Do Minority Acquisitions transfer better Corporate Governance Practises?

An Analysis of UK's Cross-border Minority Investments

Nereida Polovina* and Ken Peasnell**

*Nereida Polovina, Ph.D., Manchester Metropolitan University Business School, Department of Accounting, Finance and Banking, Manchester, M15 6BH, United Kingdom, N.Polovina@mmu.ac.uk (corresponding author)

**Ken Peasnell, Ph.D., Lancaster University Management School, Department of Accounting and Finance, Lancaster, LA1 4YX, United Kingdom, k.peasnell@lancaster.ac.uk

Abstract

This study examines the influence of minority shareholders on the transfer of corporate governance practices into companies in other countries where they invest. By analysing UK firms that acquired a minority ownership in foreign firms between 1993-2014, we find evidence of better corporate governance in the board structure of target foreign firms following UK firms taking a minority shareholding, the extent and nature of the changes varying depending on the quality of investor protection in the country the foreign target firm is located. Our findings contribute to the on-going debates on the spillover effect of better corporate governance practices via cross-border mergers and acquisitions as well as relationship between internal (board of directors) and external (country's quality of investor protection) corporate governance mechanisms.

Keywords: Minority Investor Protection, Corporate Governance Mechanisms, Board of Directors, Foreign Minority Acquisitions.

1. Introduction

Research on international corporate governance indicates that controlling shareholders and incumbent management often expropriate minority shareholder rights in countries with weak legal protection of minority investors (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2000; La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2002; Shleifer & Wolfenzon, 2002). Given this evidence, foreign minority shareholders investing in these countries have to consider

alternative controlling mechanisms in order to minimize such expropriation. The literature on corporate governance mechanisms (e.g. Walsh & Seward, 1990; Shleifer & Vishny, 1997) analyses the roles played by firm-level corporate governance mechanisms (internal mechanisms) and country-level corporate governance mechanisms (external mechanisms). Internal firm-level mechanisms include ownership structure and board of directors, whereas external country-level mechanisms include the presence of strong legal protections for investors and an active takeover market.

In this study, we investigate whether investors acquiring a minority shareholding (i.e., less than 50%) in foreign target firms located in countries with weak minority investor protection (external mechanism) tend to increase monitoring by negotiating changes to the composition of the foreign target's board of directors (internal mechanism) as a means of protecting their interests against depredations by the target's incumbent management and the target's controlling shareholders. In countries with strong legal protection of shareholders, minority shareholders can rely on the rule of law to challenge controlling shareholders and managers when controlling shareholders intend to expropriate and tunnel company resources to achieve private benefits at the expense of minority shareholders. A country with strong legal protection for minority shareholder will ensure that such shareholders have the right to request extensive disclosure of related party transactions and advice from independent financial experts, as discussed in Djankov, La Porta, Lopez-de-Silanes, and Shleifer (2008). Furthermore, a country with strong rule of law will have strong public enforcement and penalties against misuse of company assets by controlling shareholders. When the rule of law is strong, controlling shareholders are therefore less likely to expropriate minority shareholders (Djankov et al., 2008). However, when the rule of law is weak, minority investors need to rely on alternative corporate governance mechanisms.

Countries with weak investor protection rights have been found to have high ownership concentration (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 1998). This serves as a substitute corporate governance mechanism, in that large block shareholders have the power and sufficient incentives to closely monitor and discipline management (Shleifer & Vishny, 1997). When ownership concentration is high and the rule of law is weak in protecting minority investors, the presence of more than one large block holder in the company will tend to benefit minority investors, as block holders will monitor one another against the expropriation by the other large block holder in order to protect their interests and thus reducing the risk of expropriation (Huyghebaert & Wang, 2012). Alternatively, the minority investor could buy a substantial stake with relatively substantial voting power to influence firm-level corporate

governance, by being represented on the board of directors through the appointment of their own representative (non-executive) directors, by separating the CEO and Chairman roles, and by creating board committees such as audit committees. For example, in our sample we find that RJB Mining Plc, on acquiring a substantial stake (12.8%) in CIM Resources Ltd (Australia) in 1996, separated the CEO and Chairman positions previously held by Michael J. Palmer by appointing John M. McMurtrie as Chairman of CIM resources with Michael J. Palmer retaining the CEO position. Furthermore, the RJB agreement resulted in the appointment of two non-executive directors and the creation of three new board committees (audit committee, remuneration committee and corporate governance committee). In contrast, Carlton Resources Plc upon acquiring a substantial stake (9.5%) in Luiri Gold Ltd (Canada) in 2010, *combined* the CEO and Chairman positions, which were previously held by different individuals, removed the compensation and corporate governance committees and retained only the audit committee. While both Australia and Canada rule of law originates from English common law, they score differently in terms of minority investor protection (Table 1). Neither completely dominates the other with regard to the quality of minority investor protection, indicating that minority investors will need different arrangements to protect their interests when the environments are different.

Cross-border minority acquisitions are a setting where corporate governance changes following the involvement of foreign minority investors can be analysed. There is extensive evidence on how foreign shareholders when acquiring a majority or 100% ownership in foreign targets located in countries with poorer investor protection is associated with an improvement of corporate governance of the acquired firm and even the industry in which it is located (international corporate governance spillover)[1]. Bris and Cabolis (2008) and Martynova and Renneboog (2008) documented higher valuation of target firms when acquired by firms from countries with stronger investor protection than the countries of target firms. They argue that the risk of expropriation in the target firm by controlling shareholders will decrease under new management of acquiring firm. The acquiring firm as the major shareholder will adopt its country's quality of investor protection and thus make changes to ameliorate the existing corporate governance in the target firm. In addition, Albuquerque et al. (2019) report a spillover effect of improvements occurring in the corporate governance of non-target firms within the

[1] E.g., Bris, Brisley, and Cabolis (2008), Bris and Cabolis (2008), Martynova and Renneboog (2008), Kuipers, Miller, and Patel (2009), Starks and Wei (2013), Albuquerque, Brandao-Marques, Ferreira, and Matos (2019).

target firm's industry, which they suggest occurs due to their presence increasing the degree of product market competitiveness in the target firm's industry.

While full (or majority) ownership enables the acquirer to impose its desired corporate governance structure on the acquired firm, there is no research on whether foreign minority shareholders can influence the corporate governance of target firms, something which might be expected to be important when the target is domiciled in countries with poor minority investor protection. Doidge, Karolyi, and Stulz (2007) argues that firms located in countries with weak minority investor protection will weigh the costs and benefits of adopting firm-level corporate governance that protects its minority investors. They find that access to foreign capital markets incentivize these firms to improve their firm-level corporate governance to attract foreign investors. Also, the type of foreign investor influences the involvement in transferring better corporate governance in foreign target firms, with foreign institutional investors (Aggarwal, Erel, Ferreira, & Matos, 2011; Gillan & Starks, 2003) reported as promoters of corporate governance improvements when target firms are located in countries with weak investor protection. Of course, the willingness of foreign target firms to change its existing corporate governance upon receiving foreign minority investment depends on the motivations that triggered this investment in the first place. We focus on functional convergence (Gilson, 2001), where a foreign target firm responds to demands by a minority investor in order to retain its foreign investment. Contract-related motives, i.e., business relationships across countries, is one of the common factors seen in cross-border minority acquisitions (Liao, 2014). Pooling complementary assets through minority acquisitions of foreign firms allows them to provide a wider product line in their respective markets (Chen, 2008). Use of the target assets through partial acquisitions reduces the cost of initial capital and the associated investment risk that would be associated with a full acquisition while providing speedy access to foreign markets (Chen, 2008).

Of course, the type of asset purchased via the foreign target firm to enhance the assets of the investing firm, whether it is to enhance upstream capabilities (technological resources, R&D activities) versus downstream capabilities (product market related resources, advertising and distribution), influences the choice of entering the foreign market. According to Anand and Delios (2002), it is more likely for a foreign firm to enter into a foreign market via acquisitions rather than with new "greenfield" entities for downstream (marketing) assets which are less fungible across borders than is the case with upstream (technological) assets. Chen (2008), which explores in more detail the motives behind full acquisitions vs partial acquisitions, argues that that full acquisitions are more likely when foreign firms seek

capability procurement assets both in terms of downstream (reputable brands and distribution networks) and upstream assets (advanced technologies). Partial acquisitions, on the other hand, are driven by other strategic goals, such as access to complementary assets of the target firm, minimization of capital commitments and reduction of investment risk, by attaining target information for potential future full acquisition (Chen, 2008).

While there are a relatively small number of studies on the motives driving partial acquisitions (e.g., Chen, 2008; Liao, 2014; Zhu, Jog, & Otchere, 2011), we are aware of no study that examines what happens to the corporate governance of the target firms upon receiving the minority investment. Given that such investments are driven by strategic motives, it is important to examine whether corporate governance of foreign firms changes such that the voices of minority shareholders investing in foreign firms are heard, in particular in countries where there is weak minority investor protection. Our study attempts to address this gap in the literature by examining cross-border minority investments of UK companies.

We examine UK companies involved in cross-border minority acquisitions during the years 1993-2014. UK companies were selected because the UK has been acknowledged as being a trend-setter in the development of codes of good governance (Aguilera, 2005). We started our sample in 1993, the year after the publication of the Cadbury Report. A number of Codes of Practice appeared after the Cadbury Report that further developed and refined its ideas in the light of subsequent experience, notably the Greenbury Report (1995), the Hampel Report (1998), the Higgs Review (2003), the Combined Code on Corporate Governance (2006) and the UK Corporate Governance Code (2010). Most of the guidelines for improving the governance role of the board recommended in the Cadbury Report (1992) for UK companies were incorporated by the OECD in its recommendations in 1999, indicating their transnational influence concerning what constitutes best corporate governance practice (Aguilera, 2005; OECD, 2004a; OECD, 2004b).

There is evidence that UK firms adopting Cadbury Report (1992) recommendations have resulted in improved board oversight, as measured by reductions in accounting manipulations, higher turnover of top executives following poor performance and overall improvements in operating performance (Wild, 1994; Dedman, 2002; Dahya, McConnell, & Travlos, 2002; Dahya & McConnell, 2007). By using UK minority partial acquisitions, we try to determine whether UK minority investors tend to negotiate changes to the board of the foreign target firm. Our empirical results indicate that UK minority investment is associated with the transfer of better corporate governance practices increasing in the proportion of outside directors and creating remuneration and nomination committees. We find there is a positive

relationship between the post-deal proportion of outside directors and the quality of minority investor protection, which is consistent with there being a complementary effect of the two mechanisms. A similar complementary effect seems to be present regarding the creation of additional board committees. We also find that there is a decrease in the likelihood of retaining pre-deal separation of CEO/Chair roles in countries with strong minority investor protection, suggesting a substitution effect for this particular governance mechanism.

Until now, the available research on studies examining the spillover effect of better corporate governance practices via cross-border mergers and acquisitions has focused only when there is a purchase of a majority holding or full acquisition of a foreign firm. To our knowledge, our study is the first study to provide evidence of a spillover effect of better corporate governance practices using minority partial cross-border acquisitions. Our findings also throw light on the relationship between internal and external corporate governance mechanisms. Shleifer and Vishny (1997) was the first study to suggest the substitution and complementary effects between different types of internal and external mechanisms of corporate governance, predictions that were empirically confirmed in a number of subsequent studies (Doidge et al., 2007; La Porta et al., 1998). However, as Filatotchev and Nakajima (2010) point out, there remains a need for research to understand the interrelatedness of these two types of mechanisms. Furthermore, as the external mechanisms are the same for all firms in a given country, the impact of cross-border acquisitions on the corporate governance practices of acquired target firms has been recognised as being a fruitful direction for research (Cartwright & Schoenberg, 2006; Yoshikawa & Rasheed, 2009). Our findings on the relationship between internal and external corporate governance mechanisms throws some light on these issues and also has policy implications for those countries evaluating the effects of foreign investment and focusing on improving corporate governance practices in their markets.

The remainder of the paper is organized as follows. Section 2 provides an overview of the relevant literature and the development of our hypothesis. Section 3 describes our research methodology. Section 4 outlines the sample selection process and presents descriptive statistics. The empirical results appear in section 5 and 6. Our conclusions are presented in section 7.

2. Review of the literature and hypothesis development

2.1. Investor protection, cross-border acquisitions and transfer of corporate governance

A large number of studies (e.g. La Porta et al., 1998; La Porta et al., 2000; O'Sullivan, 2003; Guillen & Capron, 2016) report that protecting the rights of minority shareholders in a country helps develop the stock market and subsequently provides the country's economic growth. When minority investor protections are weak, majority shareholders can exhibit an opportunistic behaviour (Lin, 2017).

According to La Porta et al. (2000), the quality of investor protection in a country affects the level of protection of outside investors against expropriation by insiders. They theorize that when the quality of investor protection is strong, this makes expropriation less likely by managers, and as a result their private benefits of control diminish. With strong investor protection comes the right to sue management, diminishing management's ability to extract private benefits (Kim, Kitsabunnarat-Chatjuthamard, & Nofsinger, 2007; Zingales, 1995). The quality of investor protection in a country also limits the expropriation of minority investors by the controlling shareholders (La Porta et al., 1998; Shleifer & Wolfenzon, 2002, Djankov et al., 2008). Empirical studies support this argument by reporting a negative relation between the private benefits of control and the quality of investor protection (e.g., Dyck & Zingales, 2004; Nenova, 2003; Doidge et al., 2007).

Firm-level governance can serve both as complements to and substitutes for a country's overall quality of investor protection. On the one hand, the Doidge et al. (2007) model shows that in countries with weak legal and regulatory investor protection arrangements it can be costly to improve investor protection because of the lack of adequate institutional governance infrastructure, large political costs and lack of depth of their capital markets. The complementary effect between firm-level and country-level mechanisms is also argued by Kim et al. (2007) and Klapper and Love (2004), on the basis that shareholder rights need to be strong to empower minority shareholders to nominate and elect outside directors. Furthermore, Klapper and Love (2004), suggests that firm-specific governance related provisions could be less effective in countries with weak law enforcement because the provisions are not enforceable and additional mechanisms such as independent board of directors or audit committees will be powerless to discipline the insiders. On the other hand, Dahya, Dimitrov, and McConnell (2008), Durnev and Kim (2005) and Klapper and Love (2004) predict that there is a substitution effect in that firm-level governance matters more in weak legal environments as investors welcome even small improvements in corporate governance relative to other firms. Consistent with their theoretical predictions, Durnev and Kim (2005) find empirically that there is a stronger positive relation between firm-level governance and three key firm characteristics – measured as growth opportunities, needs for external financing and ownership concentration

– in countries with weak legal frameworks. Furthermore, Klapper and Love (2004) document empirically a stronger positive relation between higher firm level governance and improvement in firm valuation (Tobin's Q) and firm performance (ROA) in countries with weak legal environments.

There is a stream of research that looks at cross-border mergers and acquisitions as a way of improving the corporate governance of target firms. Coffee (1999) argues that cross-border deals can play an important role in bringing convergence of corporate governance of firms involved. Bris and Cabolis (2008) show that better shareholder protection in the acquirer country compared to the target country results in a higher target premium for 100% target acquisitions, suggesting that the export of good governance from acquiring firm to target firm is expected to improve the target's performance, thereby making it worthwhile for the acquirer to pay more to get control. Similarly, Martynova and Renneboog (2008) find that the differences in the quality of corporate governance between acquirer and target countries explain part of the expected value creation in cross-border deals. Bris et al. (2008) and Albuquerque et al. (2019) report a similar result at the industry level performance. While these studies focus on full 100% ownership, Kang and Kim (2005) look at foreign partial acquisition of US target firms. They find a positive relation between the probability of non-routine top executive turnover and the country's quality of investor protection of foreign block holder.

Overall, theoretical and empirical studies suggest that country differences in investor protection between acquirer and target firms in cross-border deals influence target firm's corporate governance.

2.2. Board of Directors: CEO duality, Outside Directors and Board Committees

In this study, we focus on the foreign target's board of directors in order to measure the corporate governance of foreign-acquired target firms. We examine three characteristics: CEO/Chairman duality, outside directors and board committees, all of which in previous studies have been found to affect the quality of a board's monitoring.

CEO/Chairman duality, where the same individual holds both the CEO and Chairman positions, in agency theory is seen as a marker of the dominance by management of the board (Fama & Jensen, 1983). Jensen (1993) argues that when a CEO also holds the Chairman position, the board of directors cannot easily evaluate and fire the CEO. However, Hermalin and Weisbach (1998) present a model that suggests that the decision to combine the two roles can be endogenously determined. For instance, a CEO who has a record of having performed

well in the past might be rewarded by being given the chairman role as well. In this case, the resultant increase in power that arises from combining the two roles does not necessarily imply poor performance of the firm in the future. Furthermore, CEO duality could lead to the board of directors performing better, because of the CEO's superior detailed knowledge of day-to-day activities. It is therefore not surprising that the empirical results on the consequences of CEO/Chairman duality are mixed. On the one hand, Brickley, Coles, and Jarrell (1997) and Vafeas and Theodorou (1998) report little evidence that combining or separating titles affects corporate performance, which is consistent with the predictions of Hermalin and Weisbach's (1998) model. On the other hand, Goyal and Park (2002) present results consistent with the Fama and Jensen (1983) and Jensen (1993) theory, by finding a lower sensitivity of CEO turnover to performance when the roles are combined. Similarly, Adams, Almeida, and Ferreira (2005) show that CEO/Chairman duality allows the CEO to intervene more during a board's decision-making processes.

The governance case for having outside directors on the board is set out in agency theory, where it is assumed that the separation of ownership and control could lead to self-interested actions by those in control (Jensen & Meckling, 1976; Fama & Jensen, 1983). According to agency theory, boards should be able to act independently of management, but to do so they must include outside directors (Van den Berghe & Levrau, 2004; Zattoni & Cuomo, 2010). Fama (1980) and Fama and Jensen (1983) theorize that outside directors have incentives to carry out their monitoring tasks and not to collude with top managers who might engage in expropriating stockholders' wealth in order to build reputations as expert monitors. Due to their reputational capital being at stake as well as fear from stockholders' lawsuits, outside directors are predicted to monitor the actions of management (Block, 1999). However, the reputation effect may work in the other direction. For instance, Hermalin and Weisbach (2003) argue that it is valuable to an independent director to have a reputation of not being someone who has a tendency to rock the boat.

The view that boards with outside directors are more independent (Hermalin & Weisbach, 1998; Laux, 2008) is supported by several empirical studies. For instance, Weisbach (1988) reports a higher sensitivity of CEO turnover to performance when the board increases the number of outside directors. In a similar context, Beasley (1996) and Klein (2002) show that firms with more outside directors have a lower incidence of accounting fraud and higher financial reporting quality. Similarly, Hsu and Wu (2014) showed that firms with a large proportion of grey non-executive directors on board are less likely to fail. Most prior research has been done in the US where, of course, all firms operate in the same investor protection

regime. An important exception is the study by Dahya et al. (2008) that shows that outside directors can substitute for other monitoring mechanisms in countries where these are absent because of the weak level of investor protection.

The final monitoring measure we consider is the role of board committees. The Cadbury report (1992) recommends the creation of board committees responsible respectively for relations with the auditors, for executive remuneration, and for nominations to the board as means to increase board monitoring. An audit committee increases monitoring by providing oversight of the firm's financial-reporting process and by providing auditors with a point of contact with the board that is independent of management. The creation of audit committees has been found to alleviate the agency problem by facilitating timely release of unbiased accounting information, by managers to shareholders and creditors (Klein, 1998). Vafeas (2005) reports that audit committees tend to be associated with an increase in the quality of reported earnings. The benefit of creating a nominating committee rests on the argument that it can abstract from the board's environment, which may otherwise be dominated by the CEO and other insiders (Vafeas, 1999). Empirical studies report that having a nominating committee positively influences the selection of independent outside directors (Vafeas, 1999; Shivdasani & Yermack, 1999), which is consistent with the use of a nominating committee to improve board monitoring. A remuneration committee also plays an important role in setting up pay packages that both attract and retain top managers and provide the right incentives for managers to operate in shareholders' interests. However, the empirical evidence on the effects of remuneration committees is mixed. For instance, Anderson and Bizjak (2003) report little relation between the committee's independence and executive pay or between the CEO's removal from the remuneration committee and any consequent decrease in CEO's pay.

2.3. Hypothesis Development

Based on our discussion of the extant literature in section 2.1 and 2.2, we argue that a UK minority investor will likely press for increased monitoring by the foreign target board after the deal in order to protect against expropriation when the foreign target firm is located in a country with poor quality of minority investor protection. We expect that this relationship is particularly important to minority shareholders, as they are more likely to face agency conflicts with incumbent management and other large shareholders. On the other hand, the foreign target firm may be willing to accept the demand for increased board monitoring in order to retain UK minority investor's investment and to attract additional investors. Also, the strategic motives for minority acquisitions, such as access to complementary assets (Chen,

2008) for both firms whether it is upstream (technological) or downstream (marketing) assets, can include increasing the minority's bargaining power to make changes in the foreign target board. We argue that the UK investor will be interested in increasing the quality of the monitoring process, thus making changes in the target board, in particular when the target firm is located in countries with weak investor protection. Both Durnev and Kim (2005) and Klapper and Love (2004) show that firm-level governance matters more in weak legal environments as investors welcome even small improvements in corporate governance and because doing so can make the firm more attractive to other minority investors relative to other firms.

We hypothesize that sharing control with a foreign target incumbent management and with domestic shareholders that have incentives to expropriate foreign minority shareholders in countries with a weak level of minority investor protection provides motivation for a UK minority investor to increase the effectiveness of monitoring by the foreign target board. We therefore predict that changes in the foreign target board structure in order to increase its monitoring effectiveness will be more likely when the target firm is located in a country with weak investor protection.

We measure monitoring by the target board in terms of three characteristics recommended by the Cadbury Report (1992): separation of CEO and Chairman roles, proportion of outside directors, and the creation of board committees.

According to agency theory, the combining of the CEO and Chairman roles in one person leads to dominance of the board by management, thereby reducing the effectiveness of board's monitoring effectiveness. However, as we note earlier, a CEO who has a record of having performed well in the past might be rewarded by being given the chairman role as well. In these circumstances, CEO duality could lead to the board of directors performing better, because of the CEO's superior detailed knowledge of day-to-day activities. The question of whether splitting the roles improves or worsens governance is unclear. We are therefore uncertain as to whether the roles will be more or less likely to be split as a function of the quality of investor protection in the country:

H1. The probability of splitting the CEO/Chairman roles in the foreign target board to improve its monitoring effectiveness will be affected by the quality of investor protection in the target firm's country.

The second foreign target board structure characteristic we consider is the increase in the proportion of outside directors, who are postulated to have incentives to carry out their monitoring tasks and not to collude with top managers in expropriating stockholders' wealth. Having outside directors on the board is predicted to increase board independence, and this is likely to be particularly relevant if the quality of investor protection in the target firm's country is low. However, given that firms tend to take holdings in other firms for strategic motives (rather than for portfolio investment reasons), they will often want to ensure their "voice" is heard during the board's deliberations. This is will be true even when the quality of investor protection in the country is high. Moreover, if the quality of investor protection in the country is high, this is likely to be reflected in the pre-deal board structure: in such countries, companies will likely already have independent directors. Thus, we might not observe post-deal increases in the proportion of outside directors. While we expect there to be an association between the post-deal proportion of outside directors and both the quality of investor protection and the pre-deal proportion of outside directors, it is difficult to determine the directions of the association. We therefore hypothesize:

H2. The probability of changes in the proportion of outside directors is likely to be associated with the pre-deal proportion of outside directors and the quality of investor protection.

The third board structure characteristic in foreign target firm's we consider is the creation of board committees covering audit, remuneration, and board nominations. While each committee has different functions, theoretical and empirical studies[2] show that board monitoring increases with the creation of each committee. Therefore we argue that a UK minority acquirer will press for the creation of board committees in the foreign target board if the quality of minority investor protection of the foreign target country is weak.

H3. The creation of new board committees in the foreign target firm to improve its monitoring effectiveness is more likely to occur when the target firm is located in a country with weak investor protection.

[2] For example, see Klein (1998), Conyon and Peck (1998), Vafeas (1999), and Bruno and Claessens (2010).

Each board committee plays different roles in the company. Spira and Bender (2004) argue that the purpose of the audit committee is to enhance corporate accountability by bolstering the role of the auditor when assessing firm performance, whereas remuneration committee evaluates the performance of directors toward the fulfilment of strategic plan laid down by the company. Carson (2002) suggests that shareholder/management conflict may be more evident in remuneration than audit disputes. Ruigrok, Peck, Tacheva, Greve, and Hu (2006) finds that nomination committees tend to include more foreign directors when the company has an international strategy and international investors. Given that the remuneration committee has a monitoring function regarding the performance of incumbent directors and the nomination committee has a strategic function to identify directors that fulfil the firm international strategy, we would expect that minority investors would be more involved in the creation of remuneration and nomination committees rather than audit committees. We therefore predict:

H4. Investment by minority investors will more likely result in the creation of remuneration and nomination board committees rather than audit committees.

It has been documented that a variety of firm-level governance practices exist in countries with poor levels of minority investor protection, suggesting that they vary in the circumstances in which governance is a first-order concern and in the quality of their governance practices (Durnev & Kim, 2005; Klapper & Love, 2004). We therefore include a number of control variables described in section 3 to try to capture the quality of pre-deal governance structures and the nature of the firms such as their prior performance and size.

3. Research Methodology

In order to analyze the effects of the quality of minority investor protection in target countries on the monitoring activities introduced by UK minority acquirers, we identify a sample of UK minority acquisitions of foreign target firms between 1993-2014. We focus on minority acquisitions where ownership is less than 50% for three reasons. Firstly, in a majority ownership acquisition, the dominance of the target board by the majority shareholder reduces the ability to distinguish between (a) an increase in monitoring introduced in order to substitute for the poor level of investor protection in the target country and (b) the increase in monitoring due simply to the power the acquirer has over the firm. Secondly, by using a sample of minority acquisitions, we can examine the impact of UK acquirers on decisions to change the targets'

corporate governance structures. Thirdly, the examination of minority acquisitions allows us to examine the changes in target boards after foreign deals, without the risk of losing information about the target firms that almost invariably happens when they become fully-owned subsidiaries of the acquirer.

To analyse the effect of minority investor protection in the target country on monitoring activities, we examine the foreign target board structure the year after the deal. Our tests are based on panel data using the following model to test the hypothesis:

$$
\begin{aligned}
Target\ Board_{(i,t)} &= \beta_0 + \beta_1 Min\_Inv_i + \beta_2 Targe\_Pre\_Deal\_CG_{(i,t-1)} + \beta_3 Min\_Inv_i \\
&* Targe\_Pre\_Deal\_CG_{(i,t-1)} + \beta_4 ROA_{(i,t-1)} + \beta_5 Target\_size_i \\
&+ \beta_6 Rel\_size_i + \beta_7 Acq\_Own_i + \beta_8 Rel\_Ind_i + \beta_9 Cross\_List_i \\
&+ \beta_{10} PE\_Own_i + \beta_{11} \geq 20\%\_Own_i + \beta_{12} Vot\_LBlock_i + \beta_{13} Vot\_Acq_i \\
&+ \beta_{14} HHI\_scaled_i + \beta_{15} HHI\_ln_i + \beta_{16} Min\_Inv\_Rank_i + \varepsilon_i
\end{aligned}
$$

where:

Target Board$_{(i,t)}$ measures the foreign target board's structure the year after the deal, captured with the following three board dependent variables:

1. CEO/Chair$_{(i,t)}$ is an indicator variable, taking the value of one if there is a split of CEO/Chair in foreign target board after the deal and zero otherwise.
2. ΔOut_Dir $_{(i,t)}$ is an indicator variable, taking the value of 1 if there is an increase in the proportion of outside directors in the foreign target board after the deal; -1 if there is a decrease in the proportion of outside directors in the foreign target board after the deal; and 0 if the same level proportion of outside directors after the deal is retained.
3. ΔCommittees$_{(i,t)}$ is the change in the number of board committees in foreign target board after the deal. We focus on three types of board committees i.e. audit, nomination and remuneration committees, so the change ranges between [-3, 3]. However, because only three companies in our sample decrease their number of committees, we restrict our focus to the comparison between the companies that increase the number of committees and those that do not make any changes after the deal. Positive numbers refer to the number of committees added, and zero when no changes were made.

We run separate logistic regressions for each individual dependent variable. We use a logistic model for CEO/Chair in order to measure the likelihood of separating CEO and Chair positions in the post-deal target. We use two logistic regressions to measure the likelihood of changing the proportion of outside directors. The first logistic regression measures the likelihood of improving the corporate governance by increasing the proportion of outside directors against retaining the same proportion or decreasing it. The second logistic regression measures the likelihood of decreasing the proportion of outside directors vs increasing or retaining the same proportion after the deal. We also use a logistic regression to measure the likelihood of improving corporate governance through increasing the number of board committees after the deal.

The *Min_Inv* variable is used to measure the quality of law in protecting minority investors in the country where the target firm is domiciled. Given our dataset covers the period 1993-2014, we use three different types of minority investor protection indexes which are relevant to this period. We use the La Porta et al. (1998) anti-director index (ADR), which is measured by them at a specific point in time (1997). A weakness of the ADR index is that it does not specifically measure the strength of law toward minority investor protection. Furthermore, Spamann (2010) and Djankov, La Porta, Lopez-de-Silanes, and Shleifer (2006) highlight that there are some inconsistencies in the coding of ADR that can introduce errors. Djankov et al. (2006) have subsequently created a more detailed index that specifically focuses on minority investor protection, the Anti-self-dealing (ASD) index. We use ASD as our second measure for minority investor protection index. The ASD index is measured by them at a specific (later) point in time, 2003. Our third measure is the minority investor index developed by The World Bank (WB) (The World Bank, 2018). Unlike the other two indexes, the WB index is a longitudinal index that has been updated yearly since its starting observation in 2006. This index is the average of six different sub-indexes: (1) the extent of disclosure index; (2) the extent of director liability index; (3) the ease of shareholder suits index; (4) the extent of shareholder rights index; (5) the extent of ownership and control index; and (6) the extent of corporate transparency index. The WB protecting minority investors index ranges from 0 to 10, with the highest value showing stronger minority investor protection. This index starts in 2006 and accounts for yearly changes in a country. WB and ASD overlap conceptually in that the WB index follows the ASD index procedure as set out in Djankov et al. (2006) in terms of measuring the conflict of interest between major controlling shareholders and minority investors. In addition, the WB index is more comprehensive than the ASD index by incorporating three additional dimensions of good governance: (1) shareholders' rights and role

in major corporate decisions (extent of shareholder rights index), (2) governance safeguards protecting shareholders from undue board control and entrenchment (extent of ownership and control index), and (3) corporate transparency on ownership stakes, compensation, audits and financial prospects (extent of corporate transparency index). Thus, WB index creates a more comprehensive measure for a country's quality of minority investor protection.[3]

Target_Pre_Deal_CG$_{(i,t-1)}$ measures the pre-deal target corporate governance structure in terms of CEO/Chairman (CEO/Chairman$_{(i,t-1)}$), proportion of outside directors (Out_Dir$_{(i,t-1)}$) and number of specialised committees (Committees$_{(i,t-1)}$).

Min_Inv$_i$*Target_Pre_Deal_CG$_{(i,t-1)}$ is an interaction variable measuring the effect of target country's quality of minority investor protection on the changes in the post-deal target board conditional on pre-deal target corporate governance.

In addition, we use thirteen other control variables that have been shown in literature to affect a firm's board of director's structure. We use lagged ROA to measure the performance of the target firm one year prior acquisition, in order to control for the effect of increased board monitoring due to poor target performance, which among other things could be a result either of managerial incompetence or of misuse of firm resources by incumbent management (Fama & Jensen, 1983; Jensen, 1993). We control for target firm size (Target_size), measured as the natural logarithm of target's total assets, because the larger the firm the more likely it is to have bigger and more complex agency problems and therefore needs to be monitored more closely by its board (Jensen, 1986). We control for size differences between the two firms (Rel_size), because the acquirer has more power to make changes in the target's corporate governance when its total assets is bigger than the target firm's total assets (Davidson, Sakr, & Ning, 2004). Furthermore, we control whether both the target and UK firm operate in the same industry (Rel_Ind), because a partial acquirer can monitor more effectively and have more influence if the target's business is one it understands well (Spencer, Akhigbe, & Madura, 1998). We control for the proportion of acquired ownership (Acq_Own) by the UK firm as incentives to monitor a firm increases with the size of acquired ownership (Shleifer & Vishny, 1997). Along with the percentage of acquired ownership, we also use a dummy variable to control whether a substantial minority ownership ($\geq$20%_Own) is acquired. Following Liao (2014), we apply a 20% cut off point. This cut off point is admittedly arbitrary but it has been widely used in the

[3] An alternative metric is the Guillen and Capron (2016) shareholder's minority investor protection (SHR) index. A weakness of the SHR index for our purposes is that it ends in 2011, and is differently structured to ASD and WB. However, these deficiencies noted, untabulated findings reveal many qualitatively similar results to those documented in this paper concerning our board variables and the three investor protection indexes (ADR, ASD and WB).

literature on minority acquisitions in different countries. A similar cut off point has also been used in the literature on ownership and control (Florackis & Ozkan, 2009; Claessens, Djankov, & Lang, 2000; Faccio & Lang, 2002; La Porta, Lopez-De-Silanes, & Shleifer, 1999). The small size of our sample precludes us from using multiple inflection points.

The size of minority ownership stake is important, but how it is reflected in voting rights matters too. We control for the voting power with five measures: Shapley value[4] of the largest blockholder (Vot_LBlock) in the foreign firm; Shapley value of the UK minority acquirer (Vot_Acq); the scaled Herfindahl index (HHI_scaled)[5] of the largest three blockholders in the foreign firm; the natural logarithm of the Herfindah value for the largest three blockhodlers (HHI_ln) [6] in the foreign firm; and the ranking order of ownership of the UK minority acquirer (Min_Inv_Rank) [7]. Basu, Paeglis, and Rahnamaei (2016), Nenova (2003) and Goergen and Renneboog (2001) use Shapley value and Herfindahl index to address different dimensions of ownership structure. Shapley value measures the voting power of the blockholder based on a voting game which accounts for all the possible probabilities to achieve a majority by creating winning coalitions with other shareholders. The Shapley value takes the value of 1 if the blockholder has a majority ownership (>50%). The Shapley value decreases toward 0 as the blockholder needs more shareholders to create winning coalitions. When the largest blockholder has a low Shapley value, minority shareholders can be more influential in the decision-making process as they have higher voting power in creating majority coalitions, despite their small percentage of owned shares. While Shapley value (Vot_LBlock and Vot_Acq) measures the ownership dynamics in the ability to create a majority winning coalition, the Herfindahl index (HHI_scaled and HHI_ln) measures ownership concentration held by the three largest blockholders. A low value of HHI_scaled and HHI_ln indicates a high dispersed ownership in the target firm. With higher dispersed ownership, minority shareholders have more power to influence the board structure. However, the higher the minority shareholder ranks (i.e. how large their shareholding is compared to other shareholders with a

[4] Shapley values for Vot_Lblock and Vot_Acq are calculated using Shapley-Shubik index, which measures the voting power of shareholder i as $\varphi_i(u) = \sum_{s_i} \frac{s!(n-s-1)!}{n!}$ as in Florackis and Ozkan (2009).

[5] HHI_scaled = $\sum_{i=1}^{3} w_i^2 \,/\, (\sum_{i=1}^{3} w_1)^2$

[6] HHI_ln = ln ($\sum_{i=1}^{3} w_i^2$)

[7] We calculate the scaled Herfindal index (HHI_index) for the largest three blockholders by applying a similar method as in Goergen and Renneboog (2001) and Konijn, Kraussl, and Lucas (2011). In addition, we also calculate the non-scaled Herfindahl index, by taking the natural logarithm of sum of the squares of the stakes of the three largest blockholders (HHI_ln). Florackis and Ozkan (2009) also uses the ownership of the three largest blockholders when measuring ownership concentration. The Min_Inv_Rank variable captures the ordinal ranking of the UK minority acquirer according to its shareholding in the foreign firm. It is common in ownership literature to use different measures to capture different dimensions of ownership structure.

value of one being the highest), captured by our Min_Inv_Rank variable, the greater their ability to protect their interests, holding constant other dimensions as captured by the other variables. Also, we control whether the minority investor is a private equity firm (PE_Own) using a binary variable. Humphery-Jenner, Sautner, and Suchard (2017) reports that private equity ownership of the acquirer reduces the information asymmetry of the foreign firm because of PE firms deal experience and networks . Lastly, we control whether the foreign target firm is cross-listed (Cross_List) on the London Stock Exchange (LSE) because being cross-listed could have already exposed the foreign firm to pressures for effective board monitoring.

4. Sample selection and Univariate analysis

Our sample consists of UK firms acquiring a minority ownership in foreign target firms between 1993-2014 from the Thomson One Banker database. The sample is selected using the following eight criteria:

1. The deal is a completed deal;
2. The proportion of ownership acquired is between 0.5%-49.9%;
3. The target firm produces separate annual reports;
4. The target firm is not a foreign subsidiary of any other UK firm;
5. The target firm is not merged into the UK firm;
6. The minority acquisition is not a joint venture or consortium;
7. There are no other minority acquisitions made in the target firm during the year and up to two years after the minority acquisition takes place;
8. The target firm does not have any UK owners in the pre-deal period.[8]

After applying these restrictions, the final sample consists of 215 deals. We use the Pi-Filings, Thomson Research, Thomson One Banker, Datastream, Company Analysis-Extel and Fame databases as well as the companies' websites to gather information on target board structure and corporate governance.

Table 1 shows that UK minority acquiring firms invest in firms located in 40 different countries. The largest group of target firms are domiciled in Australia (56), followed by US firms (24), both together representing approximately one-third of the sample.

[8] We exclude those minority acquisitions where the acquirer is increasing its ownership stake over several years. In this way we can investigate the initial actions of the UK minority acquirer regarding the target firm.

- Table 1 about here -

Table 2 provides summary statistics for the dependent and explanatory variables for two subgroups: foreign target firms which have combined the CEO and Chair roles, (which we refer to as CEO/Chair duality) and foreign target firms which have split the CEO and Chair roles (which we refer to as CEO/Chair split). In panel A, these two subgroups present the CEO and Chair structure in the foreign target firm after the deal. The data in Panel A are further broken down according to the CEO/Chairman structure before the deal in Panel B and Panel C. Panel B provides the values of the variables for the foreign target firms, which had combined the CEO and Chairman roles before the deal, whereas Panel C provides the values of the variables for the foreign target firms, which had a split of CEO and Chairman roles before the deal.

- Table 2 about here -

The two subgroups in Panel A are significantly different in terms of the level of minority investor protection and the pre-deal CEO/Chairman structure. Most of the 161 firms already had a CEO/Chair split before the deal, whereas only 30% of the 54 firms with CEO/Chairman duality after the deal have a CEO/Chair split before the deal. The 54 firms which have CEO/Chair duality after the deal are on average located in countries with stronger minority investor protection than the 161 firms which have a split of CEO/Chair after the deal.

When controlling for the pre-deal CEO/Chair structure, the two subgroups in Panel B continue to show a significant difference with regard to two of the three minority investor protection indexes: the difference in mean values of WB and ASD between the two subgroups are all positive and statistically significant. The 37 firms that continue to have CEO/Chair duality after the deal have on average higher quality of minority investor protection than the 11 firms that split their pre-deal combined CEO and Chairman roles. Furthermore, this group of 37 firms that retained the CEO/Chair duality structure has a smaller target size and the UK acquirer has larger voting power. In Panel C, the group of 17 firms that combine the CEO/Chair roles after the deal score significantly higher across the three investor protection indexes (WB mean difference = 0.87; ASD mean difference = 0.12 and ADR mean difference = 0.9). Furthermore, fewer firms are cross listed in the group of 17 firms that combine the CEO/Chair roles after the deal.

Table 3 provides summary statistics on the independent variables for three subgroups representing three different types of changes in the proportion of outside directors. The first subgroup contains the summary statistics for the 93 foreign target firms whose proportion of outside directors did not change after the deal. The second subgroup contains the summary statistics for the 80 firms that increased the proportion of outside directors after the deal. The third subgroups contains the summary statistics for the 41 firms that decreased the proportion of outside directors after the deal. The table reveals that 44% (93/214) retain the same proportion of outside directors after the deal; 37% (80/214) increase the proportion, and 19% (41/214) decrease the proportion. Interestingly, all the three subgroups have a majority of outside directors both before (mean 0.70, 0.60 and 0.72) and after the deal (mean 0.70, 0.73 and 0.61). However, the 80 foreign target firms that increase the proportion of outside directors have the lowest proportion of outside directors before the deal (mean 0.60) and end up having the largest proportion of outside directors after the deal (mean 0.73). Looking at the significant mean differences between the subgroups, reveals that the 80 foreign target firms that increase the proportion of directors after the deal receive on average the highest investment (mean 15.76) from UK firms, are more likely to operate in the same industry (mean 0.60) as the acquiring UK firms, and score significantly higher in WB index (mean 6.74).

- Table 3 about here -

Table 4 provides summary statistics on the variables for the total sample of 214 foreign target firms that report information on three board committees (audit committee, remuneration committee and nomination committee), broken into two subgroups: the group of 136 foreign target firms that retain the same number of board committees after the deal, and the group of 25 foreign target firms that increase the number of board committees after the deal. A comparison between the two subgroups reveals that the mean values of two of the three investor protection indexes (WB and ASD) are statistically significantly larger for the 25 foreign target firms that increase the number of board committees than those that do not change the number of committees (WB mean difference = 0.66 and ASD mean difference = 0.08). Those firms that increase the number of committees are more likely to operate in the same industry compared to those do not change the number of committees (mean difference = 0.23)

- Table 4 about here -

Table 5 shows the Pearson correlations between the variables (p-values in parentheses). WB, ASD and ADR are correlated but not to an extend likely to pose statistical problems, suggesting they are capturing different aspects of the quality of investor protection in a country. $CEO/Chair_t$ is negatively correlated with all the three investor protection indexes (WB, ASD and ADR). Out_Dir_t is also negatively correlated with only two of the indexes (WB and ASD). $Committee_t$ are positively correlated with two of the indexes; in this case, WB and ADR. The negative correlations for $CEO/Chair_t$ structure and Out_Dir_t variables provide preliminary evidence of a substitution effect between corporate governance mechanisms. The positive correlations for $Committee_t$ provides preliminary evidence of there being complementary effects between corporate governance mechanisms. Foreign target firms located in countries with stronger minority investor protection, have more board committees and lower proportion of outside directors than foreign target firms located in countries with weak minority investor protection.

- Table 5 about here -

PE_Own is negatively correlated with all three investor protection indexes, indicating that private equity firms are more likely to invest in countries with weaker investor protection than are non-institutional investors. Target_size is negatively correlated with all three investor protection indexes suggesting that UK acquirers tend to invest in large firms in countries with weak investor protection indexes. The two ownership concentration variables (HHI_scaled and HHI_ln) have negative correlations with investor protection indexes, and there is a negative correlation between the voting power of the largest blockholder (Vot_LBlock) and the three investor protection indexes. However, neither the size of the acquired minority percentage by the UK acquirer (Acq_Own), nor acquisition of a larger substantial stake ($\geq$ 20% _Own) is related with the three investor protection indexes, although the voting power of the UK acquirer (Vot_Acq) is positively correlated with one of the investor protection indexes (ADR). Large firms have an increase in the proportion of outside directors after the deal. However, acquiring a substantial minority ownership ($\geq$ 20%_Own) is associated with a decreased proportion of outside directors and the number of board committees after the deal. Similarly, high concentrated ownership (HHI_ln) and high voting power by the largest blockholder (Vot_LBlock) reduces the number of board committees after the deal.

As for the remaining control variables, we observe that UK acquiring firms that purchase 20% or more ownership in foreign firms ($\geq$ 20%_Own), have higher voting power

(Vot_Acq) and foreign firms with higher voting power in their largest blockholders (Vot_LBlock). We also observe that UK acquiring firms that purchase 20% or larger ownership in foreign firms (≥ 20%_Own) are more likely to operate in the same industry as the foreign target firms (0.16), but less likely to be private equity UK firms (-0.17). Private equity UK firms invest in larger foreign firms (0.12) and foreign firms that are cross-listed in the UK (0.16), which is consistent with the need for such private equity firms to have an exit strategy. The two ownership concentration variables (HHI_scaled and HHI_ln) are positively related with the voting power of the largest blockholder (Vot_LBlock). However, only the HHI_scaled variable is positively correlated (0.17) with the voting power of the UK firm (Vot_Acq). A possible explanation is the low positive correlation between HHI_scaled and HHI_ln (0.33), consistent with capturing different aspects of the phenomena. We also observe that the voting power of the UK acquirer (Vot_Acq) is negatively (-0.37) related with ownership ranking order of the UK acquirer (Min_Inv_Rank), indicating a presence of concentrated ownership, as voting power increases with the smaller number of shareholders. Given the dynamics of ownership structure between power and ownership of UK acquirer vs other shareholders in the foreign firm, we use all the five variables (Vot_LBlock, Vot_Acq, HHI_scaled, HHI_ln, and Min_Inv_Rank) in our multivariate regressions below so that we can control for different dimensions of ownership structure (Basu et al., 2016; Nenova, 2003; Goergen & Renneboog, 2001; Florackis & Ozkan, 2009; Konijn et al., 2011)

5. Empirical results

5.1. Impact of minority investor protection on the choice of CEO/Chair board structure

Table 6 presents average marginal effects from the logistic regression model for the probability of having a split of CEO/Chair roles after the deal conditional on the pre-deal arrangement. The table is divided into three blocks, representing the three different investor protection indexes. For each index, the results are shown in two columns, the first for the sub-sample where the pre-deal CEO/Chair roles were combined and the second where the roles were split. For firms that already have a split before deal, a marginal increase in the relevant investor protection index is associated with a decrease in the probability of retaining the split after the deal (WB = -3%, ASD = -26% and ADR = -14%).

- Tables 6 about here -

For firms where the CEO/Chair roles are combined before the deal, a marginal increase in the relevant investor protection index is associated with a decrease in the probability of splitting the roles after the deal. While as predicted the minority investor protection indexes have negative coefficients, these are not statistically significant, except for ASD. A marginal increase in ASD is associated with a 76% decrease in the probability of splitting the combined CEO/Chair duality after the deal. No conclusions can safely be drawn from these results, given the small number of observations for firms with duality (48) before deal and those that made changes (11) from this group (see Table 2).

As for the control variables, we observe ownership concentration and voting power to influence the likelihood of having a split of CEO/Chair roles after the deal. A marginal increase in either of the two ownership concentration variables (HHI_scaled and HHI_ln), is associated with an increase in probability of having a separate CEO/Chair after the deal. We observe this positive relation in both subsamples which control for the pre-deal CEO/Chair structure. On the other hand, a marginal increase in the voting power of the largest block holder (Vot_LBlock) is associated with a decrease in probability of having separate CEO/Chair roles after the deal. This negative relation is persistent in both subsamples which control for the pre-deal CEO/Chair structure. The opposite coefficients signs for CEO/Chair split after deal with respect to ownership concentration (HHI_scaled and HHI_ln) and voting power (Vot_LBlock) suggest that our ownership measures captures different ownership dimensions, similar to Basu et al. (2016). Our ownership concentration variables (HHI_scaled and HHI_ln), which measure the percentage of ownership of the three largest shareholders, increase as each of three main blockholders hold more shares in the firm. When the second and the third largest blockholders hold a relatively substantial stake, they are more likely to have the incentive and the ability to control the largest blockholder (Huyghebaert & Wang, 2012; Renders & Gaeremynck, 2012). Our results show that as ownership concentration of the three largest shareholders increases, there is greater likelihood to monitor the largest blockholder by influencing the board structure through separating CEO/Chair roles after the deal. Our results also suggest that the greater the voting power of the largest block holder, the greater is the ability to insist on a board structure that would reduce the monitoring against extracting private benefits of his control (Shleifer & Vishny, 1997).

Overall, we can draw two conclusions from these findings. On the one hand, when the CEO/Chair roles are split before the deal, the probability of retaining the split after the deal decreases the higher is the level of investor protection, the higher is the voting power of the largest block holder, and the lower is the ownership concentration of the three largest

blockholders in the foreign firm. On the other hand, when the CEO/Chair roles are combined before the deal, there is limited evidence of the probability of splitting the roles after the deal being affected by the level of investor protection. However, the lower the voting power of the largest blockholder and the higher the ownership concentration of the three largest blockholders the greater is the likelihood to have a split of CEO/Chair roles after the deal.

5.2. Impact of minority investor protection on the change in the proportion of outside directors

Table 7 presents average marginal effects from the logistic regression model for the probability of increasing or decreasing the proportion of outside directors after the deal. For each investor protection index, there are two columns representing the likely of increasing and decreasing the proportion, respectively. Recall that hypothesis H2 predicts a relationship between the post-deal proportion of outside directors and both the pre-deal proportion and the quality of investor protection. As we explain in section 2.3, we do specify a predicted direction in these relationships because there are forces pulling in opposite directions. The table reveals there is a statistically significant negative relationship with the pre-deal proportion and a positive relationship with Min_Inv. It could be argued, of course, that a firm with a large pre-deal proportion of outside directors is hardly likely to increase it still further. Furthermore, the pre-deal proportion might also be a function of the quality of investor protection.[9] In the case of Min_Inv, Table 7 reveals that the positive relationship is significant for WB and ASD. This could also be influenced by endogeneity. We investigate this issue further in Section 6, where we show that the coefficients on Min_Inv for all three indexes are larger and more significant when endogeneity is taken into account. However, the positive relationship between Min_Inv and post-deal change continues to indicate that higher investor protection quality is associated with an increase in the proportion of outside directors. A possible explanation for this result lies in Kim et al. (2007)'s argument that minority shareholders influence board composition only when laws protect and empower minority shareholders. Kim et al. (2007), Doidge et al. (2007) and Klapper and Love (2004), report empirical findings that support this positive relation and is consistent with our finding.

As for the control variables, the percentage of ownership (Acq_Own) influences the proportion of outside directors after the deal. The probability of increasing the proportion of outside directors versus retaining or decreasing the proportion after the deal is higher when the

[9] We explore this possibility by running another version of the model that includes an interaction variable, Out_Dir_{t-1} multiplied by Min_Inv. Untabulated findings reveal that this term is statistically insignificant and the coefficients on the two variables are unchanged.

UK acquirer takes less than 20% of the equity. When they acquire a more substantial stake of 20% or larger (≥ 20%_Own), the proportion of outside directors after the deal decreases. Li (1994) found a similar negative relation between outside directors and large blockholders. Li (1994) argues that large shareholders are able to influence and monitor management, by appointing affiliated directors who can present and protect their interests on the board rather than appointing outside directors. Our results seems to support this argument. Interestingly, the ownership concentration variable, HHI_scaled, which measures the percentage of ownership for the three largest shareholders has a positive relation with the proportion of outside directors after the deal. A possible explanation can be found in Huyghebaert and Wang (2012) and Renders and Gaeremynck (2012), which argue that when the second and the third largest blockholders hold a relatively substantial stake, they are more likely to have the incentive to control the largest blockholder against any expropriation. Given that high substantial ownership (≥ 20%_Own) decreases the proportion of outside directors, the positive effect of HHI_scaled on outside directors is driven by the percentage of ownership of the second and third blockholder. Our result is consistent with these blockholders using outside directors to monitor the largest blockholder in the foreign firm. We also observe an increase in the proportion of outside directors when a foreign firm operates in the same industry as the UK acquiring firm, supporting the argument of Spencer et al. (1998) that a partial acquier can intervene more if it is familiar with target firm's business.

As for the factors influencing the likelihood of *decreasing* the proportion of outside directors, we observe that virtually none of the independent variables (the exception being the size of the foreign firms Target_size) are able to explain the likelihood of decreasing the proportion of outside directors. The negative coefficient of Target_size (-0.03) implies that smaller foreign firms are more likely to have a low proportion of outside directors given their relatively less complexity in business operations as opposed to larger firms.

- Table 7 about here –

5.3. Impact of minority investor protection on the change in the number of committees

Table 8 reports the average marginal effects from the logistic regression, which predicts the probability of creating new board committees after the deal while controlling for the number of pre-deal committees. The table reveals that two out of the three minority investor protection indexes are positively associated with the creation of additional board committees. But this relationship only holds for ADR (ASD) when there is (are) already one (two)

committee(s). For firms that do not have any committees before the deal, minority investor protection considerations do not appear to play any role. Again, this result suggests there may be a complementary relationship between the creation of additional board committees (an internal governance mechanism) and investor protection quality (an external one), providing further evidence to support the argument that minority investors can only increase monitoring if laws support and empower them to do so (Kim et al., 2007; Doidge et al., 2007; Klapper & Love, 2004). Interestingly, this holds only when there is already one committee, which is invariably the audit committee. In other words, the committee created post-deal are always either a remuneration and/or a nomination committee. This is consistent with hypothesis H4. As for the control variables, Rel_Ind is the only control variable that is associated with post-deal increases in the number of board committees. A partial acquirer can monitor more effectively and have more influence if it has already knowledge of the target's industry (Spencer et al., 1998).

- Table 8 about here -

6. Robustness checks

The results discussed above are consistent with the hypothesis that the quality of minority investor protection influences the changes in the post-deal board structure. However, one could argue that this might be a result of reverse causality: pre-deal board structure could itself be a function of the quality of minority investor protection. To control for this possibility we run three reverse causality tests in which CEO/Chair$_{t-1}$ (Out_Dir$_{t-1}$, Committee$_{t-1}$) is the dependent variable and Min_Inv is an independent variable, along with the remaining control variables. The results are reported in Table 9. In only two instances is the coefficient on Min_Inv statistically significant: Out_Dir$_{t-1}$ has a negative sign for the WB index and Committee$_{t-1}$ has a positive sign with ADR. These results suggest that this source of endogeneity is not likely to have had much influence on our results. However, the decision on acquiring a minority ownership stake in foreign firms seems to be influenced by the pre-deal CEO/Chair structure in the foreign firm. Noticeably, *Acq_Own* is positively related with pre-deal CEO/Chair split, whereas $\geq$ *20% Own* is statistically insignificant, suggesting that a UK firm is more likely to purchase a minority ownership of less than 20% (Acq_Own), if there is already a CEO/Chair split before the deal, which can protect against agency and/or principal conflicts. We also observe that the voting power associated with the share purchased by UK acquirer (Vot_Acq) increases with the likelihood of having a CEO/Chair duality before the

deal. The UK acquirer that purchased a minority stake with high control power when the foreign firm has combined the CEO and Chair roles before the deal will be able to influence board decision-making directly, instead of relying on an independent Chairman to do the job. We also observe that UK acquirers tend to select foreign firms that already have a larger proportion of outside directors when they are further down the ranking order of their ownership (Min_Inv_Rank). This is consistent with outside directors serving as a corporate monitoring mechanism to protect shareholders against controlling blockholders. Lastly, we find that bigger firms (Target_size) have more pre-deal board committees. A possible reason for this finding is that larger firms have more complex business operations, which makes it particularly desirable to have an audit committee able to scrutinize them. Also, the bigger a firm the greater the need for a remuneration committee in order to identify potential directors that can bring new knowledge and expertise in the firm and to assess the performance of existing directors.

- Table 9 about here -

Another endogeneity concern is that our results might be caused by correlated omitted variable bias, i.e. the relation between the quality of minority investor protection and changes in board structure could simply reflect factors not adequately captured by our variables. In order to assess this possibility, we need a good instrument that is related to the level of investor protection, but not related to the unobserved characteristics affecting the changes in board structure. We initially follow Leuz, Nanda, and Wysocki (2003), which use countries' legal origins and a country's wealth as instrumental variables for our minority investor protection variable. A country's legal origin can be considered as exogenous given that its use might have been several centuries in the making, and a country's wealth, measured as GDP per capita, affects the costly maintenance of a country's legal infrastructure (Leuz et al., 2003). However, when we use the three binary variables (English, French, German or Scandinavian) to measure a foreign country's legal origin, we find a low Wald F-test which is less than the Stock and Yogo (2005) critical value for weak instruments (English, French, German). Also, the GDP per capita instrument did not satisfy the condition of exogeneity as the p-value of the J-test (English and GDP per capita) was significant, suggesting correlation with the residuals. The English variable which controls for the English origin law countries is the only instrumental variable that satisfies the condition of relevance with our three investor protection indexes (WB, ASD and ADR) by providing a higher value than the critical value of Wald F-test of Stock and Yogo (2005) and satisfying the condition of exogeneity, being uncorrelated with the

residuals (p-value of F-test of residuals was insignificant). Table 10 reports the results of using the two-stage regressions for three post-deal board measures. The first column in each panel reports the coefficients from the first-stage regression in which Min_Inv is the dependent variable. The coefficients from this regression are used to create the predicted value of Min_Inv, $\widehat{Min\_Inv}$, which is used as an independent variable in the second-stage regression. The coefficients on $\widehat{Min\_Inv}$ are qualitatively similar (and somewhat stronger for CEO/Chair and Outside Directors) to those reported in Tables 6-8. From this we conclude that correlated omitted variable bias is unlikely to be driving our results.

-Table 10 about here -

7. Conclusions

Our study is the first to provide evidence of corporate governance effects in cross-border minority acquisitions. We examine the dynamics of internal (foreign firm's board of directors) and external (foreign country's quality of minority investor protection) corporate governance mechanisms in a cross-border minority investment context. We also test whether minority acquisitions have similar results to those that occur in majority or full ownership cross-border acquisitions, which have been shown to result in better corporate governance practices in the foreign acquired firm (Bris & Cabolis, 2008; Martynova & Renneboug, 2008).

Using a sample of UK minority acquisitions of foreign firms between 1993-2014, we find that when the CEO/Chair roles are split before the deal, the probability of retaining the split after the deal decreases the higher is the level of investor protection suggesting a substitution effect between CEO/Chair split and quality of investor protection. However, we only observe the substitution effect when prior to the deal the CEO/Chair were separated but are combined afterwards. On the other hand, when the CEO/Chair roles are combined before the deal, there is only limited evidence of the probability of splitting the roles after the deal being affected by the level of investor protection. We also find that the probability of increasing the proportion of outside directors is an increasing function of the quality of investor protection, which is consistent with there being complementarity between internal and external governance mechanisms (Shleifer & Vishny, 1997; Kim et al., 2007; Klapper & Love, 2004). We report a similar positive relationship between the creation of additional committees and the quality of investor protection.

In this study, we explore the relation between quality of minority investor protection in foreign countries and the board structure of foreign target firms after they receive UK investment. We restricted our attention to three governance features, CEO/Chair structure, proportion of outside directors, and number of board committees in a foreign firm's board. Future research could examine in more detail the structure of board of directors, such the degree to which the Chairman is truly independent of management and the composition of the audit, remuneration, and nomination committees. Furthermore, many firms have started to create separate corporate governance committees. Future research could examine whether creating this specific type of committee and its composition improves the corporate governance of the firm.

Our study also extends the knowledge of the relationship between different dimensions of ownership and board structure. Our findings suggest that a UK minority acquirer with large voting power would be less likely increasing the proportion of outside board directors in order to monitor the board in the foreign firm as its high voting power would directly enable to influence board decision making. Also, the lower the voting power of the largest blockholder and the higher the ownership of the second and the third blockholders, the greater is the likelihood to separate the CEO/Chair roles and to increase the proportion of outside directors in order to monitor the dominant shareholder in the invested foreign firms. In our study, we control for private equity firms. However, there are other different types of shareholders (state, family, other institutional ownership) that could affect the changes in the structure of the board after the deal. Thus another potential fruitful avenue for future research would be to focus on a more comprehensive analysis of ownership structure and voting power of different types of shareholders and the effect on board structure of foreign firms.

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Table 1. Information on the number of UK minority acquisitions in foreign target countries and the country's quality of protecting minority investor using WB, ASD and ADR.

Target Country	ADR	ASD	WB	Number of UK Minority Acquisitions	% of UK Minority Acquisitions in Sample
UK	**5**	**0.95**	**8**	**215**	**100%**
Australia	4	0.76	5.7	56	26.05%
Austria	2	0.21	5	3	1.40%
Belgium	0	0.54	7	2	0.93%
Canada	5	0.64	8.3 & 8.7	14	6.51%
Cayman Islands				2	0.93%
Channel Islands				1	0.47%
Chile	5	0.63	6.3	1	0.47%
Croatia		0.25	4	1	0.47%
Cyprus			6.3	1	0.47%
Czech Republic		0.34	5	3	1.40%
Demark	2	0.46	6.3	1	0.47%
Finland	3	0.46	5.7	2	0.93%
France	3	0.38	5.3	10	4.65%
Germany	1	0.28	5	11	5.12%
Greece	2	0.22	3	1	0.47%
Hong Kong	5	0.96	9	9	4.19%
Hungary		0.2	4.3	2	0.93%
India	5	0.58	5.7 -6	15	6.98%
Indonesia	2	0.65	6	1	0.47%
Ireland	4	0.79	8.7	2	0.93%
Italy	1	0.42	6	3	1.40%
Japan	4	0.5	7	2	0.93%
Malaysia	4	0.95	8.7	2	0.93%
Malta			5.7	1	0.47%
Netherlands	2	0.2	4.3	3	1.40%
New Zealand	4	0.95	9.7	5	2.33%
Philippines	3	0.22	4.3	2	0.93%
Poland		0.29	5.7 & 6	4	1.86%
Portugal	3	0.44	6	1	0.47%
Romania		0.44	5.3	1	0.47%
Russia		0.44	4.7	3	1.40%
Serbia			4.7	1	0.47%
Singapore	4	1	9.3	3	1.40%
South Africa	5	0.81	8	4	1.86%
South Korea	2	0.46	6	1	0.47%
Spain	4	0.37	5.3	5	2.33%
Sweden	3	0.33	4.3 - 6.3	5	2.33%
Switzerland	2	0.27	3	6	2.79%
Thailand	2	0.85	6	1	0.47%
USA	5	0.65	8.3	24	11.16%
Total	**198**	**209**	**212**	**215**	**100.00%**

Table 2. Summary statistics and univariate analysis of the variables for foreign target firms categorized according to the CEO/Chair structure before and after the deal. *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold).*

Panel A

		CEO/Chairman$_t$ Duality		CEO/Chairman$_t$ Split			
		mean	n	mean	n	means diff	p-values
Total	WB	6.86	54	6.16	158	**0.70**	**0.01**
	ASD	0.66	54	0.58	155	**0.08**	**0.01**
	ADR	4.23	52	3.66	143	**0.57**	**0.00**
	CEO/Chair$_{t-1}$	0.31	54	0.93	161	**-0.62**	**0.00**
	ROA	-0.29	54	-0.01	161	-0.28	0.16
	Target_size	10.91	54	11.48	161	-0.58	0.21
	Rel_size	240.02	54	2,499.91	161	-2,259.89	0.20
	Acq_Own	13.42	54	13.72	161	-0.30	0.86
	Rel_Ind	0.52	54	0.50	161	0.02	0.79
	Cross_List	0.11	54	0.18	161	-0.07	0.19
	PE_Own	0.61	54	0.63	161	-0.02	0.83
	≥ 20%_Own	0.19	54	0.20	161	-0.01	0.83
	Vot_LBlock	0.43	44	0.40	130	0.03	0.55
	Vot_Acq	0.15	44	0.13	130	0.02	0.51
	HHI_scaled	0.48	44	0.47	129	0.01	0.78
	HHI_ln	6.70	44	6.74	129	-0.03	0.88
	Min_Inv_Rank	2.76	45	2.34	134	0.42	0.36

Panel B

		CEO/Chairman$_t$ Duality		CEO/Chairman$_t$ Split			
		mean	n	mean	n	means diff	p values
CEO/Chairman$_{t-1}$ Duality	WB	6.76	37	5.75	11	**1.01**	**0.05**
	ASD	0.63	37	0.47	11	**0.17**	**0.01**
	ADR	4.09	35	4.00	10	0.09	0.83
	ROA	-0.29	37	0.06	11	-0.35	0.14
	Target_size	11.11	37	13.06	11	**-1.95**	**0.04**
	Rel_size	290.4	37	8.3	11	282.1	0.17
	Acq_Own	13.84	37	12.92	11	0.92	0.78
	Rel_Ind	0.51	37	0.73	11	-0.21	0.21
	Cross_List	0.14	37	0.18	11	-0.05	0.73
	PE_Own	0.59	37	0.64	11	-0.04	0.81
	≥ 20%_Own	0.22	37	0.27	11	-0.06	0.72
	Vot_LBlock	0.45	30	0.45	8	0.00	0.99
	Vot_Acq	0.18	30	0.08	8	**0.09**	**0.09**
	HHI_scaled	0.49	30	0.51	8	-0.02	0.73
	HHI_ln	6.94	30	6.87	8	0.07	0.90
	Min_Inv_ Rank	2.55	31	3.22	9	-0.67	0.32

Panel C

		CEO/Chairman$_t$ Duality		CEO/Chairman$_t$ Split			
		mean	n	mean	n	means diff	p values
CEO/Chairman$_{t-1}$ Split	WB	7.06	17	6.19	147	**0.87**	**0.04**
	ASD	0.71	17	0.59	144	**0.12**	**0.01**
	ADR	4.53	17	3.63	133	**0.90**	**0.00**
	ROA	-0.30	17	-0.01	150	-0.28	0.50
	Target_size	10.47	17	11.37	150	-0.90	0.15
	Rel_size	130.3	17	2,683	150	-2,552	0.18
	Acq_Own	12.52	17	13.78	150	-1.26	0.61
	Rel_Ind	0.53	17	0.48	150	0.05	0.71
	Cross_List	0.06	17	0.18	150	**-0.12**	**0.08**
	PE_Own	0.65	17	0.63	150	0.02	0.87
	≥ 20%_Own	0.12	17	0.19	150	-0.08	0.39
	Vot_LBlock	0.40	14	0.40	122	0.00	1.00
	Vot_Acq	0.10	14	0.13	122	-0.03	0.39
	HHI_scaled	0.46	14	0.47	121	-0.01	0.85
	HHI_ln	6.20	14	6.73	121	-0.53	0.23
	Min_Inv_ Rank	3.21	14	2.27	125	0.94	0.46

Table 3. Summary statistics and univariate analysis of the variables for foreign target firms classified according to the changes made in the proportion of outside directors after the deal. *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold).*

	$\Delta Out\_Dir_t = 0$		$\Delta Out\_Dir_t > 0$		$\Delta Out\_Dir_t < 0$		Increase vs (Decrease or Retain)			Decrease vs (Retain or Increase)	
	mean	n	mean	n	mean	n	mean diff	p-values		mean diff	p-values
WB	6.00	91	6.74	79	6.37	41	**-0.63**	**0.01**		-0.05	0.86
ASD	0.58	91	0.63	78	0.61	39	-0.04	0.23		-0.02	0.65
ADR	3.56	84	4.00	73	4.00	38	-0.30	0.10		-0.24	0.26
Out_Dir_{t-1}	0.70	93	0.60	80	0.72	41	**0.10**	**0.00**		**-0.07**	**0.08**
Out_Dir_t	0.70	93	0.73	80	0.61	41	**-0.06**	**0.02**		**0.11**	**0.01**
ROA	-0.09	93	-0.09	80	-0.04	41	0.02	0.89		-0.04	0.60
Target_size	11.57	93	11.35	80	10.77	41	-0.02	0.96		0.70	0.12
Rel_size	337.66	93	4,360.30	80	857.66	41	-3,863.54	0.28		1,327.87	0.44
Acq_Own	12.10	93	15.76	80	13.09	41	**-3.36**	**0.02**		0.68	0.65
Rel_Ind	0.41	93	0.60	80	0.54	41	**-0.15**	**0.03**		-0.04	0.63
Cross_List	0.18	93	0.15	80	0.15	41	0.02	0.68		0.02	0.75
PE_Own	0.66	93	0.56	80	0.66	41	0.09	0.18		-0.04	0.60
$\geq$ 20%_Own	0.17	93	0.25	80	0.15	41	-0.09	0.14		0.06	0.35
Vot_LBlock	0.41	80	0.40	61	0.43	32	0.01	0.77		-0.02	0.75
Vot_Acq	0.12	80	0.16	61	0.13	32	-0.04	0.18		0.01	0.73
HHI_scaled	0.45	80	0.49	60	0.47	32	-0.04	0.19		0.00	0.99
HHI_ln	6.74	80	6.67	60	6.75	32	0.07	0.69		-0.03	0.91
Min_Inv_ Rank	2.53	81	2.30	63	2.41	34	0.19	0.57		0.04	0.90

Table 4. Summary statistics and univariate analysis of the variables for foreign target firms categorized according to the number of board committees before and after the deal. *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold).*

	$\Delta Committee_t = 0$		**$\Delta Committee_t > 0$**			
	mean	n	mean	n	mean diff	p-values
WB	6.20	134	6.86	25	**-0.66**	**0.08**
ASD	0.59	132	0.67	25	**-0.08**	**0.09**
ADR	3.71	119	4.13	24	-0.41	0.14
$Committee_{t-1}$	0.85	136	0.60	25	0.25	0.16
$Committee_t$	0.85	136	2.08	25	**-1.23**	**0.00**
ROA	-0.10	136	0.02	25	-0.11	0.21
Target_size	11.25	136	10.83	25	0.42	0.35
Relative_size	778.30	136	11,134.40	25	-10,356.10	0.36
Acquired_Own	14.21	136	13.18	25	1.02	0.60
Rel_Ind	0.49	136	0.72	25	**-0.23**	**0.03**
Cross_List	0.13	136	0.24	25	-0.11	0.25
PE_Own	0.63	136	0.48	25	0.15	0.18
$\geq$ 20%_Own	0.22	136	0.20	25	0.02	0.82
Vot_LBlock	0.46	109	0.43	18	0.03	0.77
Vot_Acq	0.14	109	0.13	18	0.01	0.69
HHI_scaled	0.48	109	0.49	18	-0.01	0.78
HHI_ln	6.85	109	6.82	18	0.03	0.91
Min_Inv_ Rank	2.43	112	2.90	20	-0.47	0.60

Table 5. Pearson Correlation Matrix *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold).*

	WB	ASD	ADR	CEO/Chair$_{t-1}$	CEO/Chair$_{t}$	Out_Dir$_{t-1}$	Out_Dir$_{t}$	Committee$_{t-1}$	Committee$_{t}$	ROA	Target_size	Rel_size	Acq_Own	Rel_Ind	Cross_List
WB	1														
ASD	**0.66**	1													
	(0.00)														
ADR	**0.59**	**0.64**	1												
	(0.00)	***(0.00)***													
CEO/Chair$_{t-1}$	-0.06	0.01	-0.11	1											
	(0.36)	*(0.91)*	*(0.12)*												
CEO/Chair$_{t}$	**-0.19**	**-0.16**	**-0.20**	**0.64**	1										
	(0.01)	***(0.02)***	***(0.00)***	***(0.00)***											
Out_Dir$_{t-1}$	**-0.16**	**-0.14**	-0.05	**0.12**	**0.19**	1									
	(0.02)	***(0.05)***	*(0.49)*	***(0.07)***	***(0.01)***										
Out_Dir$_{t}$	**-0.18**	**-0.15**	-0.08	**0.14**	**0.16**	**0.84**	1								
	(0.01)	***(0.03)***	*(0.30)*	***(0.04)***	***(0.02)***	***(0.00)***									
Committee$_{t-1}$	0.08	0.09	**0.13**	0.00	**0.14**	**0.15**	**0.15**	1							
	(0.25)	*(0.22)*	***(0.06)***	*(1.00)*	***(0.05)***	***(0.03)***	***(0.03)***								
Committee$_{t}$	**0.14**	0.11	**0.15**	0.03	**0.15**	**0.13**	**0.15**	**0.89**	1						
	(0.05)	*(0.13)*	***(0.03)***	*(0.61)*	***(0.03)***	***(0.06)***	***(0.03)***	***(0.00)***							
ROA	-0.05	-0.10	-0.07	0.09	**0.15**	0.03	-0.05	0.06	0.09	1					
	(0.43)	*(0.17)*	*(0.31)*	*(0.20)*	***(0.02)***	*(0.70)*	*(0.43)*	*(0.38)*	*(0.19)*						
Target_size	**-0.14**	**-0.35**	**-0.26**	-0.04	0.10	**0.12**	**0.11**	0.10	0.08	**0.33**	1				
	(0.04)	***(0.00)***	***(0.00)***	*(0.51)*	*(0.16)*	***(0.07)***	***(0.10)***	*(0.15)*	*(0.24)*	***(0.00)***					
Rel_size	0.07	0.01	0.07	0.05	0.05	0.00	0.03	0.00	0.10	-0.01	**-0.12**	1			
	(0.30)	*(0.88)*	*(0.32)*	*(0.49)*	*(0.46)*	*(0.98)*	*(0.68)*	*(0.98)*	*(0.15)*	*(0.90)*	***(0.07)***				
Acq_Own	-0.07	-0.01	0.07	0.00	0.01	**-0.12**	-0.07	-0.09	**-0.12**	0.04	-0.02	-0.02	1		
	(0.30)	*(0.93)*	*(0.32)*	*(0.99)*	*(0.84)*	***(0.09)***	*(0.34)*	*(0.21)*	***(0.07)***	*(0.59)*	*(0.81)*	*(0.77)*			
Rel_Ind	0.04	0.06	**0.15**	-0.06	-0.02	-0.06	-0.01	-0.10	-0.03	-0.05	-0.06	0.04	**0.20**	1	
	(0.58)	*(0.43)*	***(0.04)***	*(0.35)*	*(0.78)*	*(0.37)*	*(0.86)*	*(0.14)*	*(0.63)*	*(0.46)*	*(0.40)*	*(0.58)*	***(0.00)***		
Cross_List	**-0.14**	**-0.12**	**-0.26**	0.02	0.08	0.10	0.09	0.05	**0.11**	0.02	-0.03	-0.04	-0.02	0.01	1
	(0.04)	***(0.08)***	***(0.00)***	*(0.72)*	*(0.24)*	*(0.13)*	*(0.17)*	*(0.44)*	***(0.09)***	*(0.77)*	*(0.62)*	*(0.55)*	*(0.81)*	*(0.88)*	

Table 5. (continues) Pearson Correlation Matrix *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold)*

	WB	ASD	ADR	CEO/Chair$_{t-1}$	CEO/Chair$_t$	Out_Dir$_{t-1}$	Out_Dir$_t$	Committee$_{t-1}$	Committee$_t$	ROA	Target_size	Rel_size	Acq_Own	Rel_Ind	Cross_List
PE_Own	**-0.14**	**-0.23**	**-0.15**	0.02	0.01	**0.14**	**0.12**	0.07	0.02	0.03	**0.12**	**-0.12**	**-0.19**	**-0.56**	**0.16**
	(0.04)	***(0.00)***	***(0.04)***	*(0.76)*	*(0.83)*	***(0.04)***	***(0.09)***	*(0.31)*	*(0.73)*	*(0.68)*	***(0.07)***	***(0.07)***	***(0.01)***	***(0.00)***	***(0.02)***
≥ 20%_Own	-0.06	-0.08	-0.03	-0.05	0.01	**-0.13**	**-0.12**	-0.09	**-0.12**	0.08	**0.14**	-0.05	**0.78**	**0.16**	-0.03
	(0.37)	*(0.23)*	*(0.70)*	*(0.50)*	*(0.83)*	***(0.05)***	***(0.08)***	*(0.18)*	***(0.09)***	*(0.23)*	***(0.04)***	*(0.48)*	***(0.00)***	***(0.02)***	*(0.70)*
Vot_LBlock	**-0.16**	**-0.23**	**-0.24**	-0.07	-0.05	-0.03	-0.03	**-0.17**	**-0.15**	0.12	**0.23**	-0.01	**0.13**	-0.04	-0.14
	(0.04)	***(0.00)***	***(0.00)***	*(0.35)*	*(0.54)*	*(0.72)*	*(0.73)*	***(0.03)***	***(0.04)***	*(0.12)*	***(0.00)***	*(0.92)*	***(0.10)***	*(0.61)*	*(0.07)*
Vot_Acq	0.02	0.06	**0.14**	-0.07	-0.06	0.00	0.05	0.03	-0.01	-0.03	**-0.14**	-0.06	**0.82**	**0.17**	0.01
	(0.81)	*(0.41)*	***(0.07)***	*(0.38)*	*(0.45)*	*(1.00)*	*(0.51)*	*(0.71)*	*(0.89)*	*(0.69)*	***(0.06)***	*(0.44)*	***(0.00)***	***(0.02)***	*(0.85)*
HHI_scaled	**-0.13**	**-0.20**	**-0.17**	-0.07	-0.02	0.03	0.11	-0.06	-0.02	0.08	**0.17**	-0.01	0.10	0.00	0.00
	(0.10)	***(0.01)***	***(0.03)***	*(0.36)*	*(0.76)*	*(0.72)*	*(0.16)*	*(0.45)*	*(0.77)*	*(0.27)*	***(0.03)***	*(0.93)*	*(0.17)*	*(1.00)*	*(0.97)*
HHI_ln	-0.08	**-0.13**	**-0.20**	-0.09	0.01	-0.04	-0.08	**-0.13**	**-0.13**	0.08	**0.20**	-0.01	**0.26**	-0.04	-0.10
	(0.30)	***(0.08)***	***(0.01)***	*(0.24)*	*(0.88)*	*(0.59)*	*(0.32)*	***(0.09)***	***(0.08)***	*(0.28)*	***(0.01)***	*(0.86)*	***(0.00)***	*(0.62)*	*(0.17)*
Min_Inv_Rank	0.07	-0.04	-0.04	-0.07	-0.10	**0.15**	0.08	-0.05	0.05	-0.05	0.04	0.02	**-0.42**	-0.09	-0.01
	(0.35)	*(0.62)*	*(0.64)*	*(0.33)*	*(0.20)*	***(0.05)***	*(0.31)*	*(0.48)*	*(0.52)*	*(0.51)*	*(0.58)*	*(0.77)*	***(0.00)***	*(0.21)*	*(0.90)*

	PE_Own	≥ 20%_Own	Vot_LBlock	Vot_Acq	HHI_scaled	HHI_ln	Min_Inv_Rank
PE_Own	1						
≥ 20%_Own	**-0.17**	1					
	(0.01)						
Vot_LBlock	0.07	**0.19**	1				
	(0.34)	***(0.01)***					
Vot_Acq	-0.11	**0.58**	-0.09	1			
	(0.13)	***(0.00)***	*(0.23)*				
HHI_scaled	0.10	0.12	**0.61**	**0.17**	1		
	(0.18)	*(0.13)*	***(0.00)***	***(0.03)***			
HHI_ln	-0.01	**0.29**	**0.84**	-0.04	**0.33**	1	
	(0.92)	***(0.00)***	***(0.00)***	*(0.62)*	***(0.00)***		
Min_Inv_Rank	0.04	**-0.26**	0.07	**-0.37**	**-0.13**	**0.13**	1
	(0.62)	***(0.00)***	*(0.36)*	***(0.00)***	***(0.09)***	***(0.08)***	

Table 6. - Average Marginal Effects using Logistic regression model for predicting the probability of having a split of CEO/Chair after deal conditional on pre-deal CEO/Chair board structure**.** *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold).*

Pr(CEO/Chair$_t$) (Split)	WB		ASD		ADR	
	CEO/Chair$_{t-1}$ Duality	**CEO/Chair$_{t-1}$ Split**	**CEO/Chair$_{t-1}$ Duality**	**CEO/Chair$_{t-1}$ Split**	**CEO/Chair$_{t-1}$ Duality**	**CEO/Chair$_{t-1}$ Split**
Min_Inv	-0.08	**-0.03**	**-0.76**	**-0.26**	0.02	**-0.14**
	(0.12)	***(0.07)***	***(0.01)***	***(0.03)***	*(0.70)*	***(0.00)***
ROA	0.07	0.04	0.06	**0.05**	0.06	0.03
	(0.26)	*(0.21)*	*(0.14)*	***(0.08)***	*(0.37)*	*(0.33)*
Target_size	0.01	0.01	0.00	0.00	0.01	0.01
	(0.41)	*(0.43)*	*(0.99)*	*(0.99)*	*(0.35)*	*(0.37)*
Rel_size	0.00	0.00	0.00	0.00	0.00	0.00
	(0.58)	*(0.60)*	*(0.71)*	*(0.72)*	*(0.28)*	*(0.30)*
Acq_Own	-0.01	-0.01	-0.01	0.00	-0.01	0.00
	(0.37)	*(0.39)*	*(0.45)*	*(0.46)*	*(0.41)*	*(0.42)*
Rel_Ind	0.10	0.07	0.06	0.05	**0.21**	**0.15**
	(0.23)	*(0.26)*	*(0.41)*	*(0.42)*	***(0.01)***	***(0.02)***
Cross_List	-0.01	-0.01	-0.01	0.00	-0.08	-0.07
	(0.90)	*(0.90)*	*(0.95)*	*(0.95)*	*(0.30)*	*(0.43)*
PE_Own	0.04	0.03	-0.03	-0.02	0.11	0.08
	(0.66)	*(0.67)*	*(0.76)*	*(0.75)*	*(0.14)*	*(0.17)*
$\geq$ 20%_Own	0.07	0.04	0.03	0.02	0.08	0.04
	(0.66)	*(0.61)*	*(0.81)*	*(0.79)*	*(0.63)*	*(0.54)*
Vot_LBlock	**-0.92**	**-0.59**	**-0.78**	**-0.55**	**-1.30**	**-0.80**
	(0.00)	***(0.00)***	***(0.00)***	***(0.00)***	***(0.00)***	***(0.00)***
Vot_Acq	-0.08	-0.05	-0.13	-0.09	-0.29	-0.18
	(0.84)	*(0.84)*	*(0.74)*	*(0.74)*	*(0.56)*	*(0.55)*
HHI_scaled	**0.68**	**0.43**	**0.56**	**0.40**	**1.05**	**0.65**
	(0.07)	***(0.07)***	***(0.07)***	***(0.08)***	***(0.02)***	***(0.01)***
HHI_ln	**0.21**	**0.14**	**0.18**	**0.13**	**0.24**	**0.15**
	(0.00)	***(0.00)***	***(0.00)***	***(0.00)***	***(0.00)***	***(0.00)***
Min_Inv_Rank	-0.02	-0.01	**-0.02**	**-0.02**	-0.02	-0.01
	(0.18)	*(0.17)*	***(0.09)***	***(0.09)***	*(0.15)*	*(0.11)*
Number of obs	171		169		161	
LR Chi^2	92.54		94.31		106.87	
Prob > Chi^2	0.00		0.00		0.00	
Pseudo R^2	0.47		0.49		0.57	

Table 7 - Average Marginal Effects using Logistic regression model for predicting the probability of increasing the proportion of outside directors ($Pr(\Delta Out\_Dir_t>0)$) and the probability of decreasing the proportion of outside directors ($Pr(\Delta Out\_Dir_t<0)$). *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold).*

	WB		ASD		ADR	
	$Pr(\Delta Out\_Dir_t>0)$	**$Pr(\Delta Out\_Dir_t<0)$**	**$Pr(\Delta Out\_Dir_t>0)$**	**$Pr(\Delta Out\_Dir_t<0)$**	**$Pr(\Delta Out\_Dir_t>0)$**	**$Pr(\Delta Out\_Dir_t<0)$**
Out_Dir_{t-1}	**-0.37**	0.19	**-0.39**	0.16	**-0.48**	0.25
	(0.01)	*(0.19)*	***(0.01)***	*(0.27)*	***(0.00)***	*(0.10)*
Min_Inv	**0.05**	-0.01	**0.28**	-0.14	0.02	0.02
	(0.01)	*(0.78)*	***(0.10)***	*(0.38)*	*(0.42)*	*(0.59)*
ROA	-0.03	0.07	-0.03	0.08	-0.02	0.07
	(0.55)	*(0.34)*	*(0.49)*	*(0.30)*	*(0.59)*	*(0.34)*
Target_size	0.01	-0.02	0.02	**-0.03**	0.02	-0.02
	(0.48)	*(0.26)*	*(0.22)*	***(0.08)***	*(0.28)*	*(0.11)*
Rel_size	0.00	0.00	0.00	0.00	0.00	0.00
	(0.32)	*(0.67)*	*(0.49)*	*(0.66)*	*(0.50)*	*(0.68)*
Acq_Own	**0.03**	0.00	**0.02**	0.00	**0.03**	-0.01
	(0.01)	*(0.68)*	***(0.02)***	*(0.81)*	***(0.00)***	*(0.49)*
Rel_Ind	**0.15**	0.03	**0.17**	-0.01	0.14	-0.01
	(0.07)	*(0.65)*	***(0.04)***	*(0.95)*	*(0.11)*	*(0.94)*
Cross_List	0.01	-0.02	-0.01	-0.01	-0.04	0.01
	(0.91)	*(0.77)*	*(0.88)*	*(0.94)*	*(0.72)*	*(0.91)*
PE_Own	0.05	0.01	0.07	-0.03	0.04	0.00
	(0.59)	*(0.94)*	*(0.42)*	*(0.68)*	*(0.62)*	*(0.96)*
$\geq$ 20%_Own	**-0.19**	-0.05	**-0.18**	-0.07	**-0.22**	-0.04
	(0.06)	*(0.65)*	***(0.08)***	*(0.52)*	***(0.02)***	*(0.79)*
Vot_LBlock	-0.31	0.12	-0.38	0.12	-0.30	0.12
	(0.31)	*(0.62)*	*(0.22)*	*(0.65)*	*(0.34)*	*(0.64)*
Vot_Acq	-0.76	0.15	-0.68	0.10	-0.62	0.04
	(0.10)	*(0.72)*	*(0.15)*	*(0.81)*	*(0.19)*	*(0.92)*
HHI_scaled	**0.88**	-0.19	**0.93**	-0.17	**0.80**	-0.15
	(0.01)	*(0.56)*	***(0.01)***	*(0.59)*	***(0.03)***	*(0.65)*
HHI_ln	-0.02	0.00	-0.02	0.02	-0.02	0.02
	(0.72)	*(0.94)*	*(0.79)*	*(0.80)*	*(0.73)*	*(0.73)*
Min_Inv_Rank	0.03	-0.01	0.03	-0.02	**0.04**	-0.02
	(0.19)	*(0.58)*	*(0.13)*	*(0.48)*	***(0.09)***	*(0.37)*
Number of obs	170	170	168	168	161	161
LR Chi^2	34.37	6.24	30.52	8.08	30.62	9.57
Prob > Chi^2	0.003	0.9754	0.0102	0.9204	0.0099	0.8461
Pseudo R^2	0.1566	0.038	0.1409	0.0503	0.1463	0.0618

Table 8 - Average Marginal Effects using Logistic regression model for predicting the probability of increasing the number of committees after deal conditional on the pre-deal number of committees. *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold).*

	WB			ASD			ADR		
Pr(ΔCommittee$_t$>0)	**Committee$_{t-1}$=0**	**Committee$_{t-1}$=1**	**Committee$_{t-1}$=2**	**Committee$_{t-1}$=0**	**Committee$_{t-1}$=1**	**Committee$_{t-1}$=2**	**Committee$_{t-1}$=0**	**Committee$_{t-1}$=1**	**Committee$_{t-1}$=2**
Min_Inv	0.03	0.02	0.04	-0.01	0.20	**0.54**	0.01	**0.21**	0.07
	(0.37)	*(0.64)*	*(0.20)*	*(0.96)*	*(0.48)*	***(0.06)***	*(0.90)*	***(0.02)***	*(0.19)*
ROA	0.03	0.03	0.02	0.04	0.03	0.02	0.02	0.02	0.01
	(0.65)	*(0.65)*	*(0.65)*	*(0.62)*	*(0.62)*	*(0.62)*	*(0.75)*	*(0.75)*	*(0.75)*
Target_size	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01
	(0.88)	*(0.88)*	*(0.88)*	*(0.93)*	*(0.93)*	*(0.93)*	*(0.50)*	*(0.50)*	*(0.52)*
Rel_size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(0.48)	*(0.48)*	*(0.48)*	*(0.63)*	*(0.63)*	*(0.63)*	*(0.69)*	*(0.69)*	*(0.69)*
Acq_Own	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(0.98)	*(0.98)*	*(0.98)*	*(0.84)*	*(0.84)*	*(0.84)*	*(0.95)*	*(0.95)*	*(0.95)*
Rel_Ind	**0.17**	**0.15**	0.11	**0.18**	**0.14**	**0.11**	**0.24**	**0.18**	**0.14**
	(0.08)	***(0.09)***	*(0.11)*	***(0.07)***	***(0.08)***	***(0.06)***	***(0.04)***	***(0.01)***	***(0.06)***
Cross_List	0.11	0.10	0.07	0.10	0.08	0.06	0.17	0.12	0.11
	(0.38)	*(0.42)*	*(0.41)*	*(0.43)*	*(0.46)*	*(0.44)*	*(0.26)*	*(0.24)*	*(0.29)*
PE_Own	0.01	0.01	0.01	0.02	0.01	0.01	0.07	0.05	0.05
	(0.93)	*(0.93)*	*(0.93)*	*(0.87)*	*(0.87)*	*(0.87)*	*(0.48)*	*(0.45)*	*(0.49)*
≥ 20%_Own	0.04	0.04	0.03	0.09	0.08	0.06	0.07	0.05	0.05
	(0.79)	*(0.79)*	*(0.79)*	*(0.61)*	*(0.61)*	*(0.61)*	*(0.68)*	*(0.67)*	*(0.68)*
Vot_LBlock	-0.17	-0.15	-0.12	-0.26	-0.22	-0.17	-0.23	-0.17	-0.14
	(0.59)	*(0.57)*	*(0.60)*	*(0.42)*	*(0.40)*	*(0.43)*	*(0.47)*	*(0.45)*	*(0.48)*
Vot_Acq	-0.17	-0.15	-0.12	-0.17	-0.14	-0.11	-0.31	-0.23	-0.19
	(0.59)	*(0.57)*	*(0.60)*	*(0.72)*	*(0.72)*	*(0.73)*	*(0.52)*	*(0.52)*	*(0.54)*
HHI_scaled	0.23	0.21	0.16	0.30	0.25	0.20	0.22	0.16	0.14
	(0.51)	*(0.51)*	*(0.53)*	*(0.41)*	*(0.41)*	*(0.43)*	*(0.56)*	*(0.56)*	*(0.58)*
HHI_ln	0.04	0.03	0.03	0.04	0.04	0.03	0.04	0.03	0.03
	(0.57)	*(0.55)*	*(0.57)*	*(0.52)*	*(0.50)*	*(0.52)*	*(0.52)*	*(0.50)*	*(0.52)*
Min_Inv_Rank	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.01	0.01
	(0.43)	*(0.46)*	*(0.45)*	*(0.38)*	*(0.43)*	*(0.40)*	*(0.30)*	*(0.34)*	*(0.34)*
Number of obs		125			124			116	
LR Chi^2		15.99			17.91			20.66	
Prob > Chi^2		0.5932			0.4616			0.2972	
Pseudo R^2		0.1552			0.1743			0.2063	

Table 9. Reverse causality Tests. In Panel A, the dependent variables (Pr(CEO/Chair$_{t-1}$= Split)) is the likelihood of having a split of CEO/Chair roles before the deal. In Panel B, the dependent variable is the pre-deal proportion of outside directors (Out_Dir$_{t-1}$). In Panel C, the dependent variables is number of pre-deal number of committees. *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold).*

Panel A - Logistic regression

Pr(CEO/Chair$_{t-1}$) (Split)	**WB**	**ASD**	**ADR**
Min_Inv	-0.02	0.04	-0.04
	(0.44)	*(0.80)*	*(0.17)*
ROA	0.04	0.04	0.05
	(0.18)	*(0.18)*	*(0.12)*
Target_size	-0.01	-0.01	-0.02
	(0.50)	*(0.49)*	*(0.30)*
Rel_size	0.00	0.00	0.00
	(0.75)	*(0.77)*	*(0.77)*
Acq_Own	**0.02**	**0.02**	**0.02**
	(0.03)	***(0.03)***	***(0.01)***
Rel_Ind	-0.13	**-0.13**	-0.11
	(0.10)	***(0.09)***	*(0.19)*
Cross_List	0.05	0.07	0.02
	(0.50)	*(0.37)*	*(0.82)*
PE_Own	-0.01	-0.01	0.00
	(0.87)	*(0.91)*	*(0.97)*
≥ 20%_Own	-0.13	-0.12	-0.18
	(0.42)	*(0.44)*	*(0.30)*
Vot_LBlock	0.12	0.15	0.11
	(0.64)	*(0.58)*	*(0.70)*
Vot_Acq	**-0.91**	**-0.93**	**-1.00**
	(0.03)	***(0.03)***	***(0.02)***
HHI_scaled	-0.02	-0.01	0.02
	(0.96)	*(0.98)*	*(0.96)*
HHI_ln	-0.09	-0.09	-0.09
	(0.12)	*(0.12)*	*(0.14)*
Min_Inv_Rank	0.00	0.00	0.00
	(0.92)	*(0.86)*	*(0.91)*
Number of obs	171	169	161
LR Chi^2	15.43	14.66	17.00
Prob > Chi^2	0.35	0.40	0.26
Pseudo R^2	0.09	0.08	0.99

Panel B - OLS regression

Out_Dir$_{t-1}$	**WB**	**ASD**	**ADR**
Min_Inv	**-0.02**	-0.12	0.01
	(0.05)	*(0.21)*	*(0.73)*
ROA	0.01	0.01	0.01
	(0.70)	*(0.65)*	*(0.69)*
Target_size	0.01	0.01	0.01
	(0.25)	*(0.51)*	*(0.26)*
Rel_size	0.00	0.00	0.00
	(0.57)	*(0.75)*	*(0.69)*
Acq_Own	0.00	0.00	0.00
	(0.76)	*(0.85)*	*(0.99)*
Rel_Ind	0.00	-0.01	0.00
	(0.98)	*(0.84)*	*(0.95)*
Cross_List	0.04	0.05	0.05
	(0.45)	*(0.35)*	*(0.32)*
PE_Own	0.05	0.03	0.05
	(0.34)	*(0.49)*	*(0.32)*
≥ 20%_Own	-0.06	-0.06	-0.07
	(0.45)	*(0.43)*	*(0.39)*
Vot_LBlock	-0.05	-0.04	0.00
	(0.74)	*(0.78)*	*(1.00)*
Vot_Acq	0.28	0.25	0.29
	(0.25)	*(0.31)*	*(0.25)*
HHI_scaled	0.03	0.03	0.01
	(0.86)	*(0.86)*	*(0.97)*
HHI_ln	0.00	0.00	0.00
	(0.91)	*(0.91)*	*(0.99)*
Min_Inv_Rank	**0.02**	**0.02**	**0.02**
	(0.08)	***(0.12)***	***(0.05)***
Constant	**0.59**	**0.57**	**0.43**
	(0.01)	***(0.03)***	***(0.10)***
Number of obs	170	168	161
F	1.19	0.95	0.81
Prob > F	0.29	0.51	0.66
R^2	0.10	0.08	0.07

Panel C - Poissson regression

Pr(Committee$_{t-1}$)	WB	ASD	ADR
Min_Inv	0.05	0.69	**0.17**
	(0.45)	*(0.13)*	***(0.05)***
ROA	0.18	0.16	0.18
	(0.34)	*(0.37)*	*(0.33)*
Target_size	**0.09**	**0.09**	**0.10**
	(0.05)	***(0.04)***	***(0.03)***
Rel_size	0.00	0.00	0.00
	(0.79)	*(0.86)*	*(1.00)*
Acq_Own	0.00	-0.01	0.00
	(0.91)	*(0.84)*	*(0.90)*
Rel_Ind	-0.09	-0.07	-0.03
	(0.69)	*(0.78)*	*(0.90)*
Cross_List	0.09	0.12	0.24
	(0.72)	*(0.65)*	*(0.41)*
PE_Own	0.02	0.08	0.12
	(0.93)	*(0.74)*	*(0.64)*
≥ 20%_Own	-0.52	-0.42	-0.52
	(0.12)	*(0.22)*	*(0.13)*
Vot_LBlock	-1.25	-1.34	**-1.56**
	(0.14)	*(0.12)*	***(0.09)***
Vot_Acq	0.61	0.85	0.48
	(0.65)	*(0.52)*	*(0.72)*
HHI_scaled	0.60	0.70	0.91
	(0.51)	*(0.44)*	*(0.35)*
HHI_ln	0.15	0.18	0.21
	(0.43)	*(0.35)*	*(0.28)*
Min_Inv_Rank	-0.03	-0.04	-0.03
	(0.58)	*(0.56)*	*(0.59)*
Number of obs	168	166	158
LR Chi^2	15.51	17.2	20.35
Prob > Chi^2	0.34	0.25	0.12
Pseudo R^2	0.03	0.03	0.04

Table 10 Two-Stage_Regression Model. The first stage regression, which is shown in the first column in each panel, predicts the $\widehat{Min\_Inv}$ using the *English* as an instrumental variable for the common law origin. The second stage, which is shown in the subsequent columns predict the likelihood of having changes in board structure after the deal using the $\widehat{Min\_Inv}$ along with the control variables. In Panel A, the second and the third column presents the average marginal effects using logistic regression model for predicting the probability of having a split of CEO/Chair after deal conditional on pre-deal CEO/Chair board structure. In Panel B, the second and the third column presents the average marginal effects using logistic regression model for predicting the probability of increasing the proportion of outside directors (Pr(ΔOut_Dirt>0) ; the probability of decreasing the proportion of outside directors (Pr(ΔOut_Dirt<0). In Panel C, the second, the third and fourth columns predict average marginal effects using logistic regression model for predicting the probability of increasing the number of committees after deal conditional on the pre-deal number of committees *(p-values in parenthesis and in italics, statistically significant coefficient with p-values < 0.1 in bold).*

Panel A

		$\widehat{WB}$			$\widehat{ASD}$			$\widehat{ADR}$	
Pr(CEO/Chair$_t$) (Split)	$\widehat{WB}$	**CEO/Chair$_{t-1}$ Duality**	**CEO/Chair$_{t-1}$ Split**	$\widehat{ASD}$	**CEO/Chair$_{t-1}$ Duality**	**CEO/Chair$_{t-1}$ Split**	$\widehat{ADR}$	**CEO/Chair$_{t-1}$ Duality**	**CEO/Chair$_{t-1}$ Split**
$\widehat{Min\_Inv}$		**-0.10**	**-0.15**		**-0.54**	**-0.69**		-0.10	**-0.21**
		(0.07)	***(0.02)***		***(0.02)***	***(0.02)***		*(0.12)*	***(0.04)***
English	**2.17**			**0.42**			**1.97**		
	(0.00)			***(0.00)***			***(0.00)***		
CEO/Chair$_{t-1}$	-0.05			**0.05**			-0.12		
	(0.85)			***(0.02)***			*(0.48)*		
ROA	-0.03	*0.07*	*0.04*	-0.01	0.06	0.04	-0.01	0.07	0.04
	(0.78)	*(0.16)*	*(0.11)*	*(0.61)*	*(0.18)*	*(0.11)*	*(0.91)*	*(0.16)*	*(0.10)*
Target_size	**0.14**	0.02	0.01	**0.01**	0.00	0.00	**0.07**	0.01	0.01
	(0.01)	*(0.30)*	*(0.33)*	***(0.02)***	*(0.90)*	*(0.90)*	***(0.04)***	*(0.51)*	*(0.53)*
Rel_size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(0.12)	*(0.54)*	*(0.54)*	*(0.41)*	*(0.60)*	*(0.60)*	*(0.27)*	*(0.55)*	*(0.56)*
Acq_Own	-0.02	-0.01	0.00	0.00	0.00	0.00	0.00	-0.01	0.00
	(0.53)	*(0.44)*	*(0.45)*	*(0.71)*	*(0.57)*	*(0.58)*	*(0.88)*	*(0.50)*	*(0.50)*
Rel_Ind	0.00	0.11	0.07	-0.01	0.09	0.05	0.25	**0.19**	**0.12**
	(0.99)	*(0.16)*	*(0.19)*	*(0.48)*	*(0.26)*	*(0.28)*	*(0.17)*	***(0.03)***	***(0.05)***
Cross_List	-0.31	-0.08	-0.06	-0.02	-0.03	-0.02	**-0.72**	**-0.18**	-0.17
	(0.27)	*(0.31)*	*(0.43)*	*(0.50)*	*(0.69)*	*(0.72)*	***(0.00)***	***(0.04)***	*(0.17)*
PE_Own	0.02	0.02	0.01	-0.03	-0.02	-0.01	0.20	0.08	0.05
	(0.93)	*(0.84)*	*(0.84)*	*(0.23)*	*(0.81)*	*(0.81)*	*(0.29)*	*(0.38)*	*(0.41)*
≥ 20% _Own	0.37	0.13	0.06	0.04	0.11	0.05	0.11	0.11	0.05
	(0.40)	*(0.44)*	*(0.32)*	*(0.26)*	*(0.50)*	*(0.39)*	*(0.71)*	*(0.54)*	*(0.44)*
Vot_LBlock	0.71	**-1.22**	**-0.73**	-0.07	**-1.08**	**-0.66**	-0.23	**-1.22**	**-0.70**
	(0.60)	***(0.00)***	***(0.00)***	*(0.33)*	***(0.04)***	***(0.00)***	*(0.70)*	***(0.00)***	***(0.00)***
Vot_Acq	-0.39	-0.36	-0.22	0.02	-0.46	-0.28	0.87	-0.26	-0.15
	(0.69)	*(0.46)*	*(0.45)*	*(0.88)*	*(0.34)*	*(0.32)*	*(0.36)*	*(0.64)*	*(0.64)*
HHI_scaled	0.20	**0.88**	**0.53**	-0.11	**0.80**	**0.49**	-0.57	**0.90**	**0.52**
	(0.69)	***(0.05)***	***(0.04)***	*(0.17)*	***(0.06)***	***(0.05)***	*(0.42)*	***(0.06)***	***(0.06)***
HHI_lnl	0.20	**0.26**	**0.15**	0.03	**0.23**	**0.14**	-0.05	**0.22**	**0.13**
	(0.30)	***(0.00)***	***(0.00)***	*(0.09)*	***(0.00)***	***(0.00)***	*(0.72)*	***(0.00)***	***(0.00)***
Min_Inv_Rank	0.05	-0.01	0.00	0.00	-0.02	**-0.01**	0.02	-0.02	-0.01
	(0.37)	*(0.64)*	*(0.64)*	*(0.65)*	*(0.10)*	***(0.09)***	*(0.71)*	*(0.25)*	*(0.23)*
Constant	**2.42**			0.10			**2.08**		
	(0.08)			*(0.39)*			***(0.03)***		
Nu. of obs	171	Nu. of obs	173	169	Nu. of obs	173	161	Nu. obs	173
F	6.89	LR Chi^2	105.48	39.18	LR Chi^2	104.52	14.21	LR Chi^2	107.03
Prob > F	0.00	Prob > Chi^2	0.00	0.00	Prob > Chi^2	0.00	0.00	Prob > Chi^2	0.00
R^2	0.40	Pseudo R^2	0.54	0.79	Pseudo R^2	0.53	0.60	Pseudo R^2	0.55
Wald F -test	80.72	Residual F-test	0.24	426.71	Residual F-test	0.23	130.07	Residual F-test	0.31
Prob>F	0.00	Prob>F	0.63	0.00	Prob>F	0.63	0.00	Prob>F	0.58

Panel B

	$\widehat{WB}$	$\widehat{WB}$		$\widehat{ASD}$	$\widehat{ASD}$		$\widehat{ADR}$	$\widehat{ADR}$	
		Pr(ΔOut_Dir$_t$>0)	**Pr(ΔOut_Dir$_t$<0)**		**Pr(ΔOut_Dir$_t$>0)**	**Pr(ΔOut_Dir$_t$<0)**		**Pr(ΔOut_Dir$_t$>0)**	**Pr(ΔOut_Dir$_t$<0)**
$\widehat{Min\_Inv}$		**0.09**	-0.02		**0.47**	-0.09		**0.10**	-0.02
		(0.02)	*(0.61)*		***(0.02)***	*(0.61)*		***(0.02)***	*(0.61)*
English	**2.12**			**0.42**			**2.04**		
	(0.00)			***(0.00)***			***(0.00)***		
Out_Dir$_{t-1}$	-0.70	**-0.35**	0.18	-0.01	**-0.41**	0.19	**0.64**	**-0.48**	0.20
	(0.11)	***(0.02)***	*(0.24)*	*(0.71)*	***(0.00)***	*(0.19)*	***(0.04)***	***(0.00)***	*(0.16)*
ROA	-0.03	-0.03	0.07	0.00	-0.03	0.07	-0.03	-0.03	0.07
	(0.83)	*(0.51)*	*(0.34)*	*(0.85)*	*(0.48)*	*(0.34)*	*(0.75)*	*(0.51)*	*(0.34)*
Target_size	**0.14**	0.01	-0.02	**0.01**	0.02	-0.02	**0.08**	0.02	-0.02
	(0.01)	*(0.40)*	*(0.28)*	***(0.05)***	*(0.17)*	*(0.25)*	***(0.03)***	*(0.23)*	*(0.26)*
Rel_size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(0.11)	*(0.21)*	*(0.68)*	*(0.46)*	*(0.17)*	*(0.64)*	*(0.29)*	*(0.19)*	*(0.67)*
Acq_Own	-0.02	**0.03**	0.00	0.00	**0.02**	0.00	-0.01	**0.02**	0.00
	(0.53)	***(0.01)***	*(0.71)*	*(0.92)*	***(0.01)***	*(0.74)*	*(0.73)*	***(0.01)***	*(0.73)*
Rel_Ind	0.00	**0.16**	0.04	-0.02	**0.17**	0.03	0.26	**0.14**	0.04
	(1.00)	***(0.05)***	*(0.63)*	*(0.30)*	***(0.03)***	*(0.65)*	*(0.13)*	***(0.10)***	*(0.59)*
Cross_List	-0.28	0.04	-0.04	-0.01	0.02	-0.03	**-0.76**	0.09	-0.05
	(0.31)	*(0.70)*	*(0.63)*	*(0.61)*	*(0.86)*	*(0.66)*	***(0.00)***	*(0.42)*	*(0.58)*
PE_Own	0.06	0.07	0.00	-0.03	0.09	0.00	0.18	0.06	0.00
	(0.83)	*(0.42)*	*(0.99)*	*(0.21)*	*(0.30)*	*(0.97)*	*(0.34)*	*(0.50)*	*(0.97)*
≥ 20% _Own	0.30	**-0.18**	-0.07	0.03	**-0.17**	-0.07	0.20	**-0.18**	-0.07
	(0.49)	***(0.06)***	*(0.52)*	*(0.40)*	***(0.08)***	*(0.51)*	*(0.51)*	***(0.08)***	*(0.51)*
Vot_LBlock	-0.66	-0.31	0.11	-0.06	-0.34	0.11	-0.23	-0.35	0.12
	(0.43)	*(0.32)*	*(0.67)*	*(0.40)*	*(0.27)*	*(0.65)*	*(0.70)*	*(0.26)*	*(0.64)*
Vot_Acq	0.89	**-0.78**	0.15	-0.03	-0.68	0.13	0.84	**-0.78**	0.15
	(0.51)	***(0.09)***	*(0.72)*	*(0.79)*	*(0.14)*	*(0.75)*	*(0.36)*	***(0.09)***	*(0.72)*
HHI_scaled	-0.39	**0.92**	-0.18	-0.12	**0.94**	-0.18	-0.60	**0.94**	-0.18
	(0.70)	***(0.01)***	*(0.58)*	*(0.18)*	***(0.01)***	*(0.57)*	*(0.39)*	***(0.01)***	*(0.57)*
HHI_lnl	0.19	-0.02	0.00	0.02	-0.02	0.00	-0.04	0.00	0.00
	(0.31)	*(0.71)*	*(0.93)*	*(0.17)*	*(0.79)*	*(0.95)*	*(0.78)*	*(0.96)*	*(0.99)*
Min_Inv_ Rank	0.07	0.02	-0.01	0.00	0.03	-0.01	0.00	0.03	-0.01
	(0.24)	*(0.27)*	*(0.64)*	*(0.71)*	*(0.14)*	*(0.59)*	*(0.96)*	*(0.15)*	*(0.60)*
Constant	**2.79**			0.19			1.52		
	(0.04)			*(0.11)*			*(0.11)*		
Number of obs	170	172	172	168	172.00	172	161	172	172
F (LR Chi^2)	6.98	35.70	6.76	36.80	35.70	6.76	14.86	35.70	6.76
Prob > F (Chi^2)	0.00	0.00	0.96	0.00	0.00	0.96	0.00	0.00	0.96
R^2 (Pseudo R^2)	0.40	0.16	0.04	0.78	0.16	0.04	0.61	0.16	0.04
		Residual F-test	Residual F-test		Residual F-test	Residual F-test		Residual F-test	Residual F-test
Wald F-test	77.84	0.02	0.02	395.75	0.02	0.02	141.43	0.02	0.02
Prob>F	0.00	0.89	0.89	0.00	0.8916	0.89	0.00	0.89	0.89

Panel C

		$\widehat{WB}$				$\widehat{ASD}$				$\widehat{ADR}$		
Pr(ΔCommittee$_t$>0)	$\widehat{WB}$	**Committee$_{t-1}$=0**	**Committee$_{t-1}$=1**	**Committee$_{t-1}$=2**	$\widehat{ASD}$	**Committee$_{t-1}$=0**	**Committee$_{t-1}$=1**	**Committee$_{t-1}$=2**	$\widehat{ADR}$	**Committee$_{t-1}$=0**	**Committee$_{t-1}$=1**	**Committee$_{t-1}$=2**
$\widehat{Min\_Inv}$		0.01	0.12	0.11		0.02	0.88	**3.09**		0.03	0.12	0.15
		(0.77)	*(0.16)*	*(0.11)*		*(0.92)*	*(0.20)*	***(0.05)***		*(0.59)*	*(0.17)*	*(0.15)*
English	**2.19**				**0.43**				**1.95**			
	(0.00)				***(0.00)***				***(0.00)***			
Committee$_{t-1}$=1	-0.15				-0.01				-0.05			
	(0.63)				*(0.80)*				*(0.82)*			
Committee$_{t-1}$=2	-0.03				-0.03				0.16			
	(0.92)				*(0.24)*				*(0.44)*			
Committee$_{t-1}$=3	-0.29				-0.02				0.08			
	(0.29)				*(0.38)*				*(0.66)*			
ROA	-0.07	0.04	0.04	0.02	0.00	0.04	0.03	0.02	-0.03	0.03	0.03	0.02
	(0.58)	*(0.60)*	*(0.60)*	*(0.60)*	*(0.96)*	*(0.59)*	*(0.58)*	*(0.59)*	*(0.72)*	*(0.67)*	*(0.67)*	*(0.67)*
Target_size	**0.16**	-0.01	-0.01	0.00	0.01	-0.01	-0.01	0.00	**0.08**	0.00	0.00	0.00
	(0.00)	*(0.72)*	*(0.72)*	*(0.72)*	*(0.04)*	*(0.72)*	*(0.72)*	*(0.73)*	***(0.04)***	*(0.87)*	*(0.87)*	*(0.87)*
Rel_size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(0.11)	*(0.75)*	*(0.75)*	*(0.75)*	*(0.46)*	*(0.58)*	*(0.57)*	*(0.55)*	*(0.25)*	*(0.68)*	*(0.68)*	*(0.68)*
Acq_Own	-0.02	0.00	0.00	0.00	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.00
	(0.56)	*(0.98)*	*(0.98)*	*(0.98)*	*(0.94)*	*(0.59)*	*(0.59)*	*(0.58)*	*(0.82)*	*(0.96)*	*(0.96)*	*(0.96)*
Rel_Ind	-0.03	**0.19**	**0.16**	**0.09**	-0.02	**0.24**	**0.18**	**0.15**	0.26	0.16	**0.14**	0.07
	(0.89)	***(0.06)***	***(0.06)***	***(0.07)***	*(0.34)*	***(0.03)***	***(0.03)***	***(0.02)***	*(0.15)*	*(0.10)*	***(0.09)***	*(0.13)*
Cross_List	-0.26	0.10	0.09	0.05	-0.01	0.02	0.02	0.01	**-0.73**	0.18	0.15	0.09
	(0.35)	*(0.43)*	*(0.43)*	*(0.46)*	*(0.57)*	*(0.85)*	*(0.85)*	*(0.84)*	***(0.00)***	*(0.25)*	*(0.26)*	*(0.29)*
PE_Own	-0.04	0.03	0.03	0.02	-0.02	0.09	0.07	0.05	0.17	0.02	0.01	0.01
	(0.90)	*(0.72)*	*(0.72)*	*(0.72)*	*(0.31)*	*(0.39)*	*(0.39)*	*(0.37)*	*(0.38)*	*(0.87)*	*(0.87)*	*(0.87)*
≥ 20%_Own	0.31	0.09	0.08	0.05	0.04	0.11	0.09	0.07	0.14	0.07	0.06	0.03
	(0.49)	*(0.62)*	*(0.61)*	*(0.62)*	*(0.36)*	*(0.54)*	*(0.53)*	*(0.54)*	*(0.66)*	*(0.68)*	*(0.68)*	*(0.68)*
Vot_LBlock	-0.92	-0.09	-0.08	-0.05	-0.07	-0.15	-0.12	-0.10	-0.28	-0.14	-0.12	-0.06
	(0.29)	*(0.78)*	*(0.78)*	*(0.78)*	*(0.38)*	*(0.65)*	*(0.64)*	*(0.65)*	*(0.66)*	*(0.66)*	*(0.65)*	*(0.66)*
Vot_Acq	0.70	-0.30	-0.26	-0.15	-0.01	-0.18	-0.14	-0.11	0.91	-0.38	-0.33	-0.18
	(0.61)	*(0.53)*	*(0.55)*	*(0.56)*	*(0.93)*	*(0.72)*	*(0.72)*	*(0.72)*	*(0.34)*	*(0.40)*	*(0.43)*	*(0.44)*
HHI_scaled	-0.22	0.29	0.25	0.15	-0.12	0.46	0.37	0.29	-0.54	0.30	0.26	0.14
	(0.83)	*(0.42)*	*(0.43)*	*(0.45)*	*(0.16)*	*(0.22)*	*(0.24)*	*(0.25)*	*(0.46)*	*(0.41)*	*(0.42)*	*(0.43)*
HHI_ln	0.24	0.01	0.01	0.00	0.02	0.02	0.01	0.01	-0.03	0.03	0.03	0.01
	(0.23)	*(0.93)*	*(0.93)*	*(0.93)*	*(0.15)*	*(0.81)*	*(0.81)*	*(0.81)*	*(0.82)*	*(0.63)*	*(0.62)*	*(0.63)*
Min_Inv_Rank	0.05	0.01	0.01	0.01	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	(0.40)	*(0.39)*	*(0.43)*	*(0.43)*	*(0.58)*	*(0.36)*	*(0.40)*	*(0.38)*	*(0.73)*	*(0.40)*	*(0.44)*	*(0.44)*
Constant	2.02				0.18				**1.84**			
	(0.14)				*(0.13)*				***(0.06)***			

Number of obs	168		127		166		127		158		127
F (LR Chi^2)	6.09		19.17		32.66		24.82		12.09		19.35
Prob>F (Chi^2)	0.00		0.3813		0.00		0.13		0.00		0.37
R2 (Pseudo R^2)	0.41		0.1813		0.79		0.24		0.59		0.19
Wald F-test	78.33	Residual F-test	0.1		387.55	Residual F-test	0.07		118.11	Residual F-test	0.15
Prob>F	0.00	Prob>F	0.7575		0.00	Prob>F	0.79		0.00	Prob>F	0.70