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Unveiling the influence of host-country religiosity on the completion of cross-border merger and acquisition deals

Zhigang Zuo [a], Wenquan Zheng [b,*], Chengqi Wang [c], Jiaoyue Su [d,*], Malay N. Desai [c]

[a] School of Accounting, Guangdong University of Foreign Studies, Baiyun Mountain Campus, 2 Baiyun Avenue, Guangzhou, Guangdong Province, China
[b] School of Business Administration, Dongbei University of Finance and Economics, Dalian 116086, China
[c] Nottingham University Business School, University of Nottingham, Jubilee Campus, Nottingham NG8 1BB, United Kingdom
[d] Leeds University Business School, University of Leeds, Cromer Terrace, Woodhouse, Leeds LS2 9JR, United Kingdom

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ABSTRACT

While international business (IB) literature highlights the impact of religious distance on cross-border mergers and acquisitions (CBMAs), limited research has examined how host-country religiosity, defined as the popularity and devoutness of religious beliefs, affects the completion of inward CBMA deals. Using a propensity score matching (PSM) approach and analyzing 4290 CBMA transactions across 105 host countries from 1999 to 2019, we find that higher levels of host-country religiosity reduce the likelihood of CBMA deal completion, independent of religious distance. We further identify increased distrust toward foreign acquirers as a key mediating mechanism. However, a stage-by-stage acquisition strategy, rather than a one-off, full-control approach, mitigates the negative impact of religiosity on deal completion. Our findings contribute to CBMA research by positioning host-country religiosity as a critical determinant of deal outcomes, revealing social trust as a mediating factor, and highlighting the moderating role of acquisition structuring.

1. Introduction

Completing a publicly announced cross-border merger and acquisition (CBMA) deal is a complex challenge, as a significant number of such deals fail to reach completion after their initial announcement (Dikova et al., 2010; He & Zhang, 2018; Lawrence et al., 2021; Zhou et al., 2021). Midway terminations impose significant costs, including penalties, reputational damage, and stock price declines (Jacobsen, 2014; Lim & Lee, 2017). Given these risks, scholars have sought to identify factors influencing deal completion, with growing research emphasizing religious distance, defined as the degree of religious dissimilarity between home and host countries, as a barrier to CBMA flows. Studies suggest that greater religious distance exacerbates information asymmetry, raises transaction costs, and weakens trust, ultimately hindering cross-border transactions (Dow & Karunaratna, 2006; Li & Sai, 2020).

While valuable, the religious distance construct has two fundamental limitations. First, it oversimplifies the complexity of religion by focusing solely on cross-country differences and overlooking within-country variations. Even nations sharing the same dominant religion can exhibit stark differences in the popularity and devoutness of religious beliefs, a dimension known as religiosity (Höllinger & Makula, 2021; Maung et al., 2021). Despite its potential impact on CBMA success, religiosity remains largely unexplored. Second, like other cultural and institutional distance measures, religious distance often assumes uniform, symmetrical effects across firms. However, religious differences are directional and context-dependent (Ambos & Håkanson, 2014; Dow et al., 2016; Tung & Verbeke, 2010). For instance, a firm from country A acquiring a target in country B may face different challenges than the reverse (Gaur et al., 2022). These limitations call for a shift beyond religious distance to incorporate both host-country religiosity and its directional influence.

Building on this insight, we ask: How does host-country religiosity influence CBMA deal completion, independent of religious distance? To address this question, we aim to develop and empirically test a framework that examines the impact of host-country religiosity on CBMA outcomes and the mechanisms driving this effect. Unlike religious distance that emphasizes cross-country differences, religiosity captures a single nation's religious environment, specifically the popularity and devoutness of religious beliefs (Siegers, 2019). We argue that in highly religious host countries, stakeholders may exhibit greater resistance to

* Corresponding authors.
E-mail addresses: zuozhigang@gdufs.edu.cn (Z. Zuo), zhengwenquan@dufe.edu.cn (W. Zheng), chengqi.wang@nottingham.ac.uk (C. Wang), j.su2@leeds.ac.uk (J. Su), malay.desai@nottingham.ac.uk (M.N. Desai).

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foreign acquirers, leading to higher transaction costs and communication barriers that hinder deal completion.

Religiosity is closely linked to social trust, which refers to the general belief in the honesty, integrity, and reliability of others within a society (Ding et al., 2015). Religious teachings promote ethical values, altruism, and prosocial behavior, fostering social trust within communities (Meuleman & Billiet, 2018; Olson & Li, 2015). In turn, social trust facilitates cooperation, reduces uncertainty, and improves negotiation and integration, which are key factors for CBMA success (Daniels & von der Ruhr, 2010). Given this, it is valuable to explore whether social trust mediates the relationship between host-country religiosity and CBMA completion.

Beyond social trust, firms' acquisition strategies may shape the influence of religiosity on deal completion. Acquirers can opt for stage-by-stage acquisitions, in which the acquisition occurs in multiple phases to gradually build trust and reduce resistance (Elango & Pattnaik, 2011). Alternatively, they may pursue a one-off, full-control acquisition, which consolidates ownership in a single transaction but heightens integration challenges (Contractor et al., 2014; Lahiri et al., 2014). Given the importance of speed and scope in CBMA success (Froese et al., 2008), we explore how these deal strategies moderate the relationship between religiosity and CBMA deal completion.

Based on an analysis of 4290 CBMA deals conducted between 1999 and 2019 across 105 target (host) countries and 63 acquiring (home) countries, we find that host-country religiosity significantly reduces the likelihood of deal completion. We further uncover the mediating role of social trust in this relationship, suggesting that religiosity influences deal outcomes through its impact on the broader trust environment. Importantly, we demonstrate that a staged acquisition strategy can effectively alleviate the negative effect of host-country religiosity on deal completion. Overall, our study makes three key contributions.

First, it extends IB research on religion and internationalization by examining how host-country religiosity influences CBMA deal completion. Prior studies suggest that greater religious distance discourages foreign direct investment (FDI) and CBMAs, aligning with the institutional and cultural distance paradigm (Blomkvist & Drogendijk, 2013; Hergueux, 2011; Prasadh & Thenmozhi, 2019). However, this perspective overlooks within-country religious factors, such as the popularity and devoutness of religious beliefs, which introduce behavioral uncertainty and information asymmetry (Olson & Li, 2015; Thunström et al., 2021). We argue that high host-country religiosity hinders CBMA deal completion even without significant religious distance. By shifting the focus from cross-country differences to within-country religious patterns (Blomkvist & Drogendijk, 2013; Dow & Karunaratna, 2006), this study provides a more nuanced understanding of religion's role in CBMAs.

Second, this study clarifies the mechanisms through which religiosity influences CBMA deal completion. While religion is widely recognized as a driver of social trust (Dingemans & van Ingen, 2015; Meuleman & Billiet, 2018) and a determinant of CBMA success (Ahmad et al., 2022; Maung, 2022), the direct link between host-country religiosity, social trust, and deal completion has yet to be systematically investigated (Kwok et al., 2020). By identifying social trust as a mediating factor, this study provides a more integrated perspective on how host-country religiosity shapes CBMA outcomes.

Finally, this study contributes by exploring how firm-level strategies shape the impact of religiosity on CBMA deal completion. While prior research has examined the moderating role of host-country institutional environments (Li & Sai, 2020) and CBMA flow directionality (Prasadh & Thenmozhi, 2019), we shift the focus to acquirers' deal arrangement strategies – stage-by-stage versus one-off acquisitions. This distinction is theoretically important, as these strategies involve varying levels of resource commitment and control (Contractor et al., 2014), which likely moderate religiosity's effect on deal completion. We argue that religiosity's influence depends on whether the acquisition is gradual or executed in a single transaction. By examining deal structuring, an understudied factor, this study offers new insights into when host-country religiosity hinders CBMA completion.

2. Conceptual background and hypotheses

2.1. Religion, religiosity, and FDI

Religion is a system of principles, values, doctrines, and customs that shape individual thoughts and behaviors (Hong et al., 2023; Li & Sai, 2020). From a social psychology perspective, religion fosters social bonds and influences denominational affiliation (Barnard & Mamabolo, 2022). In contrast, religiosity refers to the depth and extent of religious beliefs and practices within a society (Norris & Inglehart, 2011). While multiple countries may follow the same religion, their levels of religiosity can differ significantly, reflecting variations in religious commitment and practice (Maung et al., 2021). Religiosity can be extrinsic or intrinsic, depending on individual motivations (Siegers, 2019). Extrinsic religiosity is driven by individuals' pursuit of personal or social benefits such as achieving emotional comfort or maintaining social relationships, especially in contexts where non-religious individuals face lower levels of trust or fewer social rights (Stavrova et al., 2013; Taylor, 2007). In contrast, intrinsic religiosity reflects deeply held spiritual beliefs that profoundly influence individual attitudes and behaviors (Siegers, 2019). These distinctions align with two fundamental dimensions of religiosity: religious popularity, which reflects the societal prevalence of religious beliefs, and religious devoutness, which captures the extent to which religion influences individual attitudes and behaviors. Understanding these dimensions is essential for analyzing how religiosity influences CBMAs independently of religious distance.

Religiosity influences economic transactions in complex ways, fostering social trust within religious communities while also reinforcing social divisions and intergroup distrust (Guiso et al., 2006; Olson & Li, 2015; Thunström et al., 2021). While scholars widely recognize that host-country religiosity affects FDI inflows by shaping trust, ethical norms, and regulatory attitudes, there are two competing perspectives. One view holds that high religiosity deters FDI inflows, as religious individuals tend to be more risk-averse and prefer to minimize uncertainty (Hilary & Hui, 2009). Studies support this line of argument by linking religiosity to higher risk aversion (Dohmen et al., 2012; Hilary & Hui, 2009), reduced engagement in CBMAs (Maung et al., 2021), and the importance of bilateral trust in facilitating deal completion (Ahmad et al., 2022). The alternative perspective suggests that high religiosity enhances FDI inflows by fostering ethical norms and strengthening trust, which help reduce transaction costs and mitigate information asymmetry (Guiso et al., 2003; Hong et al., 2023). Empirical research that supports this view shows that host countries with higher religiosity attract more FDI inflows (Hong et al., 2023; Tocar, 2019). These conflicting perspectives highlight the need for further research to clarify the impact of religiosity on CBMAs. Furthermore, religiosity varies within a country, creating regional differences in cultural norms, risk perceptions, and regulatory attitudes that impact CBMA deals. For instance, in highly religious regions (e.g., the U.S. Bible Belt), conservative values and strong community ties may heighten skepticism toward foreign acquisitions (Hempel et al., 2012), whereas less religious regions (e.g., the Pacific Northwest) may exhibit greater openness to foreign investment. Hilary & Hui (2009) further show that firms in highly religious regions have lower risk exposure and engage in less investment activity, underscoring the importance of religiosity in shaping FDI and CBMAs.

Religion and social trust are closely intertwined, as shared religious

practices strengthen social bonds and mutual trust (Dingemans & van Ingen, 2015; Meuleman & Billiet, 2018). Religion fosters a strong sense of group membership (Nolan, 2003) but may also promote skepticism toward "outsiders" (i.e., people outside the religious group) (Olson & Li, 2015), potentially deterring foreign CBMAs. One research stream connects religion and social trust, showing that religious individuals tend to be more trustworthy due to religious teachings emphasizing honesty and moral responsibility (Valente & Okulicz-Kozaryn, 2021). Another stream links social trust to CBMAs, demonstrating its role in mitigating opportunistic behavior and facilitating cooperation (Daniels & von der Ruhr, 2010). For example, studies show that acquirers from high-trust countries conduct more CBMAs (Maung, 2022) and that bilateral trust enhances deal announcement and completion (Ahmad et al., 2022). However, these two streams remain largely disconnected, leaving the role of social trust in the relationship between religiosity and CBMA deal completion unclear.

Recent research has begun to explore the contingent nature of religiosity's influence on FDI and CBMAs. Li & Sai (2020) find that a strong institutional environment in the target country mitigates the negative impact of religious diversity on acquisition completion. Similarly, Prasadh & Thenmozhi (2019) highlight that the direction of CBMA flows moderates the relationship between religious distance and CBMA volume. Dow et al. (2016) further show that religious diversity in the acquirer's home country moderates the relationship between religious distance and the acquirer's perceived equity stake in a target firm. However, a key research gap remains: how deal arrangement strategies, especially stage-by-stage versus one-off acquisitions, influence the relationship between host-country religiosity and CBMA completion. Since these strategies vary in levels of resource commitment and control (Contractor et al., 2014), they may alter both the direction and strength of religiosity's effect. Addressing this gap would enhance our understanding of how religiosity interacts with firm-level strategic choices in influencing cross-border investments.

In summary, while prior research has examined the relationship between religion and FDI or CBMAs, the specific impact of host-country religiosity on CBMA deal completion remains unclear. Additionally, the roles of social trust and deal structuring strategies in shaping this relationship have received limited attention. Investigating these mechanisms is crucial for gaining deeper insights into how religiosity influences CBMA success in religiously devout contexts.

2.2. The role of country-level religiosity in CBMA deal completion

To complete a CBMA deal, a foreign acquirer must secure agreements from the target firm's controlling shareholders and gain constitutive legitimacy from non-controlling stakeholders within the target market's social and economic environment, including local suppliers, customers, regulators, banks, and intermediary agents (Zeng & Xu, 2020). Religiosity is often linked to higher social trust, as religious beliefs promote values such as honesty, integrity, and reliability (Guiso et al., 2006). However, individuals with strong religious affiliations tend to distrust out-group members (Olson & Li, 2015; Thunström et al., 2021). Consequently, highly religious societies may exhibit lower openness and trust toward foreign acquirers, making acquisitions more challenging (Thunström et al., 2021). CBMA deals often fail beyond the public announcement stage not only because of financial issues but also due to cultural and religious differences that shape stakeholder perceptions and behaviors (Dikova et al., 2010).

A higher level of religiosity in the host country can hinder CBMA deal completion by influencing stakeholder perceptions in three ways. First, high religiosity increases defensiveness and risk awareness among the target firm's stakeholders. CBMA deals require alignment in values, culture, and trust between parties (Ahammad et al., 2016). However, highly religious stakeholders, particularly in the target firm, tend to be more defensive and risk-averse, especially toward foreign acquirers perceived as outsiders (Hempel et al., 2012). Research shows that regions with higher religious adherence are associated with more conservative financial behaviors (Adhikari & Agrawal, 2016) and fewer CBMAs (Maung et al., 2021). Increased caution can make stakeholders more hesitant to support an acquisition, even after the initial announcement. This reluctance can disrupt negotiations, weaken commitment from both parties, and ultimately lead to deal abandonment.

Second, high religiosity amplifies information asymmetry in CBMAs. In any acquisition, target firm stakeholders often have limited knowledge of the acquirer's motives, capabilities, and post-acquisition integration plans (Li et al., 2019). While the acquirer possesses this information, it is typically less accessible to the target's stakeholders. In highly religious societies, this gap is further widened, as stakeholders tend to adhere to stricter moral norms and behavioral expectations that may not align with the acquirer's practices (Prasadh & Thenmozhi, 2019). Even when both countries share the same dominant religion, variations in religious intensity and interpretation may create misalignment in values and expectations (Li & Sai, 2020). This mismatch increases skepticism, making it harder for foreign acquirers to build credibility, communicate their intentions, and earn stakeholder trust (Dow et al., 2016). As a result, unresolved concerns and distrust may escalate, ultimately reducing the likelihood of successful deal completion.

Finally, high religiosity can hinder communication between the acquiring and target firms. When stakeholders strongly adhere to religious beliefs, they may exhibit cultural blindness and parochialism (i.e., unconsciously assuming their own values to be universal), which makes it harder to interpret foreign acquirers' motives and actions objectively (Popli et al., 2016). In highly devout contexts, religion may also create collective interaction patterns such as indirect communication, avoidance of open disagreement, and adherence to spiritual authority, which can differ significantly from the acquirer's values and conduct (Popli et al., 2016). These communication barriers can create misunderstandings and conflict during the integration process, undermining trust and cooperation between the parties (Dow et al., 2016). As a result, increased miscommunication raises the risk of deal breakdown and negatively affects CBMA success.

Taken together, we propose that higher religiosity in the host country negatively affects CBMA deal completion, independent of religious distance. Even when the acquirer and target countries share similar religious traditions, high levels of religiosity in the host country can still discourage deal completion, though its negative effect may be less pronounced than in contexts with greater religious distance. Accordingly,

Hypothesis 1. A higher level of host-country religiosity negatively affects the completion of CBMA deals.

2.3. The mediating role of social distrust towards outsiders

Religiosity is closely linked to social distrust, potentially leading to skepticism and a lack of confidence in individuals outside one's social or religious group (Maung, 2021). While highly religious individuals often trust members of their own group, they may exhibit heightened distrust towards outsiders, such as foreign acquirers. This dynamic provides a crucial mechanism through which high religiosity in the host country may cause the CBMA deal to fail. However, the intermediate role of distrust remains under-theorized. Drawing upon research on religion,

trust, and CBMAs, we propose that higher host-country religiosity increases distrust towards foreign acquirers, which in turn reduces the likelihood of CBMA deal completion.

We first posit that heightened host-country religiosity leads to greater distrust of foreign acquirers. Social distrust stems from differences in values, beliefs, and group identities (Batsaikhan, 2017; Doney et al., 2007). Religion reinforces group boundaries and in-group cohesion (Nolan, 2003, p. 57), but can also foster social distrust toward those outside the religious community (Olson & Li, 2015). While in-group trust strengthens social embeddedness (Guiso et al., 2003), it also reinforces skepticism towards 'strangers', outsiders, or non-followers. Dingemans & van Ingen (2015) find that highly religious societies exhibit greater distrust toward out-groups, while Daniels & von der Ruhr (2010) suggest that conservative Protestant groups rarely extend trust beyond their communities.

In countries with higher levels of religiosity, religious values shape social and economic interactions, and organizations tend to align with religious principles. In such environments, stakeholders are more likely to rely on social heuristics (i.e., mental shortcuts that prioritize in-group trust) when interacting with unfamiliar actors (Gervais & Norenzayan, 2012). Foreign acquirers who come from different religions, or are less committed to religious beliefs, may be perceived as misaligned with local expectations and thus are classified as outsiders or non-followers, triggering distrust (Thunström et al., 2021). Even when acquirers share the same religious tradition, variations in religious devotion may still cause skepticism and resistance (Li & Sai, 2020). Accordingly, higher host-country religiosity increases distrust towards foreign acquirers, making it harder for deals to proceed.

Next, we argue that distrust of foreign acquirers obstructs deal completion. While CBMA deals are initiated based on strategic fit, their successful completion depends on trust and openness between parties. These factors are essential for due diligence, negotiations, and post-merger integration (Ahmad et al., 2022; Graebner, 2009). Distrust increases perceived risk, leading stakeholders in highly religious societies to adopt risk-averse attitudes toward foreign acquirers, particularly those seen as outsiders or less religious (Tan & Vogel, 2008). This heightened caution complicates communication and consensus-building during negotiations and, if unresolved, may prompt stakeholders to withdraw support and reject the deal outright.

Furthermore, social distrust disrupts communication and information sharing, both of which are critical for successful deal execution (Chesbrough & Teece, 2002; Maung, 2022). As an informal barrier, social distrust heightens concerns about opportunism and misrepresentation (Ding et al., 2015). In such environments, stakeholders are more likely to withhold information, delay disclosures, or question the credibility of the acquirers' commitments (Brunetto & Farr-Wharton, 2007; Maung, 2022). This undermines the transparency required for effective negotiation and joint problem-solving, complicating the alignment of strategic priorities, integration plans, and stakeholder concerns (Popli et al., 2016). The lack of trusting communication makes it difficult for foreign acquirers to build rapport and relational legitimacy, ultimately increasing the likelihood of deal abandonment (Dow et al., 2016). Empirical research confirms that perceived distrust reduces willingness to cooperate, significantly affecting the outcomes of business negotiations (Lynch et al., 2017). Accordingly,

Hypothesis 2. Social distrust mediates the relationship between host-country religiosity and CBMA deal completion, such that higher levels of host-country religiosity reduce the likelihood of deal completion by increasing social distrust toward foreign acquirers.

2.4. The moderating role of deal arrangement strategy – staged vs one-off acquisition

Acquirers can pursue either a staged or one-off acquisition strategy, both of which ultimately lead to full ownership of the target firm. In a one-off acquisition, the acquirer obtains full ownership in a single transaction, allowing immediate access to assets but also entailing significant risk, such as suboptimal purchases or financial strain (Wang & Zhou, 2004). In contrast, a staged acquisition achieves full ownership incrementally, enabling the acquirer to commit resources gradually and retain the option to exit midway if necessary (Elango & Pattnaik, 2011; Wang & Zhou, 2004). We argue that a staged acquisition mitigates the negative effect of host-country religiosity on deal completion by providing both parties with greater time and flexibility to build mutual trust.

First, staged acquisitions help reduce information asymmetry between the acquirer and the target firm's stakeholders (Dow et al., 2016) by allowing for mutual observation and learning. From the acquirer's perspective, gradual engagement allows for a deeper understanding of the risk-averse attitudes and concerns of the target firm's stakeholders (Froese et al., 2008). The acquirer can demonstrate its intentions and integration strategy over time and adjust its approach in response to stakeholder reactions. From the target firm's perspective, staged acquisitions provide stakeholders with a longer timeframe to assess the acquirer's adaptability to religious and cultural norms. These norms, often expressed as moral expectations and behavioral standards, can include religious practices (e.g., holidays, dietary restrictions), leadership styles, business ethics, and communication etiquette (Prasadh & Thenmozhi, 2019). By fostering incremental trust, a staged acquisition reduces stakeholder resistance and increases the likelihood of successful deal completion.

Second, a staged acquisition allows more time for communication and relationship-building, which is critical for overcoming cultural misunderstandings and parochialism (Popli et al., 2016). Longer engagement periods improve information flow and clarity, helping both parties better understand communication norms (Ahammad et al., 2016; Chesbrough & Teece, 2002). Moreover, acquirers gain deeper insights into the target firm's communication style, decision-making processes, and cultural nuances (Gelfand et al., 2002), which is particularly valuable in high-religiosity contexts where religion shapes negotiation and interaction styles (Sebenius, 2002). Improved communication reduces misunderstandings, fosters trust, and enhances cooperation between the acquirer and target firm stakeholders (Dow et al., 2016), thus increasing the likelihood of successful deal completion.

By contrast, one-off acquisitions are less likely to yield the benefits associated with staged acquisitions, such as reduced information asymmetry, improved communication, and gradual development of trust. This approach offers limited time for acquirers to adapt to religious and cultural complexities, thereby increasing the risk of stakeholder resistance and deal failure. Hence,

Hypothesis 3. A staged acquisition strategy weakens the negative effect of host country religiosity on CBMA deal completion.

3. Data and methods

3.1. Data and sample

To conduct our analysis, we gathered data from multiple reputable sources. CBMA data were obtained from BvD's Zephyr global merger and acquisition (M&A) database, which is extensively used in

international business research (Erel et al., 2015). Religious variables were sourced from the Association of Religion Data Archives (ARDA) and the World Values Survey (WVS), covering Waves 1–7 (1981–2022). These surveys provide comprehensive data on social, political, economic, and cultural values across countries, enabling an analysis of how religious beliefs evolve over time and influence social and economic development. Religious distance measures were derived from Dow & Karunaratna (2006). Additionally, institutional environment control variables were extracted from the World Bank's Worldwide Governance Indicators (WGI) database, while economic data were collected from the United Nations Conference on Trade and Development (UNCTAD) database. Table 1 provides a summary of data sources.

Table 1
Variable definitions and data sources.

Variables	Definitions	Data sources
CBMA completion	A binary variable that equals 1 if a CBMA deal is successfully completed, and 0 if abandoned	Zephyr
Religious popularity	The percentage of religious adherents in the total population of the country	ARDA
Religious devoutness	The extent to which religious adherents in the host country believe their doctrine and respect its authoritative power, which equals 1 minus the disbelief index	WVS
Distrust in outsiders	The extent to which individuals in the host country distrust strangers or outsiders, which equals 1 minus the trust index	WVS
Staged acquisition	A binary variable that equals 1 if acquirer takes a staging acquisition strategy in a deal, 0 otherwise	Zephyr
Religious distance	Religious distance between the home and host countries measured by Dow & Karunaratna (2006)	Dow & Karunaratna (2006)
Geographic distance	The distance between the home and host countries' capital cities in 100 kilometers	CEPII
Economic distance	The differences in GDP per capita between the home and host countries	UNCTAD
Law distance	The index of law disparities between the home and host countries	WGI
Export reliance	The proportion of the host country's exports directed to the acquirer's home country relative to the host country's GDP	UNCTAD
Unemployment	The unemployment rate of the host country	UNCTAD
Anti-corruption	The index of corruption control in host country	WGI
GDP per capita	GDP per capita in host country	UNCTAD
FDI-to-GDP ratio	The ratio of inward FDI to GDP in host country	UNCTAD
Industry sensitivity	A binary variable that equals 1 if the target firm operates in an industry that is strategically important to the host country's national security, 0 otherwise	Zephyr
Industry knowledge	A binary variable that equals 1 if the acquirer and the target firm operate within the same industry, 0 otherwise	Zephyr
Aqr. size	The natural log of the acquirer's total asset	Zephyr
Aqr. state ownership	A binary variable that equals 1 if the acquirer is a state-owned enterprise, 0 otherwise	Zephyr
Tgt. state ownership	A binary variable that equals 1 if the target firm is a state-owned enterprise, 0 otherwise	Zephyr
Value	The natural log of the deal size (U.S. dollars) of the CBMA	Zephyr
Stake	The equity ratio that the acquirer purchases in the CBMA	Zephyr
Year	The year that the CBMA deal is publicly announced	Zephyr
Industry	The industrial sectors according to North American Industry Classification System (NAICS), 2017 edition	Zephyr

Our dataset comprises 67,143 CBMA deals from 1999 to 2019, a period chosen to exclude the impact of the 1998 financial crisis and the COVID-19 outbreak. Of these, 1702 deals were reported as failed. Due to the imbalance between failed and successful deals, we applied propensity score matching (PSM) to construct a matched sample and address potential selection bias. PSM creates a quasi-experimental framework by simulating random assignment, a critical tool for causal inference in empirical research (Heckman et al., 1997). This is particularly relevant in CBMA studies, where randomized experiments are unfeasible. By ensuring that the treatment and control groups exhibit comparable observable characteristics, PSM improves causal inference and enhances the robustness of empirical results (Caliendo & Kopeinig, 2008). The method is widely used in M&A research to examine deal outcomes and determinants (Schweizer et al., 2019; Stiebale, 2016). The final sample consists of 4290 deals, including 1702 failed and 2588 successful, while also reducing heterogeneity in non-religion-related characteristics. The sample spans 105 target (host) and 63 acquiring (home) countries, reflecting diverse geographic and income distributions (Tables A & B, Appendix). It also covers a broad range of industries (Table C, Appendix). All these heterogeneities are controlled for in our empirical models.

3.2. Measures

3.2.1. Dependent variable

Our dependent variable is the success of CBMA deal completion (*CBMA completion*). Following the literature (Dikova et al., 2010; Muehlfeld et al., 2007; Zhou et al., 2016), we use a binary variable to measure CBMA deal completion, i.e., the value is 1 if the deal is completed, and 0 if it is abandoned or withdrawn. Variable definitions are shown in Table 1.

3.2.2. Independent variables

Our key independent variable is the level of religiosity in the host country. This variable is measured by two approaches, namely, religious popularity and religious devoutness, reflecting extrinsic religiosity and intrinsic religiosity respectively.

Religious popularity captures a country's religiosity from the extrinsic perspective of how many people have religious beliefs. It is measured by the percentage of religious adherents in the total population of the country (Olson & Li, 2015).

Religious devoutness captures a country's religiosity from the intrinsic perspective of how deeply religious adherents believe their doctrine is true and how much they are willing to put religious interests beyond their own (Richards, 1991). This measure is derived from the WVS Waves 1–7, which collect data on individuals' attitudes toward religious faith, religious commitment, and religious practice. The responses are then normalized to a scale from 0 to 1, where 0 corresponds to the least secular viewpoint (indicating high religiosity) and 1 to the most secular (indicating low religiosity). Welzel (2013) introduced a method to quantify the degree of disbelief in religious authority based on the normalized responses from the WVS survey. For each country, the individual responses are averaged to obtain a country-level disbelief index. In this study, we use the inverse value of this index to represent the level of religious devoutness. Therefore, a lower value of the disbelief index indicates a higher level of religious devoutness, reflecting a greater commitment to religious beliefs among individuals.

3.2.3. Mediation and moderation variables

Our mediation variable is *distrust in outsiders,* which measures the average level of distrust that individuals in the host country express towards people perceived as strangers or outsiders. This variable is constructed using data from the WVS database, which includes survey questions assessing interpersonal trust across three categories: individuals met for the first time, those from different religions, and those from different nationalities. Respondents rate their trust on a four-point

scale, ranging from complete trust to no trust at all. These responses are then converted into a 0–1 index, with 0 representing the lowest trust and 1 representing the highest. This data can be transformed into a country-level trust index by calculating the average of the national samples (Delhey et al., 2011). In this study, we use the inverse value of this trust index to reflect distrust in outsiders, such that higher values indicate greater distrust toward people perceived as strangers or out-group members.

Our moderator is *staged acquisition*, which captures whether the acquirer takes a staged acquisition strategy. A staged acquisition involves dividing the acquisition into multiple steps, in contrast with a one-off full acquisition that acquires full ownership of the target firm in a single transaction (Malhotra et al., 2016). The variable is coded as 1 if the acquirer previously made one or more rounds of partial acquisitions in the target firm before proceeding to full ownership, and 0 if no prior partial acquisitions were made.

3.2.4. Control variables

Following previous studies (Dikova et al., 2010; Muehlfeld et al., 2007; Zhou et al., 2016), we include a series of variables that control for country-, industry-, firm- and deal-level factors. Country-level factors account for differences in institutional and economic environment between home and host countries. *Religious distance* measures the differences in religion between the home and host countries (Dow & Karunaratna, 2006). *Geographic distance* is the distance between the home and host countries' capital cities in 100 kilometers. *Economic distance* is measured by the differences in GDP per capita between the home and host countries. *Law distance* refers to the differences in legal systems, regulations, and enforcement mechanisms between two countries in the context of international business (Lankhuizen et al., 2015), quantified by the index of law disparities from the WGI dataset. *Export reliance* measures the host country's reliance on the home country's exports, which is calculated as the proportion of the host country's exports directed to the acquirer's home country relative to the host country's GDP. We further account for the institutional and economic development of the host country by controlling for its *unemployment* rate, *anti-corruption* index, *GDP per capita*, and *FDI-to-GDP ratio* (Slangen & Beugelsdijk, 2010).

Industry-level factors include *industry sensitivity*, a dummy variable that equals 1 if the target firm operates in an industry that is strategically important to the host country's national security, and *industry knowledge*, a dummy variable that equals 1 if the acquirer and the target firm operate within the same industry. The classification of industries is based on the North American Industry Classification System (NAICS), 2017 edition. Firm-level factors include attributions of both the acquirer and the target firm, namely, *Aqr. size* (the natural log of the acquirer's total assets), *Aqr. state ownership* (a dummy variable indicating whether the acquirer is a state-owned enterprise), and *Tgt. state ownership* (a dummy variable indicating whether the target firm is a state-owned enterprise). Deal-level factors include *value*, representing the deal size in U.S. dollars, and *stake*, denoting the equity ratio that the acquirer purchases. All definitions of variables are presented in Table 1.

4. Results

4.1. Main results

We test multiple models to analyze the impact of host-country religiosity on the success of CBMA deal completion, along with the mediating role of social trust and the moderating effect of deal arrangement strategy. Given the binary nature of the dependent variable, we employ a logit model for estimation, following prior studies on the determinants of CBMAs (e.g., Piaskowska & Trojanowski, 2014; Zhang et al., 2011). To account for potential temporal and sectoral effects, we include year and industry fixed effects. Table 2 displays the descriptive statistics. Table 3 reports the pairwise correlations of the variables. Most of the pairwise correlations are relatively low, with the exception of a moderately high correlation between GDP per capita and anti-corruption. The average value of the variance inflation factors (VIFs) is 2.53, which is well below the acceptable level of 10, suggesting

Table 2
Descriptive statistics.

Variables	Mean	S.D.	Min	Max	Skew.	Kurt.
CBMA completion	0.603	0.489	0	1	−0.422	1.178
Religious popularity	0.797	0.112	0.243	1	−1.247	8.087
Religious devoutness	0.528	0.171	0.133	0.917	−0.240	2.230
Distrust in outsiders	0.510	0.093	0.361	0.772	0.849	2.728
Staged acquisition	0.865	0.341	0	1	−2.140	5.578
Religious distance	2.293	0.944	1	5	1.540	5.284
Geographic distance	31.753	30.170	0.370	118.863	0.984	3.075
Economic distance	0.466	2.390	−5.169	8.002	0.086	3.340
Law distance	−.190	0.975	−3.380	2.880	−0.282	4.023
Export reliance	2.518	4.408	0	20.241	2.917	10.730
Unemployment	6.605	3.650	1.180	25.156	2.765	12.781
Anti-corruption	1.286	0.915	−1.410	2.470	−1.092	2.941
GDP per capita	38.452	19.348	0.441	111.968	−0.235	3.352
FDI-to-GDP ratio	5.006	7.534	0	49.765	3.822	19.134
Industry sensitivity	0.281	0.450	0	1	0.974	1.948
Industry knowledge	0.634	0.482	0	1	−0.556	1.310
Aqr. size	13.243	3.494	2.853	19.979	−0.538	3.238
Aqr. state ownership	0.038	0.191	0	1	4.833	24.359
Tgt. state ownership	0.023	0.149	0	1	6.423	42.250
Value	10.885	2.404	3.841	15.486	−0.033	2.595
Stake	79.508	30.534	10	100	−1.097	2.577
Year	2008.920	5.048	2000	2019	−0.092	1.884
Industry	8.170	4.857	1	23	0.507	2.397

Note: N = 4290.

Table 3
Pairwise correlations of variables.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
(1) CBMA completion	1.00																						
(2) Religious popularity	−0.17*	1.00																					
(3) Religious devoutness	−0.11*	0.53*	1.00																				
(4) Distrust in outsiders	−0.13*	0.12*	0.11*	1.00																			
(5) Staged acquisition	0.09*	0.04*	0.03*	−0.09*	1.00																		
(6) Religious distance	−0.08*	0.13*	0.04	0.33*	−0.04*	1.00																	
(7) Geographic distance	−0.07*	−0.15*	−0.18*	0.07*	−0.00	0.24*	1.00																
(8) Economic distance	−0.06*	0.05**	−0.03*	0.51*	−0.04*	−0.06*	−0.03*	1.00															
(9) Law distance	0.04*	−0.18*	−0.01	−0.58*	0.05*	0.04*	0.06*	−0.78*	1.00														
(10) Export reliance	0.02	0.04*	0.07*	−0.05*	0.05*	−0.01	−0.31*	−0.05*	0.11*	1.00													
(11) Unemployment	−0.10*	0.23*	0.17*	0.02	−0.02	−0.13*	−0.09*	0.14*	−0.10*	−0.02	1.00												
(12) Anti-corruption	0.12*	−0.22*	−0.07*	−0.75*	0.07*	−0.23*	0.02	−0.59*	0.76*	0.15*	−0.16*	1.00											
(13) GDP per capita	0.11*	−0.08*	0.03	−0.73*	0.06*	−0.22*	−0.03	−0.73*	0.66*	0.08*	−0.20*	0.83*	1.00										
(14) FDI-to-GDP ratio	−0.02	−0.09*	−0.18*	0.13*	0.00	0.01	−0.06*	−0.06*	0.12*	0.15*	−0.06*	0.12*	0.04*	1.00									
(15) Industry sensitivity	−0.06*	0.04*	−0.01	0.10*	−0.04*	−0.01	0.06*	0.02	−0.05*	−0.05*	0.07*	−0.09*	−0.09*	0.04*	1.00								
(16) Industry knowledge	0.02	0.03*	0.06*	−0.07*	−0.03*	−0.07*	−0.06*	−0.05*	0.04*	0.01	0.05*	0.04*	0.05*	−0.06*	0.13*	1.00							
(17) Aqr. size	−0.04*	−0.03	−0.03*	−0.01	−0.06*	0.03*	−0.01	−0.08*	0.12*	0.04*	0.03*	0.04*	0.03	−0.01	0.13*	0.19*	1.00						
(18) Aqr. state ownership	−0.05*	−0.01	−0.05*	0.07*	−0.04*	0.17*	0.00	−0.05*	0.08*	0.00	0.04*	−0.06*	−0.06*	−0.00	0.11*	0.01	0.14*	1.00					
(19) Tgt. state ownership	−0.07*	0.03	−0.03	0.08*	−0.02	0.06*	−0.01	0.00	−0.00	0.00	0.05*	−0.07*	−0.07*	0.04*	0.08*	−0.01	0.08*	0.31*	1.00				
(20) Value	−0.31*	0.02	0.04*	−0.07*	−0.02	−0.03	0.01	−0.08*	0.12*	−0.01	0.04*	0.07*	0.09*	0.03	0.12*	0.16*	0.54*	0.11*	0.10*	1.00			
(21) Stake	−0.05*	−0.01	0.13*	−0.26*	0.41*	−0.21*	−0.07*	−0.08*	0.11*	0.07*	−0.01	0.22*	0.21*	0.00	−0.15*	0.07*	−0.07*	−0.09*	−0.07*	0.14*	1.00		
(22) Year	−0.02	0.02	−0.02	0.07*	0.00	0.17*	0.04*	−0.02	0.05*	−0.00	0.03	−0.10*	0.04*	0.01	−0.06*	−0.02	−0.04*	0.02	0.03*	0.04*	−0.04*	1.00	
(23) Industry	−0.00	−0.03	−0.05*	−0.03	0.01	−0.05*	−0.14*	0.02	−0.01	0.01	−0.03	0.02	0.01	0.12*	−0.07*	−0.01	0.05*	−0.06*	−0.02	−0.00	0.06*	−0.07*	1.00

Notes: N = 4290.
* $p < 0.05$.

Table 4
Regression results (the effects of religiosity on the success of CBMA deal completion).

	Religiosity measured by	
	Religious popularity CBMA completion Model 1	Religious devoutness CBMA completion Model 2
Religious popularity	−3.837***	
	(-8.944)	
Religious devoutness		−1.443***
		(-6.239)
Religious distance	−0.069**	−0.160***
	(-2.483)	(-3.618)
Geographic distance	−0.008***	−0.007***
	(-5.560)	(-4.935)
Economic distance	−0.072**	−0.067*
	(-2.181)	(-1.960)
Law distance	−0.336***	−0.238***
	(-3.913)	(-2.767)
Export reliance	−0.013	−0.015*
	(-1.462)	(-1.735)
Unemployment	−0.020*	−0.039***
	(-1.930)	(-3.981)
Anti-corruption	0.335***	0.387***
	(3.019)	(3.481)
GDP per capita	0.005	0.002
	(1.075)	(0.296)
FDI-to-GDP ratio	−0.010*	−0.012**
	(-1.872)	(-2.398)
Industry sensitivity	0.042	−0.010
	(0.331)	(-0.080)
Industry knowledge	0.278***	0.270***
	(3.563)	(3.492)
Aqr. size	0.139***	0.138***
	(9.816)	(9.964)
Aqr. state ownership	−0.043	−0.021
	(-0.208)	(-0.103)
Tgt. state ownership	−0.480*	−0.534*
	(-1.705)	(-1.952)
Value	−0.442***	−0.433***
	(-19.924)	(-19.777)
Stake	−0.003**	−0.003**
	(-2.458)	(-2.039)
Constant	6.927***	4.923***
	(12.464)	(10.642)
Year dummies	Yes	Yes
Industry dummies	Yes	Yes
Log likelihood	−2.4e+ 03	−2.4e+ 03
Pseudo-R2	0.175	0.163
Wald test for the model	704.530	678.002
Prob > χ2	0.000	0.000
N	4290	4290

Notes: *t*-statistic values are reported in parentheses. Results of year-and industry-fixed effects are not reported for brevity.
* p < 0.1.
** p < 0.05.
*** p < 0.01.

Table 5
Regression results (distrust in outsiders as the mediator).

	Religiosity measured by			
	Religious popularity		Religious devoutness	
	Distrust in outsiders Model 1	CBMA completion Model 2	Distrust in outsiders Model 3	CBMA completion Model 4
Religious popularity	0.110*** (4.064)	−3.388** (−2.181)		
Religious devoutness			0.101*** (5.310)	−1.095** (−2.475)
Distrust in outsiders		−2.399*** (−3.431)		−2.595*** (−3.776)
Religious distance		−0.035** (−2.739)		−0.129*** (−2.854)
Geographic distance		−0.008*** (−5.863)		−0.006*** (−4.374)
Economic distance		−0.067** (−1.965)		−0.072** (−2.105)
Law distance		−0.336*** (−3.830)		−0.287*** (−3.314)
Export reliance		−0.008 (−0.859)		−0.011 (−1.312)
Unemployment	−0.028 (−0.528)	0.161 (1.395)	−0.029 (−0.211)	0.272** (2.371)
Anti-corruption	−0.004*** (−9.564)	0.019* (1.838)	−0.004*** (−10.108)	0.049*** (4.796)
GDP per capita	−0.002*** (−7.716)	0.004 (0.798)	−0.001*** (−7.558)	−0.002 (−0.465)
FDI-to-GDP ratio	0.001*** (4.470)	−0.004 (−0.771)	0.001*** (5.053)	−0.006 (−1.055)
Industry sensitivity		0.076 (0.592)		0.003 (0.023)
Industry knowledge		0.276*** (3.530)		0.270*** (3.498)
Aqr. size		0.138*** (9.805)		0.139*** (10.115)
Aqr. state ownership		−0.077 (−0.376)		−0.001 (−0.007)
Tgt. state ownership		−0.480* (−1.707)		−0.545** (−2.000)
Value		−0.443*** (−20.068)		−0.436*** (−19.872)
Stake		−0.004*** (−2.946)		−0.003** (−2.411)
Constant	0.566*** (22.530)	9.662*** (13.010)	0.600*** (33.748)	6.581*** (10.450)
Year dummies	Yes	Yes	Yes	Yes
Industry dummies		Yes		Yes
Log likelihood		−2.4e+ 03		−2.4e+ 03
Adj-R2/ Pseudo-R2	0.466	0.179	0.475	0.164
Wald test for the model		738.991		688.268
Prob > F/Prob > χ2	0.000	0.000	0.000	0.000
N	793	4290	793	4290

Notes: *t*-statistic values are reported in parentheses. Results of year-and industry-fixed effects are not reported for brevity. The dataset in Model 1 and Model 3 contains 793 county-year observations extracted from our sample.
* p < 0.1.
** p < 0.05.
*** p < 0.01.

that multi-collinearity is not a concern.

Table 4 assesses the direct effects of religiosity (religious popularity and religious devoutness) on CBMA deal completion. Hypothesis 1 predicts that host-country religiosity negatively impacts CBMA deal completion. Models 1 and 2 in Table 4 show that, even after adjusting for religious differences between home and host countries (religious distance), the influence of religious popularity and religious devoutness remain negative and significant. Hypothesis 1 is supported. Specifically, the coefficients for religious popularity and religious devoutness are negative and statistically significant at the 1 % level (for religious popularity in model 1, b=-3.837, t = -8.944; for religious devoutness in model 2, b=-1.443, t = -6.239). Consistent with expectations, the coefficients of religious distance in both models are also negative and significant. Further tests reveal that the marginal effect of religious popularity at the mean value in model 1 is −0.749, indicating that one percentage increase from the mean value in religious popularity will lead to a 0.749 percentage decrease in the possibility of successful completion of a deal, holding all other variables constant. Similarly, the margin effect of religious devoutness in model 2 is −0.674, indicating that one percentage increase from the mean value in religious devoutness will lead to 0.674 percentage decrease in the possibility of successful completion of a deal, holding all other variables constant.

Table 5 tests distrust in outsiders as a mediator of the relationship between religiosity and CBMA deal completion (Hypothesis 2). The

Table 6
Regression results (staged acquisition as the moderator).

	Religiosity measured by	
	Religious popularity CBMA completion	Religious devoutness CBMA completion
	Model 1	Model 2
Religious popularity	−3.772***	
	(-8.693)	
Religious devoutness		−1.428***
		(-6.091)
Staged acquisition×religious popularity	0.022**	
	(2.072)	
Staged acquisition×religious devoutness		0.575***
		(2.581)
Staged acquisition	0.864	0.024
	(1.188)	(0.070)
Religious distance	−0.082*	−0.171***
	(-1.769)	(-3.841)
Geographic distance	−0.008***	−0.007***
	(-5.610)	(-4.919)
Economic distance	−0.074**	−0.068**
	(-2.208)	(-1.977)
Law distance	−0.356***	−0.262***
	(-4.087)	(-3.005)
Export reliance	−0.015*	−0.017*
	(-1.674)	(-1.939)
Unemployment	−0.021**	−0.040***
	(-1.962)	(-3.929)
Anti-corruption	0.358***	0.417***
	(3.251)	(3.778)
GDP per capita	0.006	0.001
	(1.128)	(0.217)
FDI-to-GDP ratio	−0.009*	−0.012**
	(-1.808)	(-2.270)
Industry sensitivity	0.039	−0.018
	(0.299)	(-0.138)
Industry knowledge	0.313***	0.305***
	(3.975)	(3.895)
Aqr. size	0.140***	0.140***
	(9.873)	(10.082)
Aqr. state ownership	−0.033	−0.007
	(-0.159)	(-0.032)
Tgt. state ownership	−0.503*	−0.568**
	(-1.764)	(-2.036)
Value	−0.437***	−0.429***
	(-19.616)	(-19.438)
Stake	−0.008***	−0.007***
	(-5.032)	(-4.951)
Constant	6.456***	5.259***
	(8.202)	(9.653)
Year dummies	Yes	Yes
Industry dummies	Yes	Yes
Log likelihood	−2.4e+ 03	−2.4e+ 03
Pseudo-R2	0.183	0.173
Wald test for the model	714.396	690.771
Prob > χ2	0.000	0.000
N	4290	4290

Notes: *t*-statistic values are reported in parentheses. Results of year-and industry-fixed effects are not reported for brevity.
* p < 0.1.
** p < 0.05.
*** p < 0.01.

results show that religious popularity and devoutness in the host country have a significant positive influence on the level of distrust in outsiders (for religious popularity in model 1, b=0.110, t = 4.064; for religious devoutness in model 3, b=0.101, t = 5.310). The table also shows that

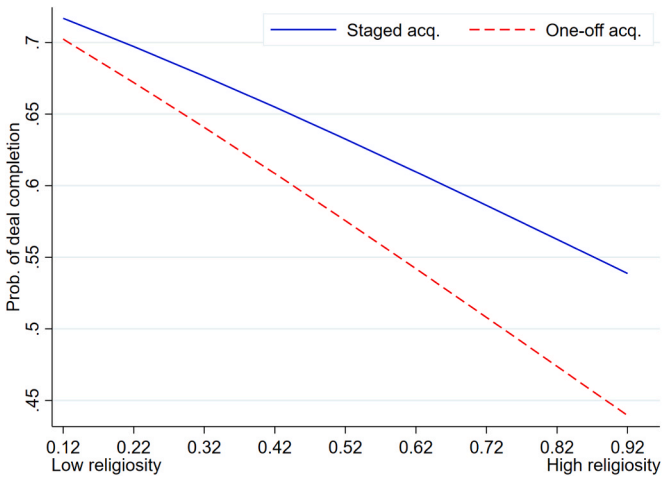

Fig. 1. The moderating effects of deal arrangement strategies.

distrust in outsiders has a significant negative effect on the success of deal completion (in model 2, b=-2.399, t = -3.431; in model 4, b=-2.595, t = -3.776). Meanwhile, the significance levels of the direct effects of religious popularity and devoutness on deal completion, as presented in Table 5, are comparatively lower than those observed for the same variables in Table 4. These results indicate that the relationship between a host country's religiosity and the success rate of CBMA transactions is not straightforwardly direct. Instead, higher religiosity of the host country leads to increased distrust towards foreign entities, which reduces the success rate of CBMA transactions, supporting Hypothesis 2.

Table 6 explores the moderating role of a staged acquisition strategy. Hypothesis 3 states that a staged acquisition strategy weakens the negative effect of host country religiosity on CBMA deal completion. Table 6 shows that the coefficients for the interaction term between staged acquisition and religiosity are positive and significant (for religious popularity in model 1, b=0.022, t = 2.072; for religious devoutness in model 2, b=0.575, t = 2.581). These results provide support to Hypothesis 3, indicating that a staged acquisition strategy where the acquisition is carried out in multiple phases effectively mitigates the negative impact of high religiosity in the host country on CBMA deal completion. To illustrate the moderating effect of deal arrangement strategies (Hypothesis 3), these relationships are presented in Fig. 1.

4.2. Further analyses

4.2.1. The impact of heterogeneity in formal institutions

Host countries' religiosity, typically considered an aspect of informal institutions, may interact with the formal institutions of a country in influencing CBMAs (Ostapenko, 2015). Previous studies find that the quality of legal systems, representing the strength of formal institutions, can either complement or substitute the influence of religion on FDIs (Lawrence et al., 2021). To examine the potential interplay between formal institutions and religiosity on the completion of CBMAs, we employ a comparative analysis. The sample was divided into two groups based on whether the host country's quality of law is above or below the mean value. As reported in Table 9, the key results remain qualitatively similar across high- and low-quality groups. The impact of high religiosity on the success of CBMA transactions remains negative and significant across both groups, irrespective of the quality of formal

Table 7
Regression results (high v.s. low quality of law).

	High quality of rule-of-law		Low quality of rule-of-law	
	Religiosity measured by		Religiosity measured by	
	Religious popularity CBMA completion Model 1	Religious devoutness CBMA completion Model 2	Religious popularity CBMA completion Model 3	Religious devoutness CBMA completion Model 4
Religious popularity	−3.662***		−3.952***	
	(−4.341)		(−7.242)	
Religious devoutness		−1.384**		−2.551***
		(−2.309)		(−8.479)
Religious distance	−0.037**	−0.034**	−0.078**	−0.186***
	(−2.424)	(−2.389)	(−2.166)	(−3.198)
Geographic distance	−0.007***	−0.005**	−0.009***	−0.010***
	(−3.556)	(−2.540)	(−4.125)	(−4.188)
Economic distance	−0.155***	−0.177***	0.009	0.039
	(−3.039)	(−3.473)	(0.210)	(0.844)
Law distance	−0.577***	−0.656***	−0.255**	−0.109
	(−4.107)	(−4.616)	(−2.180)	(−0.914)
Export reliance	0.010	0.011	−0.071***	−0.057**
	(0.921)	(0.844)	(−2.973)	(−2.540)
Unemployment	−0.035	−0.082*	−0.029***	−0.045***
	(−0.730)	(−1.795)	(−2.679)	(−4.183)
Anti-corruption	0.145	0.425	0.438**	0.443**
	(0.574)	(1.315)	(2.373)	(2.801)
GDP per capita	−0.006	−0.025***	0.017**	0.026***
	(−0.695)	(−3.584)	(1.975)	(2.863)
FDI-to-GDP ratio	−0.010**	−0.007**	−0.010**	−0.011**
	(−2.416)	(−2.953)	(−2.012)	(−2.186)
Industry sensitivity	0.067	0.051	−0.060	−0.125
	(0.395)	(0.301)	(−0.292)	(−0.602)
Industry knowledge	0.204*	0.206*	0.343***	0.362***
	(1.800)	(1.827)	(2.938)	(3.084)
Aqr. size	0.159***	0.161***	0.132***	0.131***
	(7.285)	(7.459)	(6.813)	(6.797)
Aqr. state ownership	0.174	0.196	−0.024	−0.089
	(0.530)	(0.589)	(−0.087)	(−0.312)
Tgt. state ownership	−0.899*	−0.895*	−0.106	−0.181
	(−1.742)	(−1.659)	(−0.322)	(−0.551)
Value	−0.473***	−0.466***	−0.429***	−0.424***
	(−13.946)	(−13.748)	(−13.534)	(−13.552)
Stake	−0.009***	−0.009***	0.001	0.001
	(−4.270)	(−4.285)	(0.271)	(0.506)
Constant	9.488***	8.086***	6.066***	4.979***
	(8.529)	(7.122)	(7.272)	(6.658)
Year dummies	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes
Log likelihood	−1.2e+ 03	−1.2e+ 03	−1.2e+ 03	−1.2e+ 03
Pseudo-R2	0.177	0.172	0.199	0.202
Wald test for the model	342.101	328.929	395.983	412.799
Prob > χ2	0.000	0.000	0.000	0.000
N	3083	3083	1199	1199

Notes: *t*-statistic values are reported in parentheses. Results of year-and industry-fixed effects are not reported for brevity.
* p < 0.1.
** p < 0.05.
*** p < 0.01.

Table 8
Regression results (high v.s. low industry dynamics).

	High-dynamic industries		Low-dynamic industries	
	Religiosity measured by		Religiosity measured by	
	Religious popularity CBMA completion Model 1	Religious devoutness CBMA completion Model 2	Religious popularity CBMA completion Model 3	Religious devoutness CBMA completion Model 4
Religious popularity	−4.628***		−3.565***	
	(−5.993)		(−6.809)	
Religious devoutness		−1. 615***		−1.221***
		(−3.479)		(−5.012)
Religious distance	−0.026**	−0.152**	−0.093**	−0.169***
	(−2.355)	(−2.207)	(−2.534)	(−2.883)
Geographic distance	−0.009***	−0.008***	−0.006***	−0.005***
	(−4.595)	(−3.856)	(−3.188)	(−2.713)
Economic distance	−0.143**	−0.134**	−0.038	−0.031
	(−2.497)	(−2.321)	(−0.905)	(−0.721)
Law distance	−0.548***	−0.407***	−0.185*	−0.098*
	(−3.869)	(−2.971)	(−1.689)	(−1.840)
Export reliance	0.008	0.003	−0.040***	−0.039***
	(0.627)	(0.243)	(−3.185)	(−3.130)
Unemployment	−0.034**	−0.061***	−0.012	−0.028**
	(−1.992)	(−3.673)	(−0.906)	(−2.258)
Anti-corruption	0.438**	0.505***	0.272*	0.301*
	(2.531)	(3.023)	(1.805)	(1.946)
GDP per capita	−0.004	−0.009	0.011*	0.009
	(−0.518)	(−1.155)	(1.675)	(1.210)
FDI-to-GDP ratio	−0.017*	−0.018*	−0.005	−0.009
	(−1.703)	(−1.887)	(−0.897)	(−1.438)
Industry sensitivity	0.070	0.031	0.099	−0.003
	(0.394)	(0.176)	(0.514)	(−0.018)
Industry knowledge	0.326***	0.305***	0.276**	0.265**
	(2.820)	(2.685)	(2.500)	(2.516)
Aqr. size	0.151***	0.150***	0.134***	0.133***
	(7.211)	(7.335)	(6.976)	(7.035)
Aqr. state ownership	−0.320	−0.228	0.403	0.346
	(−1.153)	(−0.823)	(1.270)	(1.123)
Tgt. state ownership	−0.510	−0.482	−0.554*	−0.639*
	(−1.122)	(−1.086)	(−1.895)	(−1.884)
Value	−0.409***	−0.406***	−0.480***	−0.464***
	(−12.758)	(−12.816)	(−15.151)	(−14.884)
Stake	−0.004**	−0.004*	−0.003*	−0.003*
	(−2.309)	(−1.899)	(−1.676)	(−1.714)
Constant	7.148***	4.529***	7.042***	5.220***
	(9.004)	(7.895)	(10.242)	(9.210)
Year dummies	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes
Log likelihood	−1.1e+ 03	−1.1e+ 03	−1.3e+ 03	−1.3e+ 03
Pseudo-R2	0.180	0.165	0.181	0.172
Wald test for the model	311.975	297.447	393.225	393.806
Prob > χ2	0.000	0.000	0.000	0.000
N	2019	2019	2268	2268

Notes: *t*-statistic values are reported in parentheses. Results of year-and industry-fixed effects are not reported for brevity.
* p < 0.1.
** p < 0.05.
*** p < 0.01.

institutions. This finding re-confirms Hypothesis 1 Table 7.

4.2.2. The impact of heterogeneity in industry dynamics

CBMA arrangements and strategies can differ significantly across different industry environmental conditions. In highly dynamic industries, firms face greater uncertainty and risk, prompting them to actively support the integration process of CBMAs to maintain performance and market positions, irrespective of their religious beliefs. To investigate whether the influence of religiosity on CBMA completion varies depending on the level of industry dynamics, we divide our sample into two groups, highly dynamic industries and less dynamic industries. This division is determined by whether the volatility of industry growth is above or below the mean value (Keats & Hitt, 1988). Table 8 show that the negative effects of religious popularity and devoutness remain qualitatively unchanged across industries with different levels of dynamics, supporting Hypothesis 1.

4.2.3. Subsample analysis on shared religion between home and host countries

The main regression results indicate that, after controlling for religious distance, the religiosity of host countries has a significant adverse impact on the completion of CBMAs. To further differentiate between

Table 9
Subsample test on shared religion between home and host countries.

	Religiosity measured by	
	Religious popularity CBMA completion Model 1	Religious devoutness CBMA completion Model 2
Religious popularity	−4.406***	
	(-5.695)	
Religious devoutness		−1.397***
		(-3.079)
Geographic distance	−0.005***	−0.005***
	(-3.001)	(-2.685)
Economic distance	−0.118**	−0.149***
	(-2.206)	(-2.632)
Law distance	−0.017**	−0.157**
	(-2.103)	(-2.961)
Export reliance	−0.002**	−0.006**
	(-2.171)	(-2.576)
Unemployment	0.014	−0.014
	(0.820)	(-0.851)
Anti-corruption	0.155**	0.154**
	(2.822)	(2.781)
GDP per capita	0.021***	0.019**
	(2.831)	(2.375)
FDI-to-GDP ratio	−0.014*	−0.012
	(-1.875)	(-1.564)
Industry sensitivity	0.045	−0.024
	(0.241)	(-0.130)
Industry knowledge	0.316***	0.315***
	(2.654)	(2.660)
Aqr. size	0.166***	0.168***
	(7.167)	(7.383)
Aqr. state ownership	−0.235	−0.161
	(-0.595)	(-0.417)
Tgt. state ownership	−1.254**	−1.401**
	(-2.275)	(-2.554)
Value	−0.472***	−0.469***
	(-13.533)	(-13.676)
Stake	−0.002	−0.001
	(-0.817)	(-0.540)
Constant	6.802***	4.315***
	(6.923)	(5.666)
Year dummies	Yes	Yes
Industry dummies	Yes	Yes
Log likelihood	−1.1e+ 03	−1.1e+ 03
Pseudo-R2	0.187	0.171
Wald test for the model	341.679	317.440
Prob > χ2	0.000	0.000
N	2000	2000

Notes: *t*-statistic values are reported in parentheses. Results of year-and industry-fixed effects are not
reported for brevity.
* p < 0.1.
** p < 0.05.
*** p < 0.01.

religiosity and religious distance, we examine whether religiosity continues to exert a significant influence on CBMA completion when the acquirer's home country shares a common religion with the host country. Countries are categorized as having shared religion when they possess a common religious affiliation according to the global religion dendrogram of Dow & Karunaratna (2006). We conduct a subsample test, and the findings are presented in Table 9. The results show that the coefficients for religiosity remain negative and significant, indicating that religiosity negatively affects the success of CBMA transactions even when the home and host countries share the same religion, further supporting Hypothesis 1.

4.3. Robustness checks

Firstly, we conducted additional tests using alternative measures of religiosity to strengthen the robustness of our findings. Previous studies in sociology and psychology have utilized church attendance or similar religious activities as indicators of religiosity (e.g., Siegers, 2019). Following this approach, we use survey data on the level of participation in church or other religious organizations' activities (referred to as *religious activeness*) as an alternative measure for the host country's religiosity. This survey data is retrieved from the WVS database. Table 10 reports the alternative test results, which confirm Hypotheses 1 and 2.

Secondly, although we use a geographically diverse sample and employ the PSM method to eliminate sample selection bias, concerns may still exist regarding the dataset's representativeness in capturing the influence of religion in the global M&A market. To address this concern, we employ an alternative regression approach using the entire available dataset (i.e., not limited to matched samples) to test the impact of host-country religiosity on the successful completion of CBMAs. We use the *success ratio* as the dependent variable, which is the ratio of

Table 10
Robustness test with alternative religiosity measurement – religious activeness.

		H1	H2
	CBMA completion Model 1	Distrust in outsiders Model 2	CBMA completion Model 3
Religious activeness	−0.598***	0.290** (2.027)	−0.439**
	(−2.952)		(−2.013)
Distrust in outsiders			−2.820***
			(−4.124)
Religious distance	−0.173***		−0.140***
	(−3.943)		(−3.120)
Geographic distance	−0.005***		−0.005***
	(−4.079)		(−3.652)
Economic distance	−0.078**		−0.083**
	(−2.322)		(−2.473)
Law distance	−0.278***		−0.320***
	(−3.266)		(−3.732)
Export reliance	−0.020**		−0.017*
	(−2.267)		(−1.956)
Unemployment	−0.047***	−0.033	−0.043***
	(−4.725)	(−0.885)	(−3.566)
Anti-corruption	0.510*** (4.745)	−0.004***	0.044*** (5.286)
		(−9.345)	
GDP per capita	−0.002 (−0.312)	−0.001***	−0.006 (−1.085)
		(−7.186)	
FDI-to-GDP ratio	−0.010*	0.001***	−0.003 (−0.549)
	(−1.889)	(4.245)	
Industry sensitivity	−0.007 (−0.053)		0.021 (0.164)
Industry knowledge	0.266*** (3.453)		0.268*** (3.472)
Aqr. size	0.139***		0.141***
	(10.126)		(10.252)
Aqr. state ownership	0.036 (0.177)		0.039 (0.197)
Tgt. state ownership	−0.551**		−0.556**
	(−2.033)		(−2.054)
Value	−0.436***		−0.437***
	(−19.930)		(−19.984)
Stake	−0.003**		−0.003***
	(−2.254)		(−2.619)
Constant	4.421*** (9.999)	0.660***	6.166*** (9.994)
		(44.710)	
Year dummies	Yes	Yes	Yes
Industry dummies	Yes		Yes
Log likelihood	−2.4e+ 03		−2.4e+ 03
Adj-R2/ Pseudo-R2	0.158	0.456	0.160
Wald test for the model	654.487		671.553
Prob > F/Prob > χ2	0.000	0.000	0.000
N	4290	793	4290

Notes: *t*-statistic values are reported in parentheses. Results of year-and industry-fixed effects are not reported
for brevity. The dataset in Model 2 is 793 county-year observations extracted from our sample.
* p < 0.1.
** p < 0.05.
*** p < 0.01.

Table 11
Robustness test with alternative approach.

	Religiosity measured by	
	Religious popularity Success ratio Model 1	Religious devoutness Success ratio Model 2
Religious popularity	−6.631***	
	(-5.009)	
Religious devoutness		−0.226**
		(-2.341)
Religious distance	−0.006**	−0.156**
	(-2.064)	(-2.618)
Geographic distance	−0.001**	−0.004**
	(-2.237)	(-2.834)
Economic distance	−0.262**	−0.291**
	(-1.970)	(-2.295)
Law distance	−0.164**	−0.057**
	(-2.546)	(-2.197)
Export reliance	−0.183***	−0.159***
	(-5.084)	(-4.778)
Unemployment	−0.008	−0.025
	(-0.331)	(-1.083)
Anti-corruption	0.103**	0.362*
	(2.344)	(1.858)
GDP per capita	0.054	0.064
	(0.998)	(0.860)
FDI-to-GDP ratio	−0.032***	−0.032***
	(-3.164)	(-3.234)
Constant	6.154***	0.814
	(3.991)	(0.736)
Log likelihood	−439.562	−456.362
Wald test for the model	141.891	131.144
Prob > χ2	0.000	0.000
N	2012	2012

Notes: t-statistic values are reported in parentheses. Results of year-and industry-fixed effects are not reported for brevity.
* $p < 0.1$.
** $p < 0.05$.
*** $p < 0.01$.

successful CBMA cases to the total number of cases in each pair of home and host countries. By constructing this variable based on all CBMA samples, this test mitigates concerns related to sample selection and representativeness. We apply an XTLOGIT regression with a random-effects estimator, as our panel data involves country pairs and the Hausman test supports the use of random effects model over the fixed-effects model. Table 11 reports the results, showing that a high level of religiosity in the host country has an adverse impact on CBMA deal completion. This finding again supports Hypothesis 1.

5. Discussion

5.1. Theoretical implications

First, our research extends the literature on religion's influence in FDI activities by unpacking the often-overlooked complexity of within-country religiosity. While previous IB studies have emphasized the negative impact of religious distance between home and host countries on FDI flows (Blomkvist & Drogendijk, 2013; Dow & Karunaratna, 2006), they have largely ignored the effect of religiosity, which is the popularity and devoutness of religious beliefs within a country, on CBMA deal completion. High religiosity can introduce behavioral uncertainty and information asymmetry, thereby increasing the likelihood of abandoned CBMA deals. Building on this perspective, we demonstrate that higher host-country religiosity is associated with a greater likelihood of abandoned CBMA deals, even after controlling for the negative effects of religious distance. This finding aligns with research suggesting that religious individuals tend to be more risk-averse and seek to minimize uncertainty (Hilary & Hui, 2009), while also challenges opposing arguments that religiosity in the host country enhances CBMAs by fostering social trust and reducing transaction costs (Hong et al., 2023). Our study extends prior research on the role of religious distance in inhibiting CBMAs (Li & Sai, 2020; Prasadh & Thenmozhi, 2019) by offering a more nuanced perspective – highlighting within-country religious intensity as an additional barrier to deal completion. This contribution is particularly important as it demonstrates that high religiosity can hinder CBMA success even when religious distance is minimal. Furthermore, by focusing on the host country's religious environment, our study broadens existing research that has primarily examined the role of acquirer's home-country religiosity (Maung et al., 2021). In doing so, we provide a more comprehensive understanding of how religious factors shape CBMA outcomes beyond international religious differences.

Second, our study advances understanding of how religiosity influences CBMAs by highlighting the mediating role of social trust. As religiosity is closely linked to social distrust, we propose that social distrust mediates the relationship between host-country religiosity and the likelihood of CBMA deal completion. Our findings support this proposition, showing that heightened religiosity amplifies distrust toward foreign acquiring firms, which in turn lowers the likelihood of CBMA deal completion. This finding extends previous research that identifies social trust as a key enabler of CBMAs – by mitigating opportunistic behavior, enhancing mutual understanding, and fostering cooperation (Ahmad et al., 2022; Maung, 2022) – but has not explicitly examined its relationship with religiosity. It also adds to research on religiosity and CBMAs (Ahmad et al., 2022; Dow et al., 2016; Prasadh & Thenmozhi, 2019) by revealing the previously overlooked mediating role of social trust. Additionally, Hilary & Hui (2009) find that firms in subnational regions with higher levels of religiosity exhibit lower risk exposure and reduced investment rate. Our findings extend this insight by showing that high religiosity fosters distrust toward outsiders, thus creating barriers to the successful completion of CBMA deals.

Finally, our study advances research on the contingent influence of religiosity in CBMAs by identifying a key boundary condition that mitigates the its negative impact on deal completion. We propose that a stage-by-stage acquisition strategy weakens the negative effect of host country religiosity, as it allows foreign acquirers to signal goodwill, gradually build trust with the key stakeholders, and overcome the initial distrust often associated with high religiosity. Consistent with this proposition, our analysis reveals that, compared to one-off, full-control acquisitions, a phased strategy reduces the negative impact of host-country religiosity on deal completion. Prior research suggests that religious diversity mitigates the negative effects of religious distance on FDI flows (Hong et al., 2023) and that a strong institutional environment in the target country buffers the negative influence of religious distance on CBMA deal completion (Li & Sai, 2020). Our study extends this literature by emphasizing the largely overlooked role of acquisition strategy as a key moderating factor in the relationship between host-country religiosity and CBMA success. By integrating insights on religiosity and strategic deal structuring, our study deepens the understanding of the contingent factors shaping the influences of host-country religiosity on CBMA deal completion.

5.2. Managerial implications

This research provides some managerial implications for firms engaged in CBMAs. First, managers should recognize religiosity as a significant cultural barrier, particularly in CBMA activities. Beyond differences in religious affiliation, variations in the depth and commitment of religious adherents can profoundly impact business interactions. We suggest that managers should assess both the popularity and devoutness of religious beliefs in the host country, as religiosity shapes local distrust toward foreign acquirers, potentially hindering deal completion. Acknowledging this influence allows firms to anticipate and address challenges when pursuing CBMAs.

Second, when targeting firms in highly religious environments,

acquiring firms should adopt a stage-by-stage acquisition strategy to gradually build trust with stakeholders. This phased approach enables firms to understand religious nuances influencing the target firm's operations. For instance, establishing open communication channels early in the acquisition process and fostering transparent dialogue on how integration may affect religious practices can ease concerns. Additionally, leadership training, cross-cultural education, and continuous feedback mechanisms can foster an inclusive and collaborative environment, enhancing mutual understanding of religious perspectives. Ultimately, tailored trust-building strategies can reduce defensiveness, improve communication, and facilitate deal execution in high-religiosity contexts, thereby increasing the likelihood of successful CBMA completion.

5.3. Limitations and future research

Our study has several limitations. First, while we examine the role of religiosity in influencing CBMA deal completion, our measurement focuses primarily on the popularity and devoutness of religious beliefs at the societal level. However, religiosity is a multifaceted construct that also includes cognitive, behavioral, and ethical dimensions, as well as institutional and cultural expressions that vary across contexts. Future research could develop more nuanced measures by incorporating additional indicators of religiosity and exploring how they shape IB outcomes in different cultural and institutional environments. Additionally, the institutional and political dimensions of religiosity merit further investigation. In many countries, religion is not confined to the private sphere but is embedded in political power structures and public institutions. Indicators such as religion-based legislation, constitutional references to religion, or the formal involvement of religious authorities in governance reflect what might be termed institutional religiosity. Examining the extent to which religion is embedded in governance could provide insights into a country's religiosity from a public power perspective. As prior research suggests, religion can serve as a 'superb instrument of power' (Foucault, 1999, p. 107) and contribute to institutionalization (Lattanzio, 2022). Understanding the role of religiosity in political power and institutions may help explain how institutionalized religion shapes regulatory environments and societal norms – ultimately influencing the risks, resistance, and legitimacy challenges faced by foreign acquirers. This represents an important and underexplored avenue for future IB research.

Second, while we focus on the mediating effect of social distrust in outsiders and the moderating role of deal arrangement strategies in the relationship between religiosity and CBMA deal completion, data limitations prevent us from exploring other potential mechanisms. Future research could investigate factors at individual and organizational levels that may shape the impact of religiosity. At the individual level, characteristics of the target firm's management team such as personality, experience, and managerial position, may affect their level of open-mindedness (Peltokorpi & Froese, 2012) and, consequently, their attitudes toward foreign acquirers. At the organizational level, firm complexity (e.g., Vaccaro et al., 2012) could shape the extent to which religiosity influences CBMA outcomes by amplifying the challenges acquirers face in building trust, reducing information asymmetry, and improving communication with key stakeholders. In highly diversified firms with extensive supplier networks and powerful stakeholder groups, the cultural and institutional barriers associated with religiosity may be more difficult to overcome compared to less complex firms. By incorporating richer datasets and broader institutional perspectives, future studies can develop a more comprehensive and nuanced understanding of how religiosity influences IB activities.

Declaration of Competing Interest

The authors declare none.

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Appendix. Sample distribution

Table A
Geographic distribution

Host-country's region Home-country's region	Africa	Asia	Europe	North America	South America	Oceania
Africa	7	3	12	5	2	13
Asia	13	277	159	86	3	108
Europe	26	144	1114	451	38	117
North America	13	163	459	621	63	133
South America	2	17	15	17	11	3
Oceania	9	36	57	41	4	48

Table B
Distribution by income group of countries

Host-country's income group Home-country's income group	High income	Upper middle income	Lower & lower middle income
High income	3227	526	142
Upper middle income	246	38	36
Lower & lower middle income	61	10	4

Notes: The classification of income groups is based on the World Bank standards.

Table C
Industry distribution

Industry	Number of cases
Agriculture, forestry, fishing and hunting	52
Mining, quarrying, oil and gas extra	698
Utilities	151
Construction	143
Manufacturing (food, beverage, wearing)	180
Manufacturing (wood, medicine & chemistry, gas & oil, building materials)	496
Manufacturing (metal, machine, equipment, instrument, furniture)	910
Wholesale trade	127
Retail trade	104
Transportation	84
Warehousing	10
Information	571
Finance and insurance	364
Real estate and rental and leasing	53
Professional and technical services	221
Management of companies and enterprises	13
Administrative and waste services	29
Educational services	6
Arts, entertainment, and recreation	19
Health care and social assistance	21
Accommodation and food services	28
Other services, except public administration	10

Notes: The classification of industries is based on the NAICS 2017 edition.

Data Availability

Data will be made available on request.

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