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BUSINESS GROUP AND CROSS-BORDER ACQUISITIONS: EVIDENCE FROM MULTILATINAS

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ABSTRACT

Objective: This study seeks to examine how multilatinas affiliated with a business group influence the degree of ownership acquired in their cross-border acquisitions in the region. **Method:** We considered a sample of 342 cross-border acquisitions conducted by the 58 multilatinas from Argentina, Brazil, Chile, Colombia, and Mexico during the period that extends from 2008 to 2018. To test our hypotheses, we selected the Generalized Estimating Equations (GEE), a variant estimator of GLM Generalized Linear Models (GLS). **Main Results:** Drawing on agency and internationalization theories, we provide evidence that the property of multilatinas in a cross-border acquisition is determined by the factors of the company–business group affiliation, international diversification and state-shareholding structure. In general, the degree of ownership in cross-border acquisitions will be determined by the degree of diversification. In addition, we conclude that multilatinas with strong state-owned capital are likely to acquire a lower degree of ownership of cross-border acquisitions within the region. **Relevance / Originality:** This study contributes to theory development by providing more information about multilatinas and by integrating the agency theory theoretical underpinnings in explaining the degree of ownership. Specifically, this research provided new insight to clarify our understanding of multilatinas and their affiliation with business groups as determining factors in acquired ownership in cross-border acquisitions. **Theoretical / Methodological Contributions:** This research empirically demonstrates the importance of the degree of ownership in the process of acquisition of foreign companies by multilatinas. This study considered several common characteristics of multilatinas in the process of international acquisition, such as business group, diversification and state ownership participation.

INTRODUCTION

Cross-border acquisition is a key mechanism in the internationalization of emerging multinational companies (EMNCs) that has been receiving considerable attention in the International Business (IB) literature (Lahiri, Elango, & Kundu, 2014; Popli, Ladkani, & Gaur, 2017; Fuad & Gaur, 2019; Kumar, Singh, Purkayastha, Popli, & Gaur, 2020; Shi, Sutherland, Williams, & Rong, 2021). In particular, the degree of capital in a cross-border acquisition is considered an important decision for managers because it has implications in

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terms of control, risk and commitment of resources (Buckley, Munjal, Enderwick, & Forsans, 2016; Pinto, Ferreira, Falaster, Fleury, & Fleury, 2017) and the probability of firm survivability (Choi, Zahra, Yoshikawa, & Han, 2015). Thus, EMNCs must balance the expected benefits and costs derived from the various levels of ownership (Chari & Chang, 2009; Cuervo-Cazurra, Grosman, & Megginson, 2022), evaluating the contribution of the acquisition in generating competitive advantages and subsequent risks.

More recently, the rise of multilatinas (i.e., Latin American multinationals), have been attracted considerable attention (Finchelstein, 2017; Hennart, Sheng, & Carrera Jr., 2017; Lopez-Morales, 2018; James & Sawant, 2019). Like in other developing economies, many multilatinas considered cross-border acquisitions as a rapid way of internationalization (Buckley, Elia, & Kafouros, 2014; Deng & Yang, 2015; Malhotra, Lin, & Farrell, 2016). Indeed, in recent years, outflows of Foreign Direct Investment (FDI) from Latin America have intensified (Lopez-Morales, 2018). For example, in Latin America, outward foreign direct investment (OFDI) stocks grew quickly in the mid-1990s, and reached over US$1.2 trillion US dollars by 2013 (Cuervo-Cazurra, 2016). In addition, Latin America ranks several of the largest and/or most valuable firms in the world (Aguilera, Ciravegna, Cuervo-Cazurra, & Gonzalez-Perez, 2017). One of the examples is the merger between LAM and TAM in 2012, creating LATAM Airlines Group S/A, the largest airline in Latin America (Reuters Staff, 2015).

Specifically, extant studies have examined the ownership options at cross-border acquisitions carried out by EMNCs with an emphasis on institutional, cultural and industry-related determinants (Contractor, Lahiri, Elango, & Kundu, 2014), economic distance and knowledge (Gaffney, Karst, & Clampit, 2016), institutional factors of the country and distance between countries (Lahiri et al., 2014; Pinto et al., 2017), and the specificity of the resources and context of EMNC acquisitions (Buckley et al., 2014; Buckley et al., 2016). Others also indicate that business group membership carries several benefits and costs for affiliated companies in emerging economies once they represent a response to imperfect or absent markets (Khanna & Palepu, 2000).

In addition, active or passive government support, such as access to capital through loan guarantees and other favorable government policies favors companies to have access to the foreign market (Hennart et al., 2017). However, the agency problem between agents and owners might be aggravated by international diversification because foreign investments give administrators greater freedom to pursue their own interests compared to domestic investments (Cuervo-Cazurra, 2006; Popli & Ladkani, 2020). Recognizing this, research on the internationalization of business groups is still a topic that received less attention (Aguilera, Crespí-Cladera, Infates, & Pascual-Fuster, 2020). In particular, an exceptionally small number of studies focused on business groups, diversification strategy and ownership in cross-border acquisitions in the Latin American context (Borda, Geleilate, Newburry, & Kundu, 2017; Pinto et al., 2017; Fuentelsaz, Garrido, & González, 2020).

Recognizing the need to better understand the cross-border acquisition by Latin firms, this study seeks to examine how multilatinas affiliated with a business group influence the degree of ownership acquired in their cross-border acquisitions in the region. Drawing on agency theory (Jensen & Meckling, 1976), we investigate several relevant aspects of the process of internationalization adopted by multilatinas — business group affiliation, international diversification and state-shareholding structure to evaluate and understand the factors that have influenced the choice of the degree of ownership in cross-border acquisitions. By doing so, we considered a sample of 342 cross-border acquisitions conducted by the 58 multilatinas from Argentina, Brazil, Chile, Colombia, and Mexico during the period that extends from 2008 to 2018. This study provides evidence that the ownership of multilatinas in a cross-border acquisition is determined by the factors of the company. Overall, multilatinas seem to implement different foreign ownership strategies on whether they are linked to a business group.

There are contributions to the theoretical and empirical literature that deserved to be mentioned. This research contributes to the theory development, providing more information about EMNCs from the Latin America region by integrating the agency theory theoretical underpinnings in explaining the firm internationalization strategies through the degree of acquired ownership in cross-border acquisitions. This analysis is imperative, because agency conflicts may differ in many ways, especially among business groups with different levels of ownership (Aguilera et al., 2020). In doing so, we extend our knowledge by drawing on the agency theory perspective by examining the heterogeneity of owners (Grosman, Aguilera, & Wright, 2019). In addition, we acknowledge the presence of principal-agent conflicts that might influence the level of ownership cross-border acquisitions in developing economies. More specifically, this research contributes to the empirical literature on multilatinas (Borda et al., 2017; Pinto et al., 2017; James & Sawant, 2019), offering new insights and evidence of the factors that influence the degree of property. We also empirically respond to the call to research the unique context of Latin America (Cuervo-Cazurra, 2016), once there is still an increasing relevance of MNCs from Asia in the global context, and the lack of data and investigation on multilatinas (Lopez-Morales, 2018). Therefore, the analysis provides a better view to managers in emerging economies considering several internationalization strategies usually adopted in emerging economies and how they are related to the ownership concentration in cross-border acquisitions by multilatinas.

The paper proceeds as follows. Section 1 briefly reviews the theoretical literature and outlines the hypothesis. Section 2 describes the methods. Section 3 analyzes the main results and discussions. Finally, Section 4 presents a brief discussion of the main results and offers some additional practical implications and future research directions.

1. LITERATURE REVIEW AND HYPOTHESES

1.1. Agency theory and internationalization

An argument well-acknowledged on agency theory relies on the classic conflict of interest between agents and owners, resulting in opportunism, imperfect and asymmetry of information in the benefit of the former (Jensen & Meckling, 1976; Holmström, 1979; Fama & Jensen, 1983). In particular, the theory framework further suggests that agency conflict intensifies in establishing links between the firm ownership structure and internationalization decisions (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014). Indeed, the extant literature recognizes the importance of principal-principal conflict in emerging economies (Khanna & Palepu, 2000; Popli & Ladkani, 2020), and, more recently, have made more assumptions about the internalization process of different business groups (Gaur & Delios, 2015; Dau, Morck, & Yeung, 2021).

The agency conflict may differ among family and widespread business groups in many countries (Aguilera et al., 2020). In developing economies, there is a natural alignment of interests between owners and managers, because most of the ownership is dominantly concentrated in government, family firms or business groups (Jensen & Meckling, 1976). In particular, these themes had led to not only the agency conflict but also discussion in the IB literature in several ways. For example, business groups play a dominant role in the globalization of emerging markets (Borda et al., 2017). Moreover, state-owned enterprises (SOEs) may suffer from multilevel principal-agent problems, which results in reduced competitiveness and performance relative to private firms (Grosman et al., 2019).

Regarding cross-border acquisitions, agency theory has been concerned with the potential conflicts between large and minor shareholders and managers regarding corporate portfolio choices. Nonetheless, concerning international diversification, a specific pattern of a diversification strategy, the role of agency conflicts has received scant attention (Majocchi & Strange, 2012; Oesterle, Ritcha, & Fisch, 2013). While the extant literature has found mixed results regarding international diversification and firm performance (Hitt, Hoskisson, & Kim, 1997; Lampel & Giachetti, 2013), managers, major and minor shareholders may have different preferences in implementing international diversification. Cross-border acquisitions are used to access new and profitable markets as well as expand the market for goods current of a company. In general, Asmussen, Chi and Narula (2022) explain that the acquisition is a costly proposition because it entails greater resource commitment, higher financial risk, less flexibility, and stronger local expertise on the part of the multinational enterprise (MNE).

However, past studies have focused on the relationship between ownership structure and different outcomes at the firm level, such as diversification (Ramaswamy, Li, & Veliyath, 2002; Gaur & Delios, 2015; Shi et al., 2021), innovation and R&D strategies (Choi et al., 2015) and financial performance (Thomsen &

Pedersen, 2000; Popli et al., 2017). That is, a limited number of research investigates how the ownership structure is influenced by the agency perspective given the heterogeneity of owners (Grosman et al., 2019). From the agency theory standpoint (Jensen & Meckling, 1976), we believe that different firm' internationalization strategies (business group affiliation, international diversification and state-shareholding structure) will influence the main degree of ownership acquired in cross-border acquisitions by multilatinas. Therefore, under this assumption, the next subsection discusses the literature and proposes several testable hypotheses.

1.2. Hypotheses development

1.2.1. Business groups

Business groups consist of a collection of firms, which are linked by common ownership to take coordinated actions (Gaur & Kumar, 2009). According to the characteristics of their property, Cuervo-Cazurra (2006) classify business groups into three types. They can be general property, state-owned and family-owned, and in the last classification, an individual or family participates in group ownership, control, and management that can be organized as pyramids to maintain family control (Choi et al., 2015). Generally, affiliated groups might internationalize to expand the scales or scopes of application of the business groups into foreign markets or to acquire synergy with other affiliated firms' capabilities and resources (Dau et al., 2021).

In many developing economies, firms arrange themselves in the form of business groups to manage and benefit from institutional voids (Khanna & Palepu, 2000). In addition, those firms derive benefits due to institutional voids, government support, or a combination of other factors such as market failure and the absence of market intermediaries (Borda et al., 2017). Thus, as the environment moves in a more international direction, these institutional characteristics cease to be competitive advantages and the firms may no longer derive these benefits (Gaur & Kumar, 2009).

In addressing business group issues in developing economies, Khanna and Yafeh (2007) proposed a taxonomy based on three major dimensions: group structure, group ownership and control, and group interaction with society. The first, group structure, considers horizontal diversification (performance in different sectors), vertical integration (same business groups), and involvement in the financial sector. The second, group ownership, has the analysis of the pyramidal structure and exercising the familiar control hands. The third, group interaction with society, relates to the interconnection of business groups and the State. For example, groups enlist external monitoring mechanisms, such as tax authorities, regulators, and financial markets, to broaden the scale and scope of their hierarchical resource allocation or their controlling owners might simply wield power and influence approaching that of a national government, relegating external monitoring mechanisms to the background (Dau et al., 2021).

More specifically, business group affiliation also has advantages and costs. Analyzing several cross-border acquisitions by Indian firms in Europe, Beule and Sels (2016) observed that Indian acquirers belonging to business groups seem to be able to put the resources and capabilities of the acquired firm to better management and use than standalone firms. Generally, group-affiliated firms have broader and relatively easy access to capital, both internal and foreign and are able to access labor and product markets more easily than firms that are not part of any business group (Khanna & Rivkin, 2001; Gaur & Kumar, 2009).

However, business groups also have agency conflicts derived from family control and conflict among minority owners that may reduce affiliated firms' profits. In this line, Gaur and Delios (2015) argue that an increase in ownership stakes should be more effective against self-serving behaviors by managers, resulting in effective and prudent decision-making when it comes to increasing levels of international exposure. Nevertheless, the usual concerns about agency incentives at the group level and difficulties in monitoring, coordination, and controlling affiliates' activities usually apply to the business group process of internationalization. Based on that, we expressed our first hypothesis:

Hypothesis 1. The likelihood that a multilatina company will have a higher degree of ownership in cross-border acquisitions in Latin America region will be negatively associated with the business group affiliation.

1.2.2. Diversification

One important factor that firms consider in the cross-border acquisition is the process of diversification. Prior research discussed that presence of companies internationally diversified is more common in economies with less developed market institutions (Peng, Lebedev, Vlas, Wang, & Shay, 2018). The main reason is that some of the institutions that make market regulations do not exist or are underdeveloped in the poorest countries (Gaur & Kumar, 2009). For example, capital markets are incomplete and have informational and other problems, which makes risk reduction through diversification and the use of internal capital markets relatively efficient (Khanna & Yafeh, 2007). Therefore, by diversifying, firms can use their own resources to exploit different market opportunities and improve their domestic and international positions (Fernández-Olmos & Díez-Vial, 2013).

Specifically, international diversification may have an impact on the risks that companies face. Scholars (e.g., Dau et al., 2021) state that greater international diversification spreads market risk and stabilizes cash flows. Related streams suggest that unrelated diversified groups can leverage differences across industries by reducing costs and associated business risks (Shi et al., 2021). Nevertheless, Hennart (2007) claims that international diversification results in an increase in internal transaction costs, foreign currency liabilities and currency exposure, and that, therefore, systematic risk is likely to increase. Nevertheless, Khanna and Palepu (2000) explain that business groups tend to increase performance after achieving a threshold level of unrelated diversification.

Past studies documented the process of diversification. Based on a sample of Indian firms, Gaur and Kumar (2009) showed that firm performance is associated with internationalization, albeit this relationship is negatively influenced by business group affiliation. They explain that this negative relationship is possibly related to the degree of diversification of business groups. Similarly, investigating a large sample of Indian companies, Gaur and Delios (2015) observed a negative relationship between international diversification and performance when it is moderated by the ownership concentration of domestic and foreign owners. This is because such problems would render highly geographically diversified group-affiliated firms less competitive. For related diversification, Borda et al. (2017) identified for several Latin American firms that diversified business groups have a stronger positive influence on the multinationality-performance, albeit positive effects are higher for service than manufacturing companies. Moreover, they suggested that the benefits of diversification are significant at the earlier stages of the internationalization process, while at later stages the benefits are negative.

Nevertheless, considering a sample of 662 Chinese cross-border mergers and acquisitions (M&As) over a 10-year period, Shi et al. (2021) identified that domestic diversified business groups confer pre-and post-acquisition advantages and thus, foster unrelated foreign acquisitions. Moreover, investigating 468 majority stakes of Indian M&A during 2005-2013, Popli et al. (2017) documented that both greater group-level M&A experience and product scope of the business group are related and improve the long-term acquisition performance of an affiliated firm. Based on these arguments, we propose the following hypotheses: Hypothesis 2. The likelihood that a multilatina company will have a higher degree of ownership in the Latin American region will be positively associated with its high level of diversification.

1.2.3. State-owned enterprises

Agency's theory considers the firm as a nexus of contracts between directors (as owners) and agents (as managers and employees). Since agents do not fully share owners' goals and because agents usually take better information, agents can be motivated by the opportunity to behave in a way that maximizes the agents' usefulness at the expense of the directors (Jensen & Meckling, 1976). To resolve such a conflict, it is recommended to increase the concentration of property to combat conflicts between the principal and the agent, but in SOEs, such a solution would not work. Thus, giving more control to already controlling shareholders can intensify such conflicts even more (Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). For example, Hennart et al. (2017) explain that the principals' agents of SOEs monitor themselves, while citizens have few incentives to get involved, creating a two-stage principal-agent problem. An alternative process is the presence of multiple shareholders (Faccio, Lang, & Young, 2001). Thus, different shareholders consist of another company or national and foreign individual funds (Peng, Bruton, Stan, & Huang, 2016). This is because, SOEs, nowadays, are no longer pure state enterprises and many are in the process of privatization (Hennart et al., 2017). However, abolishing concentrated SOEs capital through mass privatization is a challenge, as indicated by ECO's experience during 1990s (Djankov & Murrell, 2002).

Previous studies offered evidence of the proprietary structure in SOEs in emerging markets. Lin and Germain (2003) offer a model based on the contingency theory for Chinese SOEs. They show that the growth performance of public companies concerning industry is predicted positively by formal control, inversely by decentralization, and positively by the interaction of the two. In more recent research, Shi et al. (2021) explained that SOEs are more likely to follow a more conservative strategy, that is, invest abroad acquiring firms in related businesses rather than investing in unrelated foreign acquisitions. This is because SOEs have a greater tendency to support the home country, while privately- or partially privately SOEs are more independent. In this line, Hennart et al. (2017) found that Brazilian SOEs have family capital, while firms where foreigners are dominant have fewer incentives from the host country's national loans.

Differently, our argument consists that multilatinas with a higher degree of SOEs capital in cross-border acquisitions will be negatively associated with the SOEs structure. For example, examining the role of government support on the ownership choices by multilatinas in cross-border acquisitions, Pinto et al. (2017) alert that government funding (e.g., low-interest loans and subsidies) may help Latin firms expand internationally and acquire higher ownership, albeit, might increase the risk of political intervention in the managerial decisions and strategies. In this sense, studies considering agency theory, generally, claim that several agency problems may hamper the internationalization process by increasing the costs of SOEs (Cuervo-Cazurra et al., 2022). In summary, agents and private investors, especially foreign owners have very different investment purposes. Since in Latin America we have a higher incidence of state intervention as well as SOEs investments, this lets us propose the following hypothesis: Hypothesis 3. The likelihood that a multilatina company will have a higher degree of ownership in cross-border acquisitions in the Latin American region will be negatively associated with the state-shareholding structure.

2. METHODOLOGY

2.1. Data and sample

In line with past researchers investigating multilatinas' context (e.g., Cuervo-Cazurra, 2016; Borda et al., 2017; James & Sawant, 2019), our data and sample restrict only to Latin American countries. Such an environment is suitable for our analysis once several emerging multinational enterprises (EMNEs) from Latin Region are listed (i.e., Forbes) as the largest and most valuable firms in the world, such as Vale S.A (Brazil), América Móvil (Mexico), YPF (Argentina), Grupo Quiñenco (Chile) and Grupo Aval (Colombia) (Aguilera et al., 2017). Moreover, there is a rich number of business groups in many emerging economies, including countries from Latin America (Aguilera et al., 2020). Therefore, we selected multilatinas with public and private capital from Argentina, Brazil, Chile, Colombia and Mexico.

Specifically, we also considered selecting Latin countries by the following issues. First, we restrict the data including only cross-border acquisitions that were carried out within Latin America. This is necessary because multilatinas show some salient differences compared to EMNEs from other developing economies, such as capital availability and investment strategy (Finchelstein, 2017). Second, Latin American countries provide an ideal setting for testing these hypotheses, once countries from this region share similarities in terms of stories and cultural trajectories, the relative pace of economic and social development and business culture (Cuervo-Cazurra, 2016; Pinto et al., 2017). Third, we considered firms ranked among the 500 largest companies in Latin America based on data from América Economia (2019). The data source is directly extracted from the annual firm sustainability reports from América Economia (2019). After deleting all the missing values, our sample consists of an unbalanced panel data of several cross-border acquisitions in Latin Region made by 58 multilatinas during a period that extends from 2008 to 2018, resulting in 342 firm-year observations.

2.2. Dependent variable

The dependent variable, acquired property, was annually measured as dichotomously value for firms acquired property, one for major acquisitions and zero for minor ones (Chen & Hennart, 2004; Malhotra et al., 2016; Pinto et al., 2017; Popli et al., 2017; Shi et al., 2021). To classify each acquisition, previous studies used different cuts to capture property structures, with a cut of 30 (Choi et al., 2015), 50 (Contractor et al., 2014), 80 (Chen & Hennart, 2004) or 90% (Demirbag, Ng, & Tatoglu, 2007). Therefore, we considered successful acquisitions with more than 51% of acquired major capital (the majority of controlled capital), because most small shareholders do not vote their shares (Dau et al., 2021).

2.3. Independent variable

This study uses three key explanatory variables. The first, *business group affiliation*, was measured by one of the most common proxies for business group affiliation. Consistent with prior studies (e.g., Khanna & Palepu, 2000; Choi et al., 2015; Buckley et al., 2016), we considered a dummy variable, where 1 was assigned to multilatinas affiliated with a large business group and 0 for those that do not belong to a business group. Second, we measure the *degree of diversification* by considering the diversified business affiliations (Shi et al., 2021). This measure is a dichotomous variable, where 0 was assigned when the cross-border acquisition is within the multilatinas core business. If there was a variation in a single number, referring to a complementary cross-border acquisition to its core business, which takes the value of 1 if was assigned. The third variable, firm *ownership structure*, was measured by adopting a dichotomous variable to capture the ownership status. We considered a dummy variable equal to 1 if the target firm is a public company and 0 otherwise. In general, cross-border acquisitions may prefer greater ownership (Lahiri et al., 2014; Shi et al., 2021).

2.4. Control variables

We include a number of additional control variables that may influence cross-border acquisitions. To the acquiring firm, we controlled the size as the natural logarithm of each firm's total assets (Borda et al., 2017). Chari and Chang (2009) explain that the size of acquiring firms relates negatively to the share of ownership in target firms. We also measure the buyer's experience by the number of years it has from its first cross-border acquisition to the focal agreement (Buckley et al., 2014). In addition, we monitor the variation in equity, through proxy for financial performance, return on equity (ROE), to observe its behavior in cross-border acquisitions and because it is sensitive to capital structure variations (Hitt et al., 1997).

At the macro level, we control the distance between local and home market conditions including the geographical distance between the country of origin and the host country. We measure the geographical distance, according to the Geobytes database and previous studies (Fuentelsaz et al., 2020), as the distance in kilometers between the capital city of the acquirer and the country of destination. This is necessary because distance increases the perceived uncertainty of the companies, as well as the agency and transaction costs for the acquirer (Malhotra & Gaur, 2014). Finally, we include the country's GDP per capita (in thousands of USD) provided by the World Development Indicators (WDI) database, because countries with higher GDP per capita have lower uncertainty (Chan & Makino, 2007) and GDP growth, which allows to observe the country risk that may influence the choice of acquired ownership property (Pinto et al., 2017).

2.5. Model

In particular, to our estimation method, we estimated the basic model as expressed (Equation 1). The dependent variable (Y), stands for the Acquired Property firm *i*, at time *t*. The explanatory variables are denoted by, Business Group Affiliation, Diversification and Ownership. Controls are denoted by firm Size, ROE, Distance, GDP and Growth and $\varepsilon_{i,t}$ is the random error term, assumed to be normally distributed.

$$Y\,(1\,/\,0)_{i,t} = \beta_0 + \beta_1 \text{Business Group} + \beta_2 \text{Diversification} + \beta_3 \text{Ownership} + \beta_4 SIZE + \beta_5 ROE + \beta_6 \text{ Distance} + \beta_7 \text{GDP} + \beta_8 \text{Growth} + \varepsilon_{i,t} \quad (1)$$

We estimated an unbalanced panel data model using the Generalized Linear Models (GLS) estimator introduced by Liang and Zeger (1986) and Self and Liang (1987) for analyzing repeated binary responses, binomial logistic regression model. The Generalized Estimating Equations (GEE) method is a variant estimator of GLM that deals with correlated data, or distributed response variables collected over time (Choi et al., 2015). Moreover, the GEE estimator facilitates regression analysis of dependent variables that are not normally distributed (Ballinger, 2004). Therefore, regression analysis using the GEE estimator is recommended when the outcome measure of interest is discrete (e.g., binary or count data, possibly from a binomial or Poisson distribution).

3. RESULTS AND DISCUSSION

The correlation is expressed in Table 1. As observed, the correlation matrix between variables indicates the absence of high correlation among the independent variables, ensuring that the econometric estimates are unbiased. Nevertheless, we considered the variance inflation factor (VIF) to avoid additional doubts over the possibility of multicollinearity between variables. Applying VIF tests, the mean VIF score (1.06) and the highest score (1.08) in the correlation coefficients were significantly low, confirming the absence of multicollinearity issues.

All specifications were shown in Tables 2 and 3. It is important to observe (Tables 2 and 3) that goodness-of-fit tests are available as indicators of model appropriateness, testing the significance of individual independent variables. The overall fit in logistic regression is shown by the χ^2 test (log-likelihood), which is simply the chi-squared difference between the null model and the model containing one or more predictors. In addition, Wald statistics tested the significance of individual coefficients for each independent variable. Further, the Durbin-Watson and Breusch-Godfrey test ruled out the possibility of autocorrelation and heteroskedasticity, respectively, in all models. A robustness check was applied (Table 3), solving possible concerns of autocorrelation and heterogeneity.

According to the results (Table 2), Hypothesis 1 was confirmed (β= -0.799, $p< 0.05$, Model 1). This finding is in line with the idea that the probability of a multilatina having a greater degree of ownership in cross-border acquisitions is negatively associated with the affiliation of the business group. Overall, the results provide evidence that the business groups to which some multilatinas belong tend to acquire them in a minority way in the cross-border acquisition. In other words, a multilatina that is affiliated with a business group will increase its chance of acquiring a lower degree of ownership in cross-border acquisition. Complementary to our findings, Beule and Sels (2016) found that international acquisitions in developed economies by affiliated business groups from emerging economies show lower market response. Contrarily to this, Buckley et al. (2016) confirmed an insignificant relationship between trade and business groups and cross-border acquisitions.

Table 1. Pairwise correlations and summary statistics.

Variables	Mean	S.D	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Acquired Property	0.830	0.375	1.000								
(2) Business Group	0.579	0.494	-0.164***	1.000							
(3) Diversification	0.421	0.620	0.093*	-0.080	1.000						
(4) Ownership	0.125	0.332	-0.111**	0.038	-0.101*	1.000					
(5) Size	5.22e09	4.26e09	0.075	-0.019	0.011	-0.086	1.000				
(6) ROE	5.74e07	5.25e08	-0.066	0.143***	0.124**	-0.036	0.028	1.000			
(7) Distance	33,800	25,578	0.159***	-0.065	-0.030	0.066	0.083	0.115**	1.000		
(8) GDP	4.25e09	3.41e09	-0.017	-0.030	0.046	0.042	0.086	0.029	0.202***	1.000	
(9) Growth	1.70e09	3.08e09	-0.056	0.180***	0.023	-0.086	-0.025	-0.039	-0.047	0.073	1.000

ROE: return on equity; GDP: gross domestic product. *Significant at the 10% level; **significant at the 5% level; ***significant at the 1% level.

Table 2. Logit regression of individual exploratory variables.

Variables	Model 1	Model 2	Model 3
Business Group	-0.799** (0.369)		
Diversification		0.600* (0.314)	
Ownership			-1.110*** (0.377)
ROE	-1.050 (0.685)	-1.290* (0.682)	-1.220* (0.622)
Size	-0.000** (0.000)	-0.000** (0.000)	-0.000** (0.000)
Distance	0.000* (0.000)	0.000* (0.000)	0.000** (0.000)
GDP	-0.000 (0.000)	-0.000 (0.000)	-0.000* (0.000)
Growth	-0.020 (0.030)	-0.039 (0.036)	-0.043 (0.034)
Prob>F	0.001	0.002	0.000
$\chi 2$	186.500	186.700	188.870
Jarque-Bera	0.000	0.000	0.000
Durbin-Watson	1.765	1.767	1.776
Breusch-Godfrey	4.206	3.196	3.999
N. of observations	342	342	342

ROE: return on equity; GDP: gross domestic product. *Significant at the 10% level; **significant at the 5% level; ***significant at the 1% level. Standard errors are reported below the estimates in parentheses.

Hypothesis 2 (β= 0.600, p< 0.10, Model 2) was also supported. As observed, multilatina firms may acquire a greater degree of ownership when conducting a diversified cross-border acquisition. Thus, we sustain the idea that the likelihood of a multilatina company having a higher degree of ownership in the Latin American region will be positively associated with its high level of diversification. This is in line with the paper of Borda et al. (2017), in which diversified business groups have a stronger positive influence on the multinationality-performance relationship of Latin American firms. In this case, we can argue that the diversification of multilatinas responds to different factors, for instance, a strategy to minimize risks in diversified acquisitions. We also infer that cross-border acquisitions related to product diversification will increase the chance of acquiring a greater degree of ownership. Our result also supports other scholars (e.g., Popli et al., 2017), who identified that Indian diversified groups relate positively to the post-acquisition performance of the member firm. However, our findings contrast in part with those reported by Shi et al. (2021), who observed that Chinese business groups have a higher probability of acquiring an unrelated foreign business, whereas Western firms' diversified conglomerates are divesting non-core businesses. Therefore, multilatinas do not adopt explicitly unrelated acquisitions, choosing a more conservative strategy of operating in business group-related acquisitions.

Finally, we strongly support Hypothesis 3 (β= -1.110, p< 0.01, Model 3). The likelihood that a multilatina company will have a higher degree of ownership in cross-border acquisitions in the Latin

Table 3. Logit regression in group of exploratory variables.

Variables	Model 4	Model 5	Model 6	Model 7
Business Group		-0.750** (0.366)	-0.731* (0.313)	-0.706** (0.366)
Diversification	0.560* (0.310)		0.538* (0.376)	0.512* (0.306)
Ownership	-1.060*** (0.381)	-1.070*** (0.404)		-1.040** (0.404)
ROE	-1.420** (0.689)	-1.220* (0.714)	-1.260* (0.740)	-1.420* (0.757)
Size	-0.000** (0.000)	0.000** (0.000)	-0.000** (0.000)	-0.000** (0.000)
Distance	0.000** (0.000)	0.000* (0.000)	0.000* (0.000)	0.000** (0.000)
GDP	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Growth	-0.049 (0.038)	-0.031 (0.033)	-0.026 (0.034)	-0.038 (0.037)
Prob>F	0.000	0.000	0.000	0.000
χ^2	187.610	180.330	188.350	176.450
Jarque-Bera	0.000	0.000	0.000	0.000
Durbin-Watson	1.798	1.798	1.786	1.815
Breusch-Godfrey	3.139	3.196	3.440	2.615
N. of observations	342	342	342	342

ROE: return on equity; GDP: gross domestic product. *Significant at the 10% level; **significant at the 5% level; ***significant at the 1% level. Standard errors are reported below the estimates in parentheses.

American region will be negatively associated with the state-shareholding structure. We affirm that the state-controlled multilatinas will increase their likelihood of acquiring a lower degree of ownership in cross-border acquisitions within Latin America. This finding is coherent with the idea that the impact of state ownership on internationalization would be particularly strong when the Brazilian state allies with Brazilian family firms, while firms in which the government shares control with foreigners are not significantly more internationalized (Hennart et al., 2017).

Regarding control variables, we briefly observe that the ROE is negative and statistically significant. Results suggest that when the ROE tends to fall, the likelihood of acquiring a greater degree of ownership in cross-border acquisitions will increase. This is because the expense incurred by the acquiring company is reflected in the decrease in its assets. Among the control variables, the size of the firm is negative and statistically significant across all models. In particular, large multilatinas will increase the likelihood of acquiring a lower percentage of cross-border acquisition within the region. Thus, small and medium-sized firms could be more inclined to expand internationally acquiring a higher percentage of cross-border acquisitions. As expected, we noted that companies are more likely to acquire firms in near locations. Regarding geographical distance, Hennart (2007) argued that it is unlikely that there will be large reductions in this unsystematic risk, since companies tend to focus their sales efforts abroad in countries that are geographically, institutionally and culturally close and, therefore, tend to have a similar risk.

Finally, we checked the models for specification to increase the robustness of our results (Table 3), by considering the estimates by groups of countries. We re-run the estimates to check if there are differences between those with all countries combined and for each country (subgroups) to capture possible idiosyncratic effects across Latin countries. As observed, all estimates are largely in line with our main results (Table 2), which means that the sample into subgroups shows a good fit. Therefore, our estimates for the business group, diversification and ownership remain robust.

FINAL CONSIDERATIONS

This study explored how multilatinas affiliated with the business group influence the degree of ownership acquired in cross-border acquisitions by multilatinas in the region. Based on the agency theory framework, we focused on several relevant aspects of the multilatinas — business group affiliation, international diversification and state-shareholding structure to evaluate and understand the factors that have influenced the choice of the degree of ownership in cross-border acquisitions. Considering a sample of 342 cross-border acquisitions conducted by 58 multilatinas from Argentina, Brazil, Chile, Colombia, and Mexico during the period that extended from 2008 to 2018, we add contributions to the agency and IB literature by providing evidence of how multilatinas seem to implement different foreign ownership strategies when they are linked to a business group.

In general, our findings show that the affiliation of a business group and state ownership was significant, that is, multilatinas, during a cross-border acquisition, will acquire less property if they belong to a business group. This result contributes to the theory of pyramid ownership structure, which seeks to explain how business groups acquire a lower percentage of ownership than conglomerates in emerging markets. Moreover, the degree of ownership in cross-border acquisitions will be determined by the degree of diversification. Thus, the greater the diversification of a firm in Latin America, the greater the degree of ownership acquired. This result is probably related to low-risk strategies of acquiring a company outside the main business and the need to have control of the subsidiary operations.

Finally, we conclude that multilatinas with strong state-owned capital are likely to acquire a lower degree of ownership of cross-border acquisitions within the region. According to the agency's theory, SOEs' capital tends to structure its property, with a second shareholder as a counterweight to solve agency problems. This may be linked to preventing the owner of the firm from being dispersed among multiple shareholders. This result calls for more research to better understand ownership structure in the Latin American context, once the region is marked by high state intervention and the predominance of SOE.

In spite of the contributions of this study, this paper has some limitations. For example, our study is based on a restricted sample of multilatina firms and cannot be generalized to other locations. In addition, firms' characteristics and strategies such as affiliation to a business group, product diversification, and state ownership do not define all the dilemmas of the degree of ownership of multilatinas, they only provide aspects that help to understand this phenomenon from the perspective of the agency and internationalization theories. Therefore, researchers interested in the degree of ownership of multilatinas can provide new insights considering other firms' characteristics in ownership decisions in cross-border acquisitions, such as performance after acquisitions.

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GRUPOS DE NEGÓCIOS E AQUISIÇÕES TRANSFRONTEIRIÇAS: EVIDÊNCIAS DAS MULTILATINAS

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DETALHES DO ARTIGO

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RESUMO

Objetivo: Este estudo busca examinar como as multilatinas afiliadas ao grupo empresarial influenciam o grau de propriedade adquirida em suas aquisições internacionais na região. **Método:** Consideramos uma amostra de 342 aquisições transfronteiriças realizadas pelas 58 multilatinas da Argentina, Brasil, Chile, Colômbia e México durante o período de 2008 a 2018. Para testar nossas hipóteses, selecionamos as Equações de Estimação Generalizadas (GEE), um estimador variante de Modelos Lineares Generalizados (GLS). **Principais Resultados:** Com base na teoria da agência e internacionalização, fornecemos evidências de que a propriedade das multilatinas em uma aquisição internacional é determinada pelos fatores da empresa — afiliação ao grupo empresarial, diversificação internacional e estrutura acionária estatal. Em geral, o grau de propriedade nas aquisições internacionais será determinado pelo grau de diversificação. Além disso, concluímos que as multilatinas com forte capital estatal provavelmente adquirirão menor grau de propriedade de aquisições transfronteiriças na região. **Relevância / Originalidade:** Este estudo contribui para o desenvolvimento da teoria, fornecendo mais informações sobre as multilatinas e integrando os fundamentos teóricos da teoria da agência para explicar o grau de propriedade. Especificamente, esta pesquisa forneceu uma nova visão para esclarecer nossa compreensão das multilatinas e sua afiliação com grupos empresariais como fatores determinantes na propriedade adquirida em aquisições internacionais. **Contribuições Teóricas / Metodológicas:** Esta pesquisa demonstra empiricamente a importância do grau de propriedade no processo de aquisição de empresas estrangeiras por multilatinas. Este estudo considerou várias características comuns de multinatinas no processo de aquisição internacional, tais como o grupo empresarial, a diversificação e a participação estatal.

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