# Buyouts Beyond Borders: Transnational Mergers and Acquisitions and the Globalization Question

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# Buyouts Beyond Borders: Transnational Mergers and Acquisitions and the Globalization Question

The globalization debate has centered around transnational corporations. Global systems theory is predicated upon the idea that the individuals who run these corporations constitute a transnational capitalist class. This is an emergent dominant class, not beholden to any nation, or national economy, seeking to advance economic globalization through Foreign Direct Investment across the globe. Casting doubt upon globalization in general and thus on the idea of a transnational capitalist class are those scholars who point to empirical evidence suggesting that globalization may in fact be regionalization, or economic integration in the developed world. With adjudication between these two perspectives in mind, this paper examines the merger and acquisition patterns, both domestic and transnational, of 100 of the world's largest corporations over the period of eight years from 1994 to 2001. The results show mixed evidence. Domestic mergers and acquisitions remain important for companies from the largest companies, but transnational mergers and acquisitions play an important role regardless of home country. While regionalization and investment in developed nations accounts for much of the transnational merger wave, truly global mergers and acquisitions still make up a large proportion of merger and acquisition activity. European companies in particular are shown to be active globalizers.

For the past twenty-five years or so, academics from all disciplines have been attempting to define, understand, and examine globalization. Central to the discussion has been debate about increasingly wealthy and mobile transnational corporations. Some sociologists have characterized these corporations and the people who run them as a transnational capitalist class. Global systems theory argues that a stratum of capitalists, running the world's largest companies, has emerged as a dominant class, with globalization as their goal and a consumerist ideology as their legitimating principles. This emergent dominant class, allied with “globalizing” strata of bureaucrats, politicians, professionals and media, span national boundaries and seek to cultivate consumption across the globe. Inevitably this class faces opposition from local groups, governmental, corporate, and civil who seek to maintain local integrity and independence in the face of these global forces.

The reach of transnational corporations has extended further than ever before, but while there is no doubt that in many parts of the world the poor are exploited by these far reaching corporate giants, there is debate about the extent to which this truly is an all encompassing globalization, being engineered and developed by a transnational capitalist class bent on the leveling of national borders. Others have argued that globalization is not an irrepressible force spanning all borders. Many of these scholars have cast doubt upon the ‘global’ nature of economic globalization. Globalization is not seen as an extension of consumerist ideology by an emerging nation-less class of capitalists, but rather an uneven and institutionally contingent process of economic integration powered by companies, international in their investments, but with a determinate and defining national base, who are subject to the regulation of government.

The primary focus of this study will be to adjudicate between these two views of globalization, and to examine how the process of economic globalization is unfolding for the world's largest corporations. First, the literature produced by global systems theory and globalization critics is discussed. Second, some hypotheses about what globalization should look like are drawn. Finally some empirical work is presented testing the various hypotheses these theories introduce.

**Global Systems**

Global systems theory, developed and exemplified by Leslie Sklair(Sklair 1991), presents a case for understanding globalization as a process being pushed forward by, and at the same time constituting, a rising transnational capitalist class. As production is increasingly organized on a global level, the economic interests of the heads of large corporations, certain bureaucrats, professionals and policy makers become linked globally, rather than locally or nationally. This process, aligning the interests of a capitalist class across national boundaries, is the essence of globalization.

The emergent transnational capitalist class seeks to exert control in the workplace, domestic and international politics, and culture. Control over the workplace is maintained through the ever-present threat of off-shoring. Control over local and national politics is exerted through threatened stops to foreign direct investment. Finally, a cohesive culture of consumerism is promoted and cultivated in order to provide the demand the corporations need in order to continue globalizing(Sklair 2001).

While the members of this new class may not regularly associate with one another they share background characteristics, and similar social and cultural capital. The characteristics forming the common base of this emergent class are: a higher education, most likely in business, the consumption of luxury goods and services, the patronage of exclusive clubs and restaurants, private travel and residential segregation from members of other classes. While this may not provide much to differentiate transnational capitalists from national capitalists, there is a suggestion that transnational capitalists see themselves as global citizens and present themselves accordingly.

The existence of a transnational capitalist class acting in its own self-evident interest suggests that the ideas of a national economy and a national interest are ideological rather than material in any meaningful sense. In place of a national economy, Sklair offers a vision of a global economy(Sklair 2001). This global economy is based upon the interactions of firms whose aggregate activity cannot be described by a single national economy. In addition, the interests of the individuals who run and own these firms are not coincident with or subordinate to perceived national interests. Ultimately, Sklair sees transnational corporations as the vanguard of the transnational capitalist class and the champions of globalization. It is the large transnational corporations that actively integrate economic activity, and it is in their interests that production is globalized and the national and local politics subordinated to the global. An analysis of globalization and the transnational capitalist class must proceed from an analysis of these companies.

Sklair then proceeds to interview executives from companies in Fortune 1996's Global 500. During these interviews Sklair focuses on Foreign Direct Investment, world's best practice, global corporate citizenship, and global vision. Using these four criteria Sklair searches for evidence that these corporations are truly transnational, as opposed to multinational, and are actively globalizing:

> "A transnational capitalist class could not be built on the basis of multinational corporations that were national companies, somehow expressing and furthering the interests of "their" nation states, with units abroad harnessed to this goal. The making of a transnational capitalist class depends on the emergence of transnational corporations that are demonstrably globalizing."(Sklair 2001)

This then is the key to demonstrating that a transnational capitalist class is indeed emerging. In his interviews with these corporate executives, Sklair reports that the heads of these companies indeed see their organizations as actively globalizing and transitioning from multinational to global companies.

While the executives that Sklair interviews do seem to see themselves as part of a crucial globalization project; however, this analysis has less to do with the actual practices of these companies than it does with how the executives think of their companies, and present themselves to the public. The crucial question, as Sklair puts it, is weather or not these companies are "demonstrably globalizing". This is where sharp disagreements have arisen between proponents of economic globalization as an emergent process, and those who see globalization as a buzz-word, distorting the less easily characterized empirical reality.

**Globalization Doubters**

While Sklair theorizes in explicit opposition to globalization doubters, he notes that the idea of globalization has been received with hostility in academic circles(Sklair 2001). In 1996 Hirst and Thompson published *Globalization in Question*(Hirst and Thompson 1996). In it they argue that economic globalization is less an empirical reality and more a popular myth. These authors base their criticisms on five basic observations. First, the present state of globalization is not unprecedented. Economic integration reached a similar level in the decades prior to the first world war. Second, transnational companies are few and far between; most companies considered to be transnational are actually nationally based, with some multi-national operations. Third, foreign direct investment flows primarily from developed to developed countries, with developing countries receiving extremely low levels of investment and trade. Fourth, financial flows remain within and between Europe, Japan, and North America. Finally, Hirst and Thompson insist that Japan, and the nations of North America and Europe, have the ability to extend governance over any global markets which might exist.

The authors interpret these observations as casting doubt upon the strong version of economic globalization, and pointing towards inter-national economic integration. While inter-national economic integration involves the increasing involvement of nations and corporate actors in world markets, domestic and international markets and policy domains remain relatively distinct from one another. This is in stark contrast to the globalized economy. In a global economy, national systems of production are subsumed, reorganized and redirected to the international processes that dominate them. This has four major consequences. First, the global economy is one that cannot be governed by nation states. Second, the economy would be dominated by truly transnational corporations which have no real national affiliations and consequently could not be regulated by the policies of specific nations. Third, the decline in the influence and bargaining power of labor, and fourth the multi-polarization of international politics. For our purposes, the second of these consequences is most important.

The primary evidence that Hirst and Thompson mobilize is concerned with corporations and foreign direct investment. The authors argue that foreign direct investment flows seem to travel from developed countries to developed countries. This evidence certainly does not suggest that FDI is in any real sense global. Transnational capital flows, in the form of foreign direct investment, do not seem to suggest the emergence of a transnational capitalist class, at least in the data Hirst and Thompson present which goes through 1993.

Both globalization believers and doubters agree that transnational corporations must be at the center of any economically globalized world. Looking at various company data on sales, assets, subsidiaries, and profits, Hirst and Thompson cast further doubt upon strong economic globalization. While the most recent of their data ends in 1993, the picture that they paint does not hold well with any strong version of globalization.

Company patterns in sales, assets, as well as subsidiaries and affiliates all show signs that domestic markets are far more important than markets abroad. This holds across the manufacturing and service sectors in the data Hirst and Thompson analyze. Interestingly, while the authors find little evidence of globalization, they do find companies transnationalizing in a manner pointing to economic regionalization rather than globalization. With regards to sales and assets this is particularly true. The data on subsidiaries and affiliates show slightly more globalization; however these transnational subsidiaries and affiliates are concentrated in developed countries, following the trends in trade already noted.

Both global systems theorists and their critics have focused on a few measures of the globalization process(Held 1999). Foreign Direct Investment (FDI) is one such measure. Global systems theory and its opponents, suggest that FDI is crucial, not only as measure of the extent of globalization, but also as the primary tool through which corporations become transnational. In the next section I discuss the recent trends in FDI, and formulate some hypotheses from the two perspectives discussed.

**Foreign Direct Investment and the Merger Wave: Trends and Hypotheses**

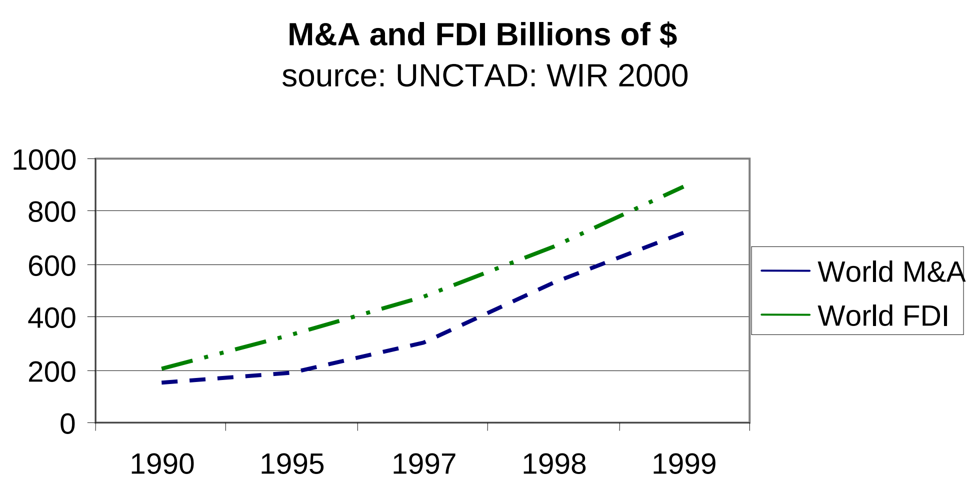
The United Nations World Investment Report 2000 showed that foreign direct investment has been on the rise throughout the last twenty years. The question is weather or not this massive rise in FDI constituted economic globalization and is evidence of the emergence of a transnational capitalist class. Foreign direct investment acts as a key indicator of globalization from the perspectives of both globalization believers and globalization doubters. Global systems theory suggests that foreign direct investment by companies should spread across the globe as the individuals running these transnational corporations consolidate their dominant class positions across the globe.

Globalization doubters agree. If indeed foreign direct investment is spreading across the globe, economic globalization is underway. However, they point to evidence through the 1980's that suggests foreign direct investment up until 1993 was concentrated in the wealthiest of nations. In order to examine the nature of these increased FDI flows I will be examining the recent merger and acquisition wave.

Much of the discussion of economic globalization has been concerned with foreign direct investment. This discussion has identified two types of foreign direct investment (FDI): cross border mergers and acquisitions (M&As), and greenfield investment(United Nations Conference on Trade and Development 1996). Greenfield investment involves the creation of new assets in a nation by a foreign firm. Mergers and acquisitions, on the other hand, involve the transfer of ownership of already existing assets. A transnational merger or acquisition takes place when a firm based in a foreign country merges with or acquires an established local firm, private or public. In a merger, the assets and production operations of two firms established in two different countries are recombined into one legal entity. In an acquisition, control over assets and production operations are transferred from a local company to a foreign one, and the local company becomes an affiliate of the latter. While the proportion of cross border M&As in overall FDI flows cannot be calculated due to the difficulty of determining the sources of funding for the buy outs, it does seem that mergers and acquisitions constitute a major portion of FDI, and through examining this merger wave, I hope to gain insight into the shape that globalization is taking.

Cross border M&As increased dramatically from 1990 to 1999 in both number, and value as a percentage of world GDP. In 1987 the value of completed cross border M&As was $100 billion. In 1999 this number was $720 billion. In terms of global GDP, this increase is from next to nothing to 2.4%. Figure 1 makes clear just how important an understanding of mergers and acquisitions is for understanding the causes and directions of FDI(United Nations Conference on Trade and Development 2000).

Figure 1




While mergers and acquisitions are often lumped together they are in fact practically different. While mergers involve integration based upon equal footing, acquisitions involve the purchase of one firm by another, and thus the ownership of one firm by the other. Acquisitions are functionally classified into full acquisitions, majority acquisitions and minority acquisitions. Full acquisitions take place when a firm purchases 100% of the equity of another firm. Majority and minority acquisitions are 50%-99% and 10%-49% respectively. A purchase of less than 10% equity is not considered controlling, and is thus not considered an acquisition. The majority of deals in the recent merger wave were full acquisitions, while mergers had a much smaller part to play. Only about 3 percent of cross border M&As are mergers while the rest are acquisitions. In 1999 more than half of M&As worldwide were full acquisitions.

Table 1: Cross Border M&A Breakdown by Type and Ownership

| Year | Total M&As | Mergers | Acquisitions | Full | More than 50% | 10-49% |
|---|---|---|---|---|---|---|
| 1987 | 100 | 4.2 | 94.1 | 70.1 | 8.7 | 15.3 |
| 1988 | 100 | 2.9 | 95.6 | 72.4 | 9.7 | 13.6 |
| 1989 | 100 | 3.2 | 95.6 | 69.1 | 10.9 | 15.6 |
| 1990 | 100 | 2.1 | 96.5 | 67.4 | 11.8 | 17.3 |
| 1991 | 100 | 0.8 | 98.6 | 64.1 | 14.5 | 19.9 |
| 1992 | 100 | 0.6 | 98.6 | 62.5 | 16.9 | 19.1 |
| 1993 | 100 | 0.5 | 99.1 | 61.2 | 17.2 | 20.6 |
| 1994 | 100 | 0.5 | 98.6 | 60.4 | 16.7 | 21.5 |
| 1995 | 100 | 1.2 | 98.0 | 59.6 | 17.9 | 20.5 |
| 1996 | 100 | 1.1 | 98.4 | 61.2 | 17.2 | 20.1 |
| 1997 | 100 | 1.7 | 97.5 | 64.8 | 16.3 | 16.3 |
| 1998 | 100 | 1.8 | 97.5 | 68.3 | 14.7 | 14.5 |
| 1999 | 100 | 2.3 | 96.9 | 65.3 | 15.4 | 16.2 |

(source: WIR 2000)

The developed countries of the world (U.S., Britain, Western Europe, and Japan) are far more active in terms of value and number of transnational M&As

than the developing countries of the world (South and Central America, Africa, Eastern Europe, Asia); although increasing transnational M&A activity is being exhibited in Asia (Korea, China, Indonesia), and to lesser extent in the former soviet bloc of Eastern Europe. The developed world is obviously more active across borders, both in terms of M&A outflows, and in terms of M&A inflows. The data seem to tell us that in the aggregate, capital is moving across borders from developed countries to other developed countries. This is not to say that no M&As target firms in South America and Africa, but that the numbers and values are so small as to be arguably non-significant in the aggregate view.

Not only are M&As the major source of FDI, they are also the actions of specific and identifiable companies. This lends even more power to their

Table 2: Cross-Border M&A in Billions of $ by Region

| | | | Sales | | | | | Purchases | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Region | 1990 | 1995 | 1997 | 1998 | 1999 | 1990 | 1995 | 1997 | 1998 | 1999 |
| **Developed** | **134.2** | **164.6** | **234.7** | **445.1** | **645** | **143** | **174** | **272** | **511** | **677.3** |
| EU | 62.1 | 75.1 | 114.6 | 187.9 | 345 | 86.5 | 81.4 | 142.1 | 284 | 497.7 |
| US | 54.7 | 53.2 | 81.7 | 209.5 | 233 | 27.6 | 57.3 | 80.9 | 137 | 112.4 |
| Japan | 0.1 | 0.5 | 3.1 | 4 | 15.9 | 14 | 3.9 | 2.7 | 1.3 | 9.8 |
| | | | | | | | | | | |
| **Developing** | **16.1** | **15.9** | **64.3** | **80.7** | **63.4** | **7** | **12.8** | **32.4** | **19.2** | **41.2** |
| | | | | | | | | | | |
| Africa | 0.5 | 0.2 | 1.7 | 0.7 | 0.6 | . | 0.1 | . | 0.2 | 0.4 |
| Latin America | 11.5 | 8.6 | 41.1 | 63.9 | 37.2 | 1.6 | 4 | 10.7 | 12.6 | 24.9 |
| Europe | . | . | . | . | 0.3 | . | . | . | . | . |
| Asia | 4.1 | 6.9 | 21.3 | 16.1 | 25.3 | 5.4 | 8.8 | 21.7 | 6.4 | 15.9 |
| Pacific | . | 0.1 | 0.3 | | 0.1 | . | . | . | . | . |
| | | | | | | | | | | |
| **Cent/East Europe** | **0.3** | **6** | **5.8** | **5.1** | **10.3** | **.** | **0.1** | **0.3** | **1** | **1.6** |
| | | | | | | | | | | |
| **World** | **150.6** | **186.6** | **304.8** | **531.6** | **720** | **151** | **187** | **304.8** | **532** | **720.1** |

(Source: WIR 2000)

examination in the consideration of the globalization debate. Through a consideration of the merger and acquisition activity of the largest corporations in the world, a picture of the FDI at the disposal of the most elite companies can be put together, the evidence weighed, and hypotheses about economic globalization tested.

Global systems theory sees the world's largest corporations as the vanguard of the emergent transnational capitalist class. This is the new dominant class which, pushing aside nationally or locally based capitalists, is extracting surplus from labor across the globe and promoting a legitimating consumerist ideology. When these companies choose to make foreign direct investments, they are attempting to globalize.

*H1: The world's largest corporations represent an emergent capitalist class. Accordingly, they should be expanding from the wealthiest nations across the globe through FDI.*

Globalization doubters do not see these companies as an emergent class of active globalizers. Rather, these companies should be operating within the broad patterns that Hirst and Thompson observed. These companies should be investing in developed countries.

*H2: The world's largest corporations are seeking market share. Accordingly domestic M&As should dominate, but the transnational expansion that does occur should be from home countries to other developed countries through FDI.*

Global systems theory implies that these transnational corporations are not beholden to their national economy. While Sklair suggests that the size of the economy matters in pushing companies overseas, controlling for the size of the national economy of the companies, these companies should be pushing capital overseas rather than reinvesting it at home. In addition, these companies, because they constitute a *transnational* capitalist class, should behave similarly regardless of the particular nation they are based in.

*H3: The largest corporations are actively globalizing. Accordingly, the number of transnational mergers and acquisitions should be rising in relation to domestic mergers and acquisitions.*

*H4: Controlling for the size of the home economy, the odds that a company undertakes a transnational merger or acquisition should not differ across nations.*

Casting doubt upon the emergence of this truly transnational capitalist class, exemplified by these transnational corporations, Hirst and Thompson suggest that even the most transnational of corporations are still fundamentally rooted in their specific national economies, regardless of the size of that particular economy. Moreover, the national character of these companies suggests that we should expect differences in the merger and acquisition patterns of the largest companies based upon the home country of the company. The globalization doubters also suggest that what globalization is taking place is actually regionalization.

*H5: The largest corporations are still nationally based. Controlling for the size of the home economy, the odds that a company undertakes a transnational merger or acquisition should differ across nations.*

*H6: To the extent to which companies are merging and acquiring across borders, they are regionalizing rather than globalizing. Accordingly, the targets should be regional.*

Company size and profitability are salient in both perspectives. As the size of the company increases so should its propensity to move abroad. The major difference here is weather the largest firms are indeed globalizing, or alternatively regionalizing as the data Hirst and Thompson look at suggest. Profits too should increase the propensity to merge and acquire across borders as companies use residual cash flow to pursue either globalization or regionalization. However, while both perspectives seem to predict that size and profitability will drive firms across borders, global systems theory predicts emergent global markets being created and pushed by a transnational capitalist class. This suggests that corporate executives in this class should behave similarly regardless of national affiliation. On the other hand, critics of globalization have posited that markets are regionalizing rather than globalizing, and that even the most transnational corporations are still rooted in national economies.

*H7: The largest corporations in the world are globalizing. Accordingly, those companies with the largest revenue streams should undertake more transnational mergers and acquisitions.*

*H8: To the extent to which large companies are merging and acquiring across borders, they are doing so regionally. Accordingly, those companies with the largest revenue streams should undertake more regional mergers and acquisitions.*

*H9: For the world's largest companies, financial incentives operate in the context of a global market. Accordingly, to the extent which revenues and profits influence mergers and acquisitions, they should do so in a similar fashion regardless of the home country of the company.*

*H10: For the world's largest companies, financial incentives operate in the context of domestic and regional markets. Accordingly, to the extent which revenues and profits influence mergers and acquisitions, they should do so differentially dependant upon the home country or region of the company.*

**Data and Methods**

In order to test these hypotheses I will analyze data on the merger and acquisition activity of 100 of the world's largest corporations over the eight year period from 1994 to 2001. The sample includes Fortune's 100 largest corporations in the world in terms of revenue in the year 1994.[1] While this sample is, of course, not representative of companies in general, globalization arguments focus on the largest companies in the world as primary movers of the process. This makes my sample non-representative of firms as a whole, but appropriate for the study at hand. Some of these companies merged with or acquired one another over the course of the time period studied. The companies bought were treated as missing after the acquisition.

All of the companies were coded with a home country based upon the location of the company's headquarters, and an industry code based upon an aggregation of similar three digit SIC codes. The companies in the sample were

[1] Data for 7 of the 100 largest companies on Fortune's Global 500 1994 list were not available. Companies 101 through 107 were included instead.

based in eight countries including the United States, Japan, Britain, France, Germany, Italy, the Netherlands, and Switzerland. Companies were placed within an eleven industry coding scheme which included petroleum, food and tobacco, chemicals and metals, machine and electrical equipment, automobile and rail, telecommunications, utilities, wholesale, retail, banks, and credit/holding/insurance. Table 3 shows the joint distribution of the companies in the sample across nations and industries.

The sample is dominated nationally by Japanese companies followed by American companies. German and French companies hold the third and fourth spots with just over ten a piece, followed by the Netherlands, Switzerland, Britain and Italy. The industry distribution shows that machine and electric, auto and rail, and petroleum dominate the sample with credit/holding/insurance, and banks running close behind. It should be noted that all wholesalers in the sample are Japanese companies. These are the large Japanese trading companies like Mitsui, Sumitomo, etc. The Japanese also have dominance over Banking with seven out of eleven companies and over machine and electrical equipment companies with eight out of fourteen.

Industry and nation will be used as independent variables for the analysis. Along with these categorical variables, age of the company, revenues and profits in millions of dollars, and GDP per capita of the company's home country will be

Table 3: Number of Companies by Industry and Nation

| Industry | Nation | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Britain | France | Germany | Italy | Japan | Netherlands | Switzerland | U.S. | Total |
| Petroleum | 1 | 3 | 1 | 1 | 1 | 1 | 1 | 5 | 14 |
| Food and Tobacco | 1 | 1 | 0 | 0 | 2 | 0 | 1 | 3 | 8 |
| Chemicals and Metals | 0 | 0 | 3 | 0 | 1 | 0 | 0 | 4 | 7 |
| Machine and Electric | 0 | 0 | 1 | 0 | 8 | 1 | 0 | 4 | 14 |
| Auto and Rail | 0 | 2 | 3 | 1 | 6 | 0 | 0 | 3 | 15 |
| Telecommunications | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 4 |
| Utilities | 0 | 2 | 1 | 0 | 2 | 0 | 0 | 0 | 5 |
| Wholesale | 0 | 0 | 0 | 0 | 8 | 0 | 0 | 0 | 8 |
| Retail | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 3 |
| Banking | 0 | 2 | 1 | 0 | 7 | 0 | 0 | 1 | 11 |
| Credit and Insurance | 0 | 1 | 2 | 0 | 5 | 1 | 0 | 2 | 11 |
| Total | 2 | 12 | 13 | 2 | 41 | 3 | 2 | 25 | 100 |

Table 4: Descriptive Statistics

| Variable | Mean | Std. Dev. | Min | Max | Observations |
|---|---|---|---|---|---|
| # of M&As | 5.235398 | 4.109806 | 1 | 22 | N = 759 |
| Revenues | 46941.4 | 30047.53 | 12817 | 181518.7 | N = 759 |
| Profits | 3390.334 | 29077.58 | -12176.1 | 690436 | N = 759 |
| Age | 94.95841 | 40.37138 | 3 | 198 | N = 759 |
| GDP per Capita | 30901.28 | 5461.834 | 18663.1 | 47064.4 | N = 800 |

included as independent variables. Table 4 shows descriptive statistics for age, revenues, profits, and GDP per capita.

The dependant variable in the analysis is the number of mergers and acquisitions in each of three categories. Mergers and acquisitions were coded as domestic, regional and transnational. Domestic M&As are those in which a company merges with or acquires another company with the same home country. Regional M&As are those in which a company merges with or acquires another company whose home country is in the same region. Regions were divided into North America, Europe[2], and East Asia/Pacific. Transnational M&As are those in which a company merges with or acquires another company whose home country is not the same as the acquiring company, and outside of its region.

The data will be looked at first using simple descriptive statistics. This will be followed first by logistic regression predicting whether or not a company merges and finally by multinomial logistic regression on the dependant variable as described above. The results of this regression are compared to a regression in which the dependant variable is divided up in to five categories rather than three in order to examine transnational mergers and acquisitions more thoroughly. Hypotheses for both perspectives on globalization will be assessed in light of

[2] The European region included Eastern Europe, but not Russia.

these analyses. Finally, the results will be discussed and re-contextualized within the globalization debate.

**Results**

Mergers and acquisitions generally come in waves. Figure 2 shows the mergers and acquisition wave, and how it breaks down by domestic, regional and transnational mergers and acquisitions. Transnational mergers and acquisitions begin the period with the largest portion of the total. In 1997, they are overtaken by domestic mergers, but these two categories remain close. Regional mergers and acquisitions are clearly fewer in number than either domestic or transnational. Figures 3-5 attempt to examine the wave by home country of the company, and region of the target.

Figure 3 shows the total number of mergers and acquisitions undertaken by US companies, and the area of the target, US, EU, Asia, or Other. US companies have a relatively small share of the M&A totals, but this number increases over the time period. The increase in the number of M&As undertaken by American companies is driven by domestic US mergers. Figure 4 shows these trends for European companies. European mergers and acquisitions are strongly dominated by domestic and regional mergers (EU to EU). While the numbers of these mergers and acquisitions remained dominant over the time period, there is a distinct downward trend. Meanwhile, there is a definite upward trend in the

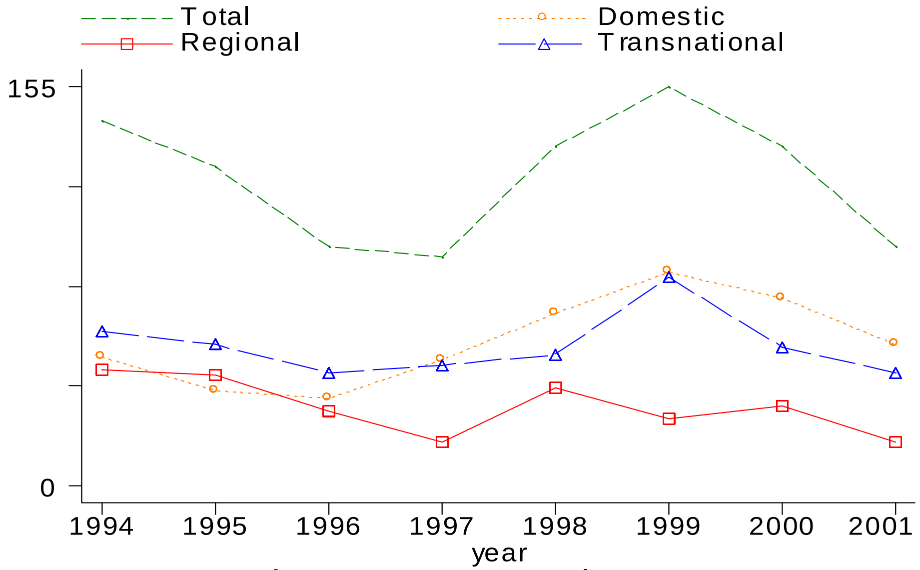



Figure 2: M&A Totals

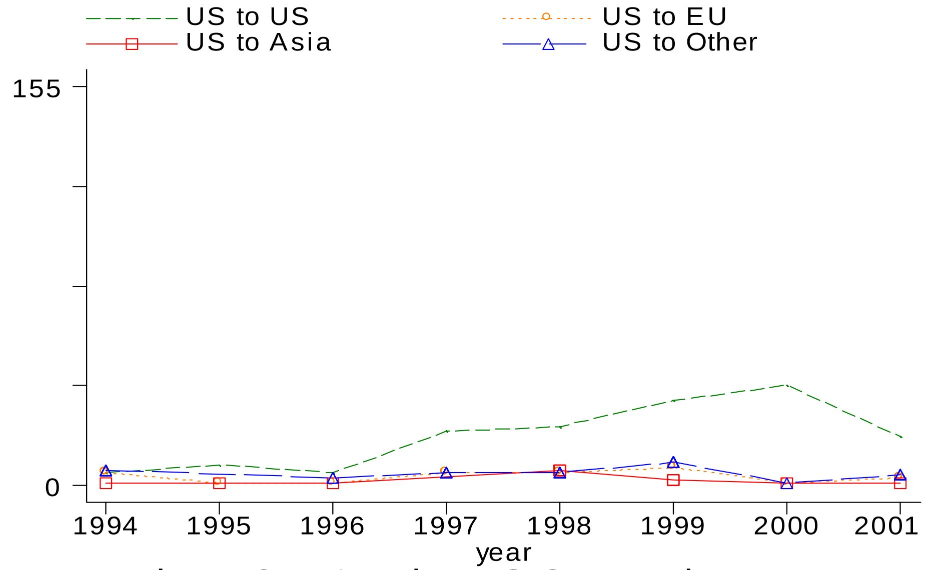



Figure 3: M&As by US Companies

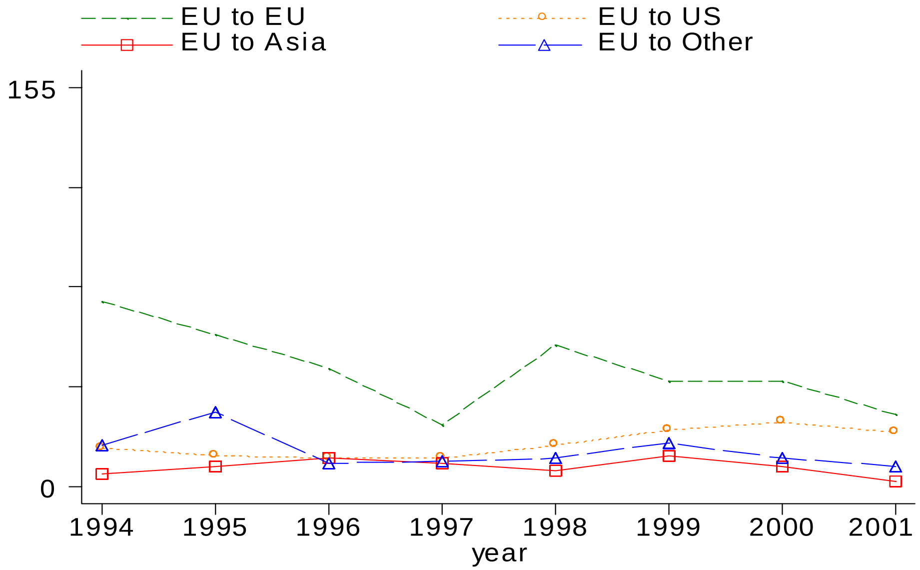



Figure 4: M&As by EU Companies

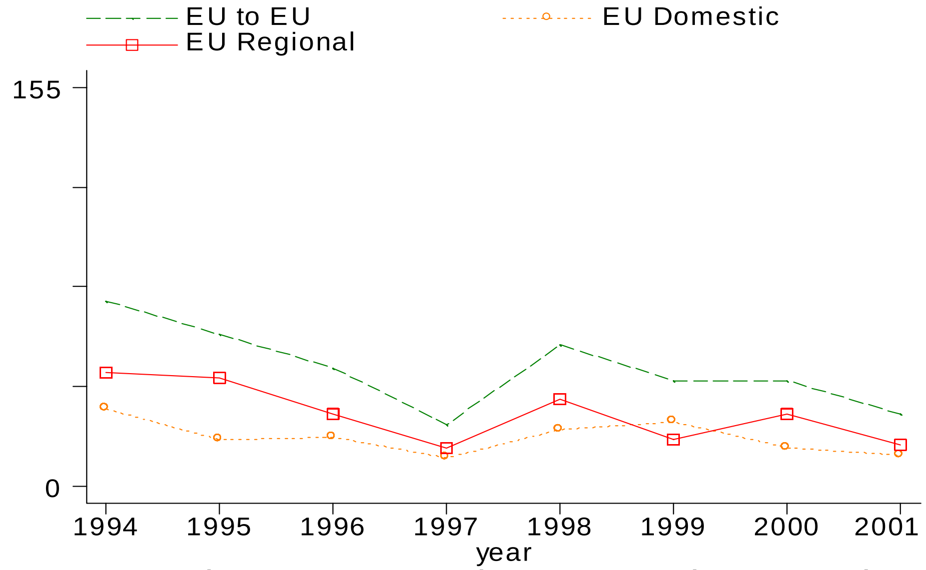



Figure 5: M&As by EU Companies, Domestic vs Regional

number of M&As European firms undertake with American firms as their targets. These two trends end with nearly the same number of M&As by European firms with targets in the US as targets in Europe. Figure 5 however, does not differentiate between those European firms buying domestically and those buying regionally. Figure 6 shows the mergers and acquisitions of European firms broken down into domestic and regional mergers and acquisitions. From this figure it appears that most of the trend is being driven by the numerically dominant regional mergers and acquisitions. Domestic European M&As remain relatively flat over the period, and seem to make up equal proportions of the total European M&As by the end of the period.

These figures suggest a few things. First, if transnational mergers and acquisitions are separated into regional and extra-regional components, domestic mergers and acquisitions are least as great in number as extra-regional transnational mergers and acquisitions.  If this is the case, companies are globalizing more than regionalizing, but only about as much as they are investing in their national economies. Second, the companies that are regionalizing are European firms. Third, European firms buy American firms more than they buy firms in developing countries. This further suggests that to the extent to which these firms are merging and acquiring extra-regionally they are doing so in the developed world.

While tables are not as clear in the examination of longitudinal data, they are quite useful for examining data cross-sectionally. Table 5 shows the distribution of

Table 5: Mergers by Home Country and Type

| Nation | | Domestic | Regional | Transnational | Total |
|---|---|---|---|---|---|
| | | M&A | | | |
| Britain | % | 0.047 | 0.256 | 0.698 | 1 |
| | N | 2 | 11 | 30 | 43 |
| France | % | 0.220 | 0.356 | 0.424 | 1 |
| | N | 42 | 68 | 81 | 191 |
| Germany | % | 0.266 | 0.348 | 0.386 | 1 |
| | N | 78 | 102 | 113 | 293 |
| Italy | % | 0.457 | 0.171 | 0.371 | 1 |
| | N | 16 | 6 | 13 | 35 |
| Japan | % | 0.565 | 0.000 | 0.435 | 1 |
| | N | 35 | 0 | 27 | 62 |
| Netherlands | % | 0.095 | 0.286 | 0.619 | 1 |
| | N | 4 | 12 | 26 | 42 |
| Switzerland | % | 0.030 | 0.358 | 0.612 | 1 |
| | N | 2 | 24 | 41 | 67 |
| U.S. | % | 0.674 | 0.062 | 0.264 | 1 |
| | N | 153 | 14 | 60 | 227 |
| Total | % | 0.346 | 0.247 | 0.407 | 1 |
| | N | 332 | 237 | 391 | 960 |

Table 6: Mergers by Industry and Type

| Industry | Domestic | Regional | Transnational | Total |
|---|---|---|---|---|
| | M&A | | | |
| Petroleum | 45 | 52 | 60 | 157 |
| | 0.287 | 0.331 | 0.382 | 1 |
| Food and Tobacco | 14 | 31 | 78 | 123 |
| | 0.114 | 0.252 | 0.634 | 1 |
| Chemicals and Metals | 46 | 42 | 69 | 157 |
| | 0.293 | 0.268 | 0.439 | 1 |
| Machine and Electric | 74 | 14 | 43 | 131 |
| | 0.565 | 0.107 | 0.328 | 1 |
| Auto and Rail | 36 | 18 | 31 | 85 |
| | 0.424 | 0.212 | 0.365 | 1 |
| Telecommunications | 18 | 18 | 12 | 48 |
| | 0.375 | 0.375 | 0.250 | 1 |
| Utilities | 44 | 28 | 26 | 98 |
| | 0.449 | 0.286 | 0.265 | 1 |
| Wholesale | 7 | 0 | 13 | 20 |
| | 0.35 | 0 | 0.65 | 1 |
| Retail | 9 | 3 | 5 | 17 |
| | 0.529 | 0.176 | 0.294 | 1 |
| Banking | 14 | 8 | 17 | 39 |
| | 0.359 | 0.205 | 0.436 | 1 |
| Credit and Insurance | 25 | 23 | 37 | 85 |
| | 0.294 | 0.271 | 0.435 | 1 |
| Total | 332 | 237 | 391 | 960 |
| | 0.346 | 0.247 | 0.407 | 1 |

M&As by type and home country of the company, and Table 6 shows the same distribution by industry rather than nation. Companies from Italy, Japan and the US all have more domestic than transnational mergers and acquisitions; meanwhile British, Swiss and Dutch companies all have a majority transnational mergers and acquisitions, and large proportions of regional M&As. The distribution looks much more even for French and German companies with transnational mergers and acquisitions just beating out domestic and regional; however, most of their M&A activity is within the EU. Turning to the M&A breakdown by industry, we can see that food and tobacco and wholesale are the most heavily transnational industries in their M&A activity. This is followed by chemicals and metals, banking, and credit/insurance/holding. The most heavily domestic in its M&As is the machine and electrical equipment industry. This is followed by the retail, utilities, and automobile and rail industries. These tables definitely seem to show nation and industry effects on type of merger, suggesting that globalization, to the extent which it's occurring is a sectorally uneven process. These descriptives still leave quite a bit to be explained. First, which companies are merging and acquiring, and which aren't? Secondly, what are the relationships between nation, industry and type of M&A controlling for other factors? Finally, what effect, if any, does size and profitability have upon propensity to merge and type of merger undertaken?

Table 7 shows the results from a random effects logistic regression on whether or not a company undertook at least one merger or acquisition in a given year. This is followed by a multinomial logistic regression on the type of merger (domestic, regional or transnational) with domestic as the baseline. The results of the logistic regression on M&A activity shows that in a given year, controlling for other variables, petroleum, auto and rail, and banks are less likely to merge and acquire than machine and electrical equipment companies. In addition, companies from all nations were more likely to undertake at least one merger or acquisition than those from Japan. Most of the non-Japanese nations however exhibited coefficients whose 95% confidence interval overlapped that of the other nations suggesting that they may not be different from one another. Finally, as the home country GDP per capita increases, the odds that a company will undertake at least one merger or acquisition increases as well.

Table 7 also shows the results of a multinomial logistic regression predicting a given M&A as domestic, regional, or transnational. As can be seen from tables 5 and 6, Japanese companies, and Wholesalers who are all Japanese, have zero regional M&As. This of course means that Japan cannot serve as the baseline for comparison in this equation. Accordingly, the coefficients for the Wholesalers, US and the US interaction effects are restricted to be zero. The industry baseline is thus Wholesalers/Machine and Electrical Equipment, the national baseline Japan/US, and revenues and profits the revenues and profits for Japanese and US companies. This being said, companies in

Table 7: Results for Logistic and Multinomial Logistic Regressions

| | M&A Dummy | | Regional | | Transnational | |
|---|---|---|---|---|---|---|
| | Beta | S.E. | Beta | S.E. | Beta | S.E. |
| Petroleum | **-1.614469** | **(0.468549)**** | 0.057947 | (0.13) | -0.161126 | (0.25) |
| Food and Tobacco | -0.882183 | (0.520658) | **0.988459** | **(2.34)*** | **1.880912** | **(3.67)**** |
| Chemicals and Metals | 0.294087 | (0.544094) | **1.061323** | **(2.52)*** | **1.306264** | **(2.44)*** |
| Automobiles and Rail | **-1.402604** | **(0.452297)**** | -0.178715 | (0.27) | -0.547442 | (0.86) |
| Telecommunications | -1.105064 | (0.648586) | 0.925111 | (1.62) | 0.154779 | (0.19) |
| Utilities | -1.156245 | (0.631435) | -0.925732 | (1.84) | **-1.36492** | **(2.11)*** |
| Wholesale | -1.007817 | (0.656281) | 0 | (.) | 0.412844 | (0.49) |
| Retail | -1.296341 | (0.692967) | **2.011082** | **(2.24)*** | 0.832237 | (0.73) |
| Banks | **-1.012084** | **(0.491503)*** | -0.257833 | (0.41) | 0.012818 | (0.02) |
| Credit/Insurance/Holding | -0.782965 | (0.467015) | -0.13764 | (0.34) | -0.150623 | (0.33) |
| Britain | **8.550338** | **(2.146758)**** | 0.050731 | (0.05) | -3.113576 | (1.18) |
| France | **6.403832** | **(1.396528)**** | **2.504324** | **(3.54)**** | -1.315922 | (0.71) |
| Germany | **6.34934** | **(1.260127)**** | **2.47751** | **(4.43)**** | -2.140161 | (1.33) |
| Italy | **8.455592** | **(2.068857)**** | -1.578524 | (1.17) | -3.819882 | (1.51) |
| Netherlands | **5.718723** | **(1.569745)**** | **2.976306** | **(4.89)**** | -0.48265 | (0.27) |
| Switzerland | **2.821716** | **(0.909329)**** | **7.52596** | **(5.38)**** | 0.888028 | (0.75) |
| US | **5.066485** | **(1.253664)**** | 0 | (.) | **-3.601309** | **(2.32)*** |
| Revenues | 0.000007 | (0.000007) | 0.000001 | (0.09) | 0.000009 | (1.18) |
| US*Revenues | -0.000006 | (0.000008) | 0 | (.) | 0.000006 | (0.52) |
| EU*Revenues | 0 | (0.000012) | **0.000029** | **(2.65)**** | **0.000027** | **(2.02)*** |
| Profits | 0.00001 | (0.000132) | 0.000066 | (1.23) | -0.000057 | (0.33) |
| US*Profits | 0.000112 | (0.000154) | 0 | (.) | 0.000091 | (0.49) |
| EU*Profits | -0.000004 | (0.000133) | -0.000058 | (0.92) | 0.000052 | (0.29) |
| Age | -0.00267 | (0.003151) | 0.001204 | (0.31) | 0.003434 | (0.82) |
| GDP Per Capita | **0.000219** | **(0.000074)**** | **-0.000268** | **(3.06)**** | -0.000146 | (1.61) |
| Constant | **-10.899994** | **(3.294918)**** | 4.572283 | (1.85) | 4.985304 | (1.23) |
| Observations | 759 | | 960 | | 960 | |
| # of Companies | 100 | | 82 | | 82 | |

Robust Z statistics in parentheses

* significant at 5%; ** significant at 1%

both the food and tobacco and the chemicals and metals industries are more likely to undertake transnational or regional M&As than domestic M&As.[3] Utilities are less likely to undertake transnational M&As while retailers are more likely to regionalize. The nation variables bear out the European regionalization and the US domestication bias. Companies from France, Germany, the Netherlands, and Switzerland all are more likely to undertake regional mergers and acquisitions, while US companies are less likely to undertake transnational mergers and acquisitions.

Finally, revenues, being used to measure size, exhibit an effect here. While size had no effect on one or more mergers, it does have an effect for European companies in the type of M&A they undertake. While size doesn't seem to matter for Japanese or Us companies in terms of undertaking a domestic, regional or transnational M&A, revenue has a strong positive effect on the odds of a regional or transnational M&A for European companies. In addition GDP per capita has a negative effect on regional mergers and acquisitions, suggesting that larger domestic economies encourage investment at home rather than regionally.

While this is a decent model, previous work on globalization focusing on trade (Fligstein 2001; Hirst and Thompson 1996)has suggested that developed countries trade with one another excluding developing countries. Relatively large numbers of European M&A targets in the US suggest that a similar pattern may be being glossed

[3] More precisely, the odds that a chemicals and metals or food and tobacco company will undertake a regional or transnational versus a domestic merger or acquisition is greater than the corresponding odds for a machine and electrical equipment company.

over in the data I have presented. The problem is that included under the "transnational" category are M&As in the US and Japan undertaken by European firms, in Japan and the EU by American firms, and in the US and EU by Japanese firms. In order to examine the possibility that this may be driving some of the transnationalization exhibited in Figure 2, tables 5 and 6 were reproduced including "transnational US" and "transnational EU" as categories.

Table 8 shows that the US is an important transnational target for companies from many of these countries. Fully twenty percent of British M&As had targets in the United States. Similar proportions were evident for German, and Japanese companies. US targets made up about fifteen percent for both Swiss and French companies, and around forty percent of the targets for Dutch companies. The only group which didn't buy a significant proportion of American firms was Italian companies. Meanwhile, the proportion of European firms bought by both American and Japanese firms was around twelve percent.

Comparing table 8 to table 5 it is obvious that most of the globalizing that Japanese firms are doing is actually Americanization and Europeanization. Meanwhile, about half of the extra-regional transnational M&As undertaken by American firms had targets in Europe. On the other hand, both German and Dutch firms buy relatively large proportions of American firms. Swiss, British and Italian firms all seem to have high concentrations of transnational mergers and acquisitions. This having been said, much

Table 8: Mergers by Home Country and Extended Type

| Nation | | M&A Domestic | Regional | Trans. Other | Trans. US | Trans. EU | Total |
|---|---|---|---|---|---|---|---|
| Britain | % | 0.047 | 0.256 | 0.488 | 0.209 | 0.000 | 1 |
| | N | 2 | 11 | 21 | 9 | 0 | 43 |
| France | % | 0.220 | 0.356 | 0.277 | 0.147 | 0.000 | 1 |
| | N | 42 | 68 | 53 | 28 | 0 | 191 |
| Germany | % | 0.266 | 0.348 | 0.147 | 0.239 | 0.000 | 1 |
| | N | 78 | 102 | 43 | 70 | 0 | 293 |
| Italy | % | 0.457 | 0.171 | 0.343 | 0.029 | 0.000 | 1 |
| | N | 16 | 6 | 12 | 1 | 0 | 35 |
| Japan | % | 0.565 | 0.000 | 0.097 | 0.210 | 0.129 | 1 |
| | N | 35 | 0 | 6 | 13 | 8 | 62 |
| Netherlands | % | 0.095 | 0.286 | 0.238 | 0.381 | 0.000 | 1 |
| | N | 4 | 12 | 10 | 16 | 0 | 42 |
| Switzerland | % | 0.030 | 0.358 | 0.463 | 0.149 | 0.000 | 1 |
| | N | 2 | 24 | 31 | 10 | 0 | 67 |
| U.S. | % | 0.674 | 0.062 | 0.141 | 0.000 | 0.123 | 1 |
| | N | 153 | 14 | 32 | 0 | 28 | 227 |
| Total | % | 0.346 | 0.247 | 0.217 | 0.153 | 0.038 | 1 |
| | N | 332 | 237 | 208 | 147 | 36 | 960 |

Table 9: Mergers by Industry and Extended Type

| Industry | M&A Domestic | Regional | Trans. Other | Trans. US | Trans. EU | Total |
|---|---|---|---|---|---|---|
| Petroleum | 45 | 52 | 42 | 18 | 0 | 157 |
| | 0.287 | 0.331 | 0.268 | 0.115 | 0.000 | 1.000 |
| Food and Tobacco | 14 | 31 | 57 | 15 | 6 | 123 |
| | 0.114 | 0.252 | 0.463 | 0.122 | 0.049 | 1.000 |
| Chemicals and Metals | 46 | 42 | 31 | 32 | 6 | 157 |
| | 0.293 | 0.268 | 0.197 | 0.204 | 0.038 | 1.000 |
| Machine and Electric | 74 | 14 | 11 | 24 | 8 | 131 |
| | 0.565 | 0.107 | 0.084 | 0.183 | 0.061 | 1.000 |
| Auto and Rail | 36 | 18 | 18 | 5 | 8 | 85 |
| | 0.424 | 0.212 | 0.212 | 0.059 | 0.094 | 1.000 |
| Telecommunications | 18 | 18 | 6 | 6 | 0 | 48 |
| | 0.375 | 0.375 | 0.125 | 0.125 | 0.000 | 1.000 |
| Utilities | 44 | 28 | 11 | 15 | 0 | 98 |
| | 0.449 | 0.286 | 0.112 | 0.153 | 0.000 | 1.000 |
| Wholesale | 7 | 0 | 3 | 6 | 4 | 20 |
| | 0.350 | 0.000 | 0.150 | 0.300 | 0.200 | 1.000 |
| Retail | 9 | 3 | 2 | 0 | 3 | 17 |
| | 0.529 | 0.176 | 0.118 | 0.000 | 0.176 | 1.000 |
| Banking | 14 | 8 | 7 | 9 | 1 | 39 |
| | 0.359 | 0.205 | 0.179 | 0.231 | 0.026 | 1.000 |
| Credit and Insurance | 25 | 23 | 20 | 17 | 0 | 85 |
| | 0.294 | 0.271 | 0.235 | 0.200 | 0.000 | 1.000 |
| Total | 332 | 237 | 208 | 147 | 36 | 960 |
| | 0.346 | 0.247 | 0.217 | 0.153 | 0.038 | 1.000 |

of these distinctions may be due to the confluence of industry effects. The fact that only two firms each are in the sample from Britain and Switzerland has enormous consequence for the national distribution of merger types. Both Britain and Switzerland have a large food company amongst their ranks. Unilever and Nestle are very transnational in their acquisition patterns suggesting that some of the transnational character we observe in the M&A pattern of companies from these nations is due to the global character of the food and tobacco industry.

Table 9 shows the expanded M&A typology cross-tabulated with industry categories. The most significant difference between table 9 and table 6 is the significant portions of transnational M&As in the US in every industry but auto & rail and retail. As for Europe, there is no particular industry Europeanizing from outside of the region, but wholesalers and retailers both have relatively high proportions of EU mergers and acquisitions. Both of these tables show significant differences from their previous counterparts. This suggests that a regression model reflecting these expanded categories might be substantively more interesting than the previous model. Table 10 shows the results of this new model.

The coefficients in the 'regional' equation of this model look very similar to those of the previous model. The exceptions are that food and tobacco and chemicals and metals are no longer significant in this equation, but are significant in the equation for transnational M&As outside of Europe and the US. Utilities are both less likely to merge

Table 10: Results for Multinomial Logistic Regression on Expaned Mergers and Acquisitions Categories

| | Regional | | Trans. Other | | Trans. US | | Trans. EU | |
|---|---|---|---|---|---|---|---|---|
| | Beta | S.E. | Beta | S.E. | Beta | S.E. | Beta | S.E. |
| Petroleum | -0.095137 | (0.480984) | 0.371288 | (0.637633) | -0.900452 | (0.778647) | 0 | (0.000000) |
| Foodvand Tobacco | 0.264666 | (0.485476) | 2.112289 | (0.403657)** | -0.864338 | (0.679974) | 1.990569 | (0.748649)** |
| Chemicals and Metals | 0.761879 | (0.417543) | 1.612251 | (0.541643)** | 0.579006 | (0.462591) | 1.751593 | (1.024227) |
| Automobiles and Rail | -0.503505 | (0.644225) | -0.190323 | (0.554407) | -1.845061 | (0.727971)* | 1.860436 | (0.934539)* |
| Telecommunications | 0.788458 | (0.525405) | 0.223227 | (0.870809) | 0.432527 | (0.665673) | 0 | (0.000000) |
| Utilities | -1.104236 | (0.497195)* | -1.138692 | (0.706186) | -1.763994 | (0.609078)** | 0 | (0.000000) |
| Wholesale | 0 | (0.000000) | 0.498581 | (1.080334) | 0.583202 | (0.953420) | 1.890531 | (1.235051) |
| Retail | 1.939188 | (0.930374)* | 0.616585 | (1.166433) | 0 | (0.000000) | 2.172841 | (1.343336) |
| Banks | -0.36691 | (0.691498) | 0.506984 | (1.055007) | -0.437905 | (0.666641) | 2.147941 | (1.471374) |
| Credit/Insurance/Holding | -0.330912 | (0.438432) | 0.400394 | (0.510015) | -0.675545 | (0.498860) | 0 | (0.000000) |
| Britain | 1.706532 | (0.921089) | 0.109495 | (2.608953) | 8.436505 | (1.542595)** | 0 | (0.000000) |
| France | 2.735454 | (0.701508)** | 1.225049 | (2.257778) | 5.070805 | (1.058723)** | 0 | (0.000000) |
| Germany | 2.451594 | (0.574795)** | -0.098189 | (2.026810) | 3.765691 | (0.960460)** | 0 | (0.000000) |
| Italy | -0.234903 | (1.131977) | -0.458758 | (2.636607) | 5.37483 | (1.525466)** | 0 | (0.000000) |
| Netherlands | 2.919044 | (0.579477)** | 1.337233 | (2.254624) | 5.930963 | (0.903057)** | 0 | (0.000000) |
| Switzerland | 6.307661 | (1.169719)** | 3.006853 | (1.745831) | 2.316637 | (1.101179)* | 0 | (0.000000) |
| US | 0 | (0.000000) | -1.002406 | (1.936151) | 0 | (0.000000) | 2.172694 | (1.118676) |
| Revenues | -0.000003 | (0.000008) | 0.000014 | (0.000016) | 0.000009 | (0.000007) | 0.000019 | (0.000014) |
| US*Revenues | 0 | (0.000000) | -0.000003 | (0.000017) | 0 | (0.000000) | -0.000017 | (0.000015) |
| EU*Revenues | 0.000028 | (0.000012)* | 0.000012 | (0.000019) | 0.000026 | (0.000013)* | 0 | (0.000000) |
| Profits | 0.000084 | (0.000063) | 0.000033 | (0.000234) | -0.000139 | (0.000123) | -0.000277 | (0.000093)** |
| US*Profits | 0 | (0.000000) | -0.000037 | (0.000241) | 0 | (0.000000) | 0.000443 | (0.000133)** |
| EU*Profits | -0.000064 | (0.000078) | -0.000019 | (0.000237) | 0.000061 | (0.000137) | 0 | (0.000000) |
| Age | 0.0012 | (0.004015) | 0.000779 | (0.004665) | 0.007826 | (0.004651) | -0.0019 | (0.007932) |
| GDP Per Capita | -0.00015 | (0.000068)* | -0.000097 | (0.000080) | 0.000276 | (0.000062)** | 0.000078 | (0.000089) |
| Constant | 1.336885 | (2.049259) | 0.793763 | (3.690159) | -14.233784 | (2.637981)** | -8.135005 | (2.889961)** |
| Observations | 960 | | 960 | | 960 | | 960 | |
| # of Companies | | | | | | | | |

Robust ( statistics in parentheses
* significant at 5%; ** significant at 1%

and acquire regionally, and, along with automobiles and rail, less likely to merge and acquire transnationally in the US. Companies from all of the European nations are more likely to merge and acquire transnationally in the US than Japanese companies are, although no significant differences are exhibited in transnational mergers and acquisitions outside of Europe or the United States.Revenues also have a positive effect on European companies buying in the United States, as does the size of the domestic economy of the company's nation.

Finally, the last equation predicting M&As from US and Japanese companies in the EU shows that both auto and rail companies and food and tobacco companies are more likely to buy there. Interestingly, less profitable Japanese companies are more likely to buy European while more profitable American companies are more likely to do so. Now that two models and various descriptives have been examined, the results will be discussed, hypotheses examined in light of these results, and finally some conclusions drawn.

**Discussion**

Both the descriptives and the analytical models presented above tell an interesting story with direct implications for the globalization debate. The hypotheses drawn from the two views of the globalization process can now be appraised in light of the results of the study:

*H1: The world's largest corporations represent an emergent capitalist class. Accordingly, they should be expanding from the wealthiest nations across the globe through FDI: Rejected.*

*H2: The world's largest corporations are seeking market share, and are still nationally based. Accordingly domestic M&As should dominate, but the transnational expansion that does occur should be from home countries to other developed countries through FDI: Rejected.*

*H3: The largest corporations are actively globalizing. Accordingly, the number of transnational mergers and acquisitions should be rising in relation to domestic mergers and acquisitions: Rejected*

*H4: Controlling for the size of the home economy, the odds that a company undertakes a transnational merger or acquisition should not differ across nations: Affirmed*

*H5: Controlling for the size of the home economy, the odds that a company undertakes a transnational merger or acquisition should differ across nations: Rejected*

*H6: To the extent to which companies are merging and acquiring across borders, they are regionalizing rather than globalizing. Accordingly, the targets should be regional: Rejected*

Over the time period examined 78.3% of the mergers and acquisitions undertaken by the largest companies in the world had targets which were domestic, regional or located either in the US or EU. This definitely casts doubt upon the idea of an actively globalizing transnational capitalist class. Although the majority of M&As enacted by these companies, 65.4%, had targets across their national borders, once these mergers are divided into regional and extra-regional, we find that around 21% of these M&As are actually regional, and a further 19% are targets in either the US or EU. While transnational M&As with extra-regional targets in nations other than EU members or the US are still a significant portion of the M&A activity, they are not the dominant type.

Furthermore 81% of the extra-regional transnational M&As with targets outside of the US or EU were undertaken by European companies. The companies which are globalizing rather than regionalizing, and globalizing outside of the US and EU, are European. The globalization that is taking place is being driven by European companies. Meanwhile, these companies are also extensively regionalizing, and to a lesser extent Americanizing.

It doesn't appear that the largest companies are buying up firms across the globe, consolidating their class position, certainly not more than they buy at home. Both domestic and transnational mergers and acquisitions follow similar patterns over time, and transnational mergers and acquisitions don't seem to be increasing in relation to domestic. This suggests the rejection of both hypotheses one and three. However, the number of domestic purchases is not strictly dominant over the number of purchases outside of the borders of the home country. This is the case for American companies, but should be expected there, due to the existence of an open market for corporate control. For companies from both Europe and Japan, domestic M&As are significant, but not anywhere near the whole story. The British companies, the Swiss and the Dutch all have low proportions of domestic mergers. While hypothesis two seems to hold for American firms: in the sample as a whole, transnational mergers and acquisitions play an important role. In addition, while the categories separating transnational M&As with targets in US and the EU from targets elsewhere soak up around half of the extra-regional transnational mergers, over 20% of the total M&As are transnational outside of these two areas. These transnational mergers do not have their targets in Japan. Kiretsu structures in Japan make M&As difficult. However, they may be going to other developed nations like South Africa, and Australia. In any case, from the data here, it doesn't look like hypothesis two can be sustained.

Turning to the multinomial logit model, it doesn't appear that companies from any nation are any more or less likely to enact non-American transnational M&As. The odds ratios here being examined are the odds of a transnational versus a domestic M&A for these companies versus those odds for a Japanese company. The odds of a transnational versus a domestic M&A are not statistically different by nation. However, European companies are more likely to buy regionally than American firms and more likely to buy American than Japanese firms. This suggests mixed evidence for hypotheses four and five. While there are no national differences in the odds of extra-regional transnational mergers with targets outside of Europe and the US, there are differences in the propensity to merge and acquire regionally and in the US. Ultimately however, hypothesis four must be accepted while hypothesis five is rejected. Although European companies are more likely to regionalize, for German, French and Swiss companies these were the most prevelant, the total number of regional mergers and acquisitions is below the number for extra-regional transnational M&As. Accordingly, hypothesis six must be rejected.

*H7: The largest corporations in the world are globalizing. Accordingly, those companies with the largest revenue streams should undertake more transnational mergers and acquisitions: Rejected*

*H8: To the extent to which large companies are merging and acquiring across borders, they are doing so regionally. Accordingly, those companies with the largest revenue streams should undertake more regional mergers and acquisitions: Rejected*

*H9: For the world's largest companies, financial incentives operate in the context of a global market. Accordingly, to the extent which revenues and profits influence mergers and acquisitions, they should do so in a similar fashion regardless of the home country of the company: Rejected*

*H10: For the world's largest companies, financial incentives operate in the context of domestic and regional markets. Accordingly, to the extent which revenues and profits influence mergers and acquisitions, they should do so differentially dependant upon the home country or region of the company: Accepted*

The results of the logit model are a little clearer regarding the relationship between revenue and mergers and acquisitions. Revenues have no discernable effect on the type of mergers and acquisitions a company undertakes. The exception is for European companies whose odds of buying regionally or in the US increase with revenue. While revenues do not increase the number of transnational M&As, regardless of the home country of the company, it might be reasonable to think that this is an effect of the sample, and that revenues may have a threshold effect on the likelihood of transnational mergers and acquisitions. Because the largest corporations in the world are deemed so in light of their revenue streams, it might be reasonable to think that companies in the same revenue class would have similar propensities for undertaking transnational mergers and acquisitions. It might be reasonable to think that a revenue effect would appear if the size of the sample expanded to the top two hundred and fifty or five hundred companies.

In any case, no revenue effect on the odds of a transnational merger or acquisition appears here. This is also true of American companies regionally, but there is an effect for European firms both regionally and with targets in the US. This suggests that while we can reject hypothesis seven, the evidence for hypothesis eight is mixed. Finally, the fact that revenue doesn't matter for American or Japanese firms in influencing the odds of any of these types of mergers, but it does matter for European firms allows for the rejection of hypothesis nine and the acceptance of hypothesis ten. Interestingly, there is also a differential effect of profits for Japanese and American firms on the odds of buying in Europe versus domestically. This suggests that Japanese firms buy in Europe when business is running poorly; meanwhile American firms tend to buy in Europe when residual cash flows are high.

While the theories being examined do not make general predictions about industry effects, the results lend themselves to some obvious conclusions. The food and tobacco industry is global in the character of their M&A patterns; meanwhile the utilities industry is domestic, most likely due to increasing deregulation, especially in Europe. Retailers are more likely to undertake regional mergers and acquisitions, and auto and rail companies are less likely to buy abroad in the US, reflecting the relative strength of the automobile industry there. At the same time companies in this industry are more likely to buy abroad in Europe.

**Conclusions**

The fact that so many of these hypotheses were rejected suggests that neither perspective is adequate for explaining the merger and acquisition activity of the world's largest corporations both domestically and across borders. While the evidence doesn't seem to point towards the formation of a transnational capitalist class, neither does it support the strong version of the globalization in question argument.

The evidence doesn't seem to fit well into either of the two perspectives suggesting that a new perspecitive on globalization needs to be developed. The companies in the sample are indeed globalizing. Even when cross border mergers which are regional, or extra-regional with targets in the US or Europe are separated from transnational mergers in general, companies seem to be globalizing. The proportion of mergers and acquisitions that are transnational with targets outside of the US or Europe remains above 20% for the period studied.

Furthermore, the results from the multinomial logistic regression show that nation, size, and profit do not have an effect on the likelihood a company undertakes a transnational versus a domestic merger. The only industry effects were observed for food and tobacco and chemicals and metals both of which were more likely to merge and acquire transnationally than domestically. The lack of significant effects in this equation implies that this class of mergers and acquisitions are, controlling for the variables in the equation, no more or less likely than domestic mergers and acquisitions.

All of this points to the importance of transnational mergers and acquisitions outside of the developed world. If the evidence doesn't support a strong version of "globalization in question", neither does it support the idea of an emergent transnational capitalist class. While there is evidence of significant mergers and acquisitions with transnational targets outside of US or Europe, there is also abundant evidence of regionalization, and Americanization. When Hirst and Thompson wrote their book, they found that much of the oft touted globalization was in fact regionalization, or companies investing abroad in developed economies. While this was not the whole story of the merger and acquisition wave, it was an important part of it.

While American firms remain heavily domestic in their M&A activity, European firms are definitely regionalizing. Both they and Japanese firms have significant numbers of targets in the US. Furthermore, it is the larger of the European firms which are buying regionally and buying in the United States. The importance of regionalization and Americanization, particularly for European firms is certainly due in some part to the creation of a single market in Europe and the open market for corporate control in the United States. However, even British companies, whose domestic market for corporate control is nearly as open as that of American firms, are buying regionally and in the States.

The global pattern of mergers and acquisitions by the world's largest companies shows that while companies are globalizing, they are not doing so in a manner congruent with the creation of a transnational capitalist class. Truly "global" mergers and acquisitions make up a significant portion of mergers and acquisitions, but domestic investment still remains more important for many of these corporate titans. While many of these companies are becoming increasingly global, they do seem to be nationally rooted. European companies are perhaps less so, but increasingly regionally rooted. Both globalization proponents and doubters have important contributions to make in the study of this much debated process. What has been shown here is that a weaker version of economic globalization must be considered in which companies are globalizing, but are doing so unevenly and while retaining regional and or national roots. As is often true in debates, the strong versions of either side of the issue are less congruent with the evidence, and a theoretical middle ground must be sought. This seems to be the case here as well.

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