or advance their international competitiveness.

Although each of the earlier studies on BRIC outward investments has advanced our understanding of the phenomenon, they have remained largely on a macro level considering flows and/or stocks of OFDIs. Taking advantage from our dataset we tried to add to the previous results through a detailed analysis of typologies and motivations of BRICs' acquiring activities in developed countries. Moreover, for the subsample of acquisitions undertaken in Western Europe the results of this study shed some light on the characteristics of BRICs acquisitions by analyzing micro data. We have found some noticeable aspects which distinguish BRICs acquisitions. Overall we discovered that both the home country of the acquirer and the relatedness between target and acquirer are factors that influence target's characteristics in terms of size and performance.

Our results are explorative and several other significant issues remain to be examined. For instance, a next phase of this work may combine the two dimensions – home country of the acquirer and relatedness between target and acquirer – in a single multivariate analysis to understand the importance of each and how they interact. Preliminary, unreported, findings suggest that both dimensions maintain some explicative importance. It is essential to notice, however, that the two dimensions have not obtained the same attention from the literature so far: home country specificities are currently being explored with some detail but other characteristics of the deals like the relatedness (which require micro-level data to be determined) are largely neglected.

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Tables and Figures

Table 1 – Number of acquisitions by acquisition's year and acquirer's country

<i>Year</i>	<i>Brazil</i>	<i>China</i>	<i>India</i>	<i>Russia</i>	<i>Total</i>
2000	2	2	6	2	12
2001	3	3	11	3	20
2002	3	2	11	2	18
2003	3	6	25	5	39
2004	3	11	27	3	44
2005	3	12	36	13	64
2006	5	16	52	22	95
2007	5	15	83	22	125
Total	27	67	251	72	417

Table 2 – Number of acquisitions by acquirer's country and target's country

<i>Target's country</i>	<i>Acquirer's country</i>				<i>Total</i>
	<i>Brazil</i>	<i>China</i>	<i>India</i>	<i>Russia</i>	
Western Europe	12	32	131	60	235
Austria	0	0	2	2	4
Belgium	0	1	5	1	7
Denmark	1	1	2	1	5
Finland	0	0	2	6	8
France	2	5	10	10	27
Germany	1	10	25	6	42
Great Britain	0	8	49	14	71
Ireland	0	0	3	2	5
Italy	2	1	8	7	18
Luxemburg	1	0	0	1	2
Netherland	0	4	8	3	15
Norway	1	1	0	0	2
Portugal	1	0	2	0	3
Spain	1	1	6	1	9
Sweden	1	0	4	2	7
Switzerland	1	0	5	4	10
Japan	1	4	3	0	8
North America	14	31	117	12	174
Canada	3	3	11	2	19
United States	11	28	106	10	155
Total	27	67	251	72	417

Table 3 – Number of acquisitions by acquirer's country and target's industry

<i>Industry</i>	<i>BR (%)</i>	<i>CN (%)</i>	<i>IN (%)</i>	<i>RU (%)</i>	<i>Total (%)</i>
Primary	2 (7.41)	3 (4.48)	1 (0.40)	7 (9.72)	13 (3.12)
Secondary	15 (55.56)	44 (65.67)	101 (40.24)	31 (43.06)	191 (45.80)
Tertiary	10 (37.04)	20 (29.85)	149 (59.36)	34 (47.22)	213 (51.08)
Total	27 (100.0)	67 (100.0)	251 (100.0)	72 (100.0)	417 (100.0)

Table 4 – Number of acquisitions by acquirer’s country and target’s industry (2-digit SIC code)

Sic Industry Classification	BR (%)	CN (%)	IN (%)	RU (%)	Total (%)
<i>Primary</i>					
01 Agriculture products	0 –	0 –	1 (0.40)	0 –	1 (0.24)
10 Metal mining	2 (7.41)	0 –	0 –	3 (4.23)	5 (1.21)
13 Oil and gas extraction	0 –	3 (4.48)	0 –	4 (5.63)	7 (1.69)
<i>Secondary</i>					
20 Food and kindred products	2 (7.41)	5 (7.46)	2 (0.80)	5 (7.04)	14 (3.38)
22 Textile mill products	0 –	0 –	8 (3.21)	0 –	8 (1.93)
23 Apparel and other finished products made from fabrics and similar material	0 –	0 –	2 (0.80)	0 –	2 (0.48)
24 Lumber and wood products, except furniture	0 –	0 –	0 –	1 (1.41)	1 (0.24)
25 Furniture and fixtures	0 –	1 (1.49)	0 –	0 –	1 (0.24)
26 Paper and allied products	0 –	0 –	0 –	1 (1.41)	1 (0.24)
27 Printing, publishing, and allied industries	0 –	1 (1.49)	2 (0.80)	1 (1.41)	4 (0.97)
28 Chemical and allied products	2 (7.41)	6 (8.96)	33(13.25)	1 (1.41)	42(10.14)
29 Petroleum refining and related industries	1 (3.70)	1 (1.49)	0 –	4 (5.63)	6 (1.45)
30 Rubber and miscellaneous plastic products	0 –	2 (2.99)	4 (1.61)	2 (2.82)	8 (1.93)
31 Leather and leather products	0 –	0 –	1 (0.40)	0 –	1 (0.24)
32 Stone, clay, glass, and concrete products	3(11.11)	0 –	1 (0.40)	1 (1.41)	5 (1.21)
33 Primary metal industries	3(11.11)	2 (2.99)	10 (4.02)	6 (8.45)	21 (5.07)
34 Fabricated metal products, except machinery and transportation equipment	1 (3.70)	1 (1.49)	11 (4.42)	1 (1.41)	14 (3.38)
35 Industrial/commercial machinery & computer equipment	2 (7.41)	11(16.42)	3 (1.20)	3 (4.23)	19 (4.59)
36 Electronic and other electrical equipment and components, except computer	0 –	8(11.94)	8 (3.21)	0 –	16 (3.86)
37 Transportation equipment	1 (3.70)	5 (7.46)	11 (4.42)	3 (4.23)	20 (4.83)
38 Measuring, analyzing/controlling instruments	0 –	0 –	3 (1.20)	1 (1.41)	4 (0.97)
39 Miscellaneous manufacturing industries	0 –	1 (1.49)	0 –	0 –	1 (0.24)
<i>Tertiary</i>					
42 Motor freight transportation and warehousing	1 (3.70)	0 –	0 –	0 –	1 (0.24)
44 Water transportation	1 (3.70)	0 –	0 –	2 (2.82)	3 (0.72)
45 Transportation by air	1 (3.70)	1 (1.49)	0 –	0 –	2 (0.48)
47 Transportation services	0 –	0 –	3 (1.20)	0 –	3 (0.72)
48 Communications	0 –	1 (1.49)	5 (2.01)	5 (7.04)	11 (2.66)
49 Electric, gas, and sanitary services	0 –	1 (1.49)	1 (0.40)	1 (1.41)	3 (0.72)
50 Wholesale trade¨ durable goods	1 (3.70)	0 –	1 (0.40)	4 (5.63)	6 (1.45)
51 Wholesale trade ¨ nondurable goods	1 (3.70)	0 –	5 (2.01)	4 (5.63)	10 (2.42)
54 Food stores	0 –	0 –	0 –	1 (1.41)	1 (0.24)
59 Miscellaneous retail	0 –	0 –	2 (0.80)	0 –	2 (0.48)
60 Depository institutions	5(18.52)	0 –	0 –	5 (7.04)	10 (2.42)
61 Non depository credit institutions	0 –	0 –	0 –	1 (1.41)	1 (0.24)
62 Security/commodity brokers, dealers, exchanges, services	0 –	1 (1.49)	2 (0.80)	1 (1.41)	4 (0.97)
64 Insurance agents, brokers, and service	0 –	0 –	2 (0.80)	0 –	2 (0.48)
65 Real estate	0 –	1 (1.49)	0 –	0 –	1 (0.24)
67 Holding and other investment offices	0 –	2 (2.99)	0 –	2 (2.82)	4 (0.97)
70 Hotels, rooming houses, camps, and other lodging places	0 –	0 –	3 (1.20)	4 (5.63)	7 (1.69)
73 Business services	0 –	11(16.42)	103(41.37)	3 (4.23)	117(28.26)
78 Motion pictures	0 –	0 –	3 (1.20)	0 –	3 (0.72)
79 Amusement and recreation services	0 –	0 –	0 –	1 (1.41)	1 (0.24)
82 Educational services	0 –	0 –	1 (0.40)	0 –	1 (0.24)
83 Social services	0 –	0 –	1 (0.40)	0 –	1 (0.24)
87 Engineering, accounting, research, management, and related services	0 –	2 (2.99)	17 (6.83)	0 –	19 (4.59)
Total	27	67	249	71	414

Table 5a – Brazil’s acquisitions by target’s industry and deal typology

	Horizontal	Related	Vertical	Conglomerate	Total
10 Metal mining	0	2	0	0	2
20 Food and kindred products	2	0	0	0	2
28 Chemical and allied products	1	1	0	0	2
29 Petroleum refining and related industries	1	0	0	0	1
32 Stone, clay, glass, and concrete products	1	1	0	1	3
33 Primary metal industries	2	0	1	0	3
34 Fabricated metal products, except machinery and transportation equipment	1	0	0	0	1
35 Industrial/commercial machinery & computer equipment	1	0	1	0	2
37 Transportation equipment	0	0	1	0	1
42 Motor freight transportation and warehousing	0	0	0	1	1
44 Water transportation	0	0	0	1	1
45 Transportation by air	0	0	1	0	1
50 Wholesale trade¨ durable goods	1	0	0	0	1
51 Wholesale trade ¨ nondurable goods	0	0	1	0	1
60 Depository institutions	2	1	1	1	5
Total	12	5	6	4	27

Table 5b – Brazil’s acquisitions by acquirer’s industry and deal typology

	Horizontal	Related	Vertical	Conglomerate	Capability augmenting
10 Metal mining	0	2	1	1	3
20 Food and kindred products	2	0	0	0	0
22 Textile mill products	0	0	0	1	1
26 Paper and allied products	0	0	0	1	1
28 Chemical and allied products	1	1	1	0	1
29 Petroleum refining and related industries	1	0	0	0	0
32 Stone, clay, glass, and concrete products	1	1	0	0	0
33 Primary metal industries	2	0	1	0	1
34 Fabricated metal products, except machinery and transportation equipment	1	0	0	0	0
35 Industrial/commercial machinery and computer equipment	1	0	0	0	0
36 Electronic and other electrical equipment and components, except computer	0	0	1	0	1
37 Transportation equipment	0	0	1	0	1
50 Wholesale trade¨ durable goods	1	0	0	0	0
60 Depository institutions	2	1	0	0	0
67 Holding and other investment offices	0	0	1	1	2
Total	12	5	6	4	11

Table 6a – Russia Federation’s acquisitions by target’s industry and deal typology

	Horizontal	Related	Vertical	Conglomerate	Total
10 Metal mining	3	0	0	0	3
13 Oil and gas extraction	2	1	0	1	4
20 Food and kindred products	4	0	0	1	5
24 Lumber and wood products, except furniture	0	0	0	1	1
26 Paper and allied products	0	1	0	0	1
27 Printing, publishing, and allied industries	0	0	0	1	1
28 Chemical and allied products	1	0	0	0	1
29 Petroleum refining and related industries	0	0	3	1	4
30 Rubber and miscellaneous plastic products	2	0	0	0	2
32 Stone, clay, glass, and concrete products	0	0	0	1	1
33 Primary metal industries	6	0	0	0	6
34 Fabricated metal products, except machinery & tran..	0	0	1	0	1
35 Industrial/commercial machinery & computer equip.	1	0	0	2	3
37 Transportation equipment	0	0	2	1	3
38 Measuring, analyzing/controlling instruments	0	0	0	1	1
44 Water transportation	2	0	0	0	2
48 Communications	3	0	0	1	4
49 Electric, gas, and sanitary services	1	0	0	0	1
50 Wholesale trade¨ durable goods	1	0	1	2	4
51 Wholesale trade ¨ nondurable goods	0	0	1	3	4
54 Food stores	0	0	0	1	1
60 Depository institutions	5	0	0	0	5
61 Non depository credit institutions	0	0	1	0	1
62 Security/commodity brokers, dealers, exchanges	0	0	1	0	1
67 Holding and other investment offices	0	0	0	2	2
70 Hotels, rooming houses, camps,other lodging places	3	0	0	0	3
73 Business services	2	0	0	1	3
79 Amusement and recreation services	1	0	0	0	1
Total	37	2	10	20	69

Table 6b – Russia Federation’s acquisitions by acquirer’s industry and deal typology

	Horizontal	Related	Vertical	Conglomerate	Capability augmenting
10 Metal mining	3	0	0	1	1
13 Oil and gas extraction	2	1	3	2	5
20 Food and kindred products	4	0	0	1	2
26 Paper and allied products	0	1	1	0	1
27 Printing, publishing, and allied industries	0	0	0	1	1
28 Chemical and allied products	1	0	0	1	1
30 Rubber and miscellaneous plastic products	2	0	0	0	0
32 Stone, clay, glass, and concrete products	1	0	0	1	1
33 Primary metal industries	6	0	2	4	8
35 Industrial/commerc. mach. &computer eq.	2	0	1	0	1
44 Water transportation	2	0	0	0	0
48 Communications	3	0	0	0	0
49 Electric, gas, and sanitary services	1	0	0	1	1
60 Depository institutions	5	0	1	2	3
62 Security/commodity brokers, dealers...	0	0	0	1	1
67 Holding and other investment offices	0	0	2	4	6
70 Hotels, rooming houses, camps, and other	3	0	0	0	0
72 Personal Services	0	0	0	1	1
73 Business services	2	0	0	0	0
Total*	37	2	10	20	33

Table 7a – India’s acquisitions by target’s industry and deal typology

	Horizontal	Related	Vertical	Conglomerate	Total
01 Agriculture products	0	0	0	1	1
20 Food and kindred products	1	0	0	1	2
22 Textile mill products	2	3	0	3	8
23 Apparel and other finished products made from fabrics and similar material	0	1	1	0	2
27 Printing, publishing, and allied industries	1	1	0	0	2
28 Chemical and allied products	29	4	0	0	33
30 Rubber and miscellaneous plastic products	4	0	0	0	4
31 Leather and leather products	1	0	0	0	1
32 Stone, clay, glass, and concrete products	1	0	0	0	1
33 Primary metal industries	3	2	4	1	10
34 Fabricated metal products, except machinery and transportation equipment	3	1	6	1	11
35 Industrial/commercial machinery & computer equipment	2	1	0	0	3
36 Electronic and other electrical equipment and components, except computer	6	0	1	1	8
37 Transportation equipment	7	0	3	1	11
38 Measuring, analyzing/controlling instruments	2	0	0	1	3
47 Transportation services	0	0	1	2	3
48 Communications	1	0	3	0	4
49 Electric, gas, and sanitary services	0	0	0	1	1
50 Wholesale trade¨ durable goods	0	0	1	0	1
51 Wholesale trade ¨ nondurable goods	0	0	5	0	5
59 Miscellaneous retail	0	0	0	2	2
62 Security/commodity brokers, dealers, exchanges	1	0	0	1	2
64 Insurance agents, brokers, and service	0	0	0	2	2
70 Hotels, rooming houses, camps, other lodging places	1	0	0	2	3
73 Business services	85	10	2	6	103
78 Motion pictures	3	0	0	0	3
82 Educational services	1	0	0	0	1
83 Social services	0	0	0	1	1
87 Engineering, accounting, research, management, and related services	7	0	4	6	17
Total	161	23	31	33	248

Table 7b – India’s acquisitions by acquirer’s industry and deal typology

	Horizontal	Related	Vertical	Conglomerate	Augmented capabilities
13 Oil and gas extraction	0	0	0	2	2
20 Food and kindred products	1	0	0	0	0
22 Textile mill products	2	4	2	0	4
26 Paper and allied products	1	0	1	0	2
27 Printing, publishing, and allied industries	1	1	0	0	0
28 Chemical and allied products	29	4	7	3	15
30 Rubber and miscellaneous plastic products	3	0	0	2	4
31 Leather and leather products	1	0	0	0	0
32 Stone, clay, glass, and concrete products	1	0	0	0	0
33 Primary metal industries	4	2	4	1	6
34 Fabricated metal products, except machinery and transportation equipment	3	1	3	0	4
35 Industrial/commercial machinery & computer equipment	2	1	1	1	3
36 Electronic and other electrical equipment and components, except computer	6	0	1	2	3
37 Transportation equipment	6	0	5	2	9
38 Measuring, analyzing/controlling instruments	2	0	0	0	0
47 Transportation services	0	0	0	2	2
48 Communications	2	0	1	2	5
50 Wholesale trade¨ durable goods	0	0	1	3	4
62 Security/commodity brokers, dealers, exchanges, services	1	0	0	0	0
67 Holding and other investment offices	0	0	1	1	2
70 Hotels, rooming houses, camps, and other lodging places	1	0	0	0	0
73 Business services	87	10	5	10	33
78 Motion pictures	3	0	0	0	1
87 Engineering, accounting, research, management, and related services	5	0	0	1	2
Total	161	23	32	32	101

Table 8a – China’s acquisitions by target’s industry and deal typology

	Horizontal	Related	Vertical	Conglomerate	Total
13 Oil and gas extraction	1	1	1	0	3
20 Food and kindred products	1	2	0	2	5
25 Furniture and fixtures	1	0	0	0	1
27 Printing, publishing, and allied industries	0	0	0	1	1
28 Chemical and allied products	2	2	0	1	5
29 Petroleum refining and related industries	0	0	1	0	1
30 Rubber and miscellaneous plastic products	1	0	0	1	2
33 Primary metal industries	2	0	0	0	2
34 Fabricated metal products, except machinery And transportation equipment	0	0	0	1	1
35 Industrial/commercial machinery & computer equipment	8	0	0	3	11
36 Electronic and other electrical equipment and components, except computer	4	1	0	3	8
37 Transportation equipment	2	0	1	2	5
39 Miscellaneous manufacturing industries	1	0	0	0	1
45 Transportation by air	0	1	0	0	1
48 Communications	0	0	0	1	1
49 Electric, gas, and sanitary services	0	1	0	0	1
65 Real estate	0	0	0	1	1
67 Holding and other investment offices	0	0	0	2	2
73 Business services	10	0	0	1	11
87 Engineering, accounting, research, management, related services	0	0	2	0	2
Total	33	8	5	19	65

Table 8b – China’s acquisitions by acquirer’s industry and deal typology

	Horizontal	Related	Vertical	Conglomerate	Capability augmenting
12 Coal mining	0	0	1	0	1
13 Oil and gas extraction	1	1	0	1	1
20 Food and kindred products	1	2	0	0	2
25 Furniture and fixtures	1	0	0	0	0
28 Chemical and allied products	2	2	0	5	6
30 Rubber and miscellaneous plastic products	1	0	0	1	1
32 Stone, clay, glass, and concrete products	0	0	0	1	1
33 Primary metal industries	2	0	1	0	1
35 Industrial/commercial machinery & computer equipment	8	0	0	1	2
36 Electronic and other electrical equipment and components, except computer	4	1	0	1	2
37 Transportation equipment	2	0	1	1	2
38 Measuring, analyzing/controlling instrum.	0	0	0	1	1
39 Miscellaneous manufacturing industries	1	0	0	0	0
45 Transportation by air	0	1	0	0	0
48 Communications	0	0	1	0	1
49 Electric, gas, and sanitary services	0	1	0	0	1
51 Wholesale trade & die; nondurable goods	0	0	1	0	1
67 Holding and other investment offices	0	0	0	6	6
73 Business services	10	0	0	1	2
Total	33	8	5	19	31

Table 9 – BRICs acquisitions in Western Europe by acquirer’s country and deal typology

<i>Country</i>	<i>Conglomerate</i>	<i>Horizontal</i>	<i>Related</i>	<i>Vertical</i>	<i>Total</i>
Brazil	0	2	0	2	4
Russia	7	11	1	9	28
India	6	39	10	16	71
China	5	5	1	1	12
Total	18	57	12	28	115

Table 10 – BRICs acquisitions in Western Europe by acquirer’s country and target’s country

<i>Target’s country</i>	<i>Acquirer’s country</i>				<i>Total</i>
	<i>Brazil</i>	<i>Russia</i>	<i>India</i>	<i>China</i>	
Belgium	0	1	5	1	7
Denmark	0	0	1	1	2
Finland	0	0	2	5	7
France	0	2	6	3	11
Germany	1	4	13	2	20
Great Britain	0	2	23	6	31
Ireland	0	0	2	2	4
Italy	1	0	6	4	11
Netherland	0	1	3	2	6
Norway	1	1	0	0	2
Portugal	1	0	1	0	2
Spain	0	1	4	1	6
Sweden	0	0	2	1	3
Switzerland	0	0	3	0	3
Total	4	12	71	28	115

Table 11 – Selected accounting indicators for acquirer and target firms for BRICs acquisitions in Western Europe by home country

<i>Country</i>	<i>Log Assets Target</i>		<i>Log Assets Acquirer</i>		<i>Solvency Ratio Target</i>		<i>Current Ratio Target</i>		<i>Profitability Target</i>
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean
Brazil	11.219	11.219	14.125	15.318	37.048	37.048	1.107	1.107	0.500
Russia	10.334	10.590	12.720	12.234	25.542	29.109	2.538	1.148	0.591
India	9.600	9.889	11.975	12.079	28.188	31.387	1.626	1.215	0.617
China	11.222	11.342	12.812	12.825	2.448	9.500	1.667	1.353	0.143
Total	9.994	9.943	12.308	12.212	25.778	27.198	1.874	1.217	0.564
Ho:	Mean const.	Median const.	Mean const.	Median const.	Mean const.	Median const.	Mean const.	Median const.	Mean const.
p-value	0.023	0.113	0.046	0.640	0.000	0.042	0.046	0.877	0.025

Table 12 – Selected accounting indicators for acquirer and target firms for BRICs acquisitions in Western Europe by deal typology

<i>Type</i>	<i>Log Assets Target</i>		<i>Log Assets Acquirer</i>		<i>Solvency Ratio Target</i>		<i>Current Ratio Target</i>		<i>Profitability Target</i>
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean
Conglomerate	10.262	9.904	10.419	12.121	2.204	8.969	1.133	1.097	0.400
Horizontal	10.087	10.220	12.334	11.935	29.495	30.088	1.995	1.410	0.649
Related	9.297	9.376	11.737	12.011	24.037	25.288	1.168	0.944	0.429
Vertical	9.855	9.923	13.428	12.793	36.635	35.662	2.459	1.346	0.579
Total	9.994	9.943	12.308	12.212	25.778	27.198	1.874	1.217	0.564
Ho:	Mean const.	Median const.	Mean const.	Median const.	Mean const.	Median const.	Mean const.	Median const.	Mean const.
p-value	0.204	0.570	0.061	0.533	0.016	0.008	0.031	0.022	0.367